CONTRIBUTION SCENARIOS

INDIVIDUALS/REVOCABLE TRUSTS OWNERS II

Property is owned by individuals as tenants in common and only a portion of the titleholders want to contribute the property.

BUY OUT

If the property has little or no debt, the non-contributors may be bought out by the contributors. To facilitate this transaction, the fund would loan the contributors the money required to acquire the non-contributors' interest in the property (to secure this loan, the contributors would pledge their units in the fund).

This loan would remain in place until the contributors fully repaid the note. Until then, it would accrue interest, which would be paid with the contributors' quarterly distributions. This scenario will typically only work if the non-contributors' interest makes up less than 25% of the total value of the property and there is little to no existing debt.

LAND DIVISION

Another option would be to physically split the land so that the value of each parcel is proportionate to the value of each owner group's interest: those that want to contribute their land to the fund (the A Group) and those that don't (the B Group) (note that this will typically only work if the land has less than 25% debt to value).

If there was debt on the whole of the land prior to the split, you will likely need to get a new loan for the A Group land and a separate new loan for the B Group land. The A Group then contributes their land to the fund.

If the property is secured by a mortgage that is not assignable, the fund would loan the contributors the money required to pay off the existing debt (to secure this loan, the contributors would pledge their units in the fund).

This loan would remain in place until the contributors fully repaid the note. Until then, the note would accrue interest, which would be paid by the contributors' quarterly distributions. Whether such a transaction can be done on a tax deferred basis requires careful analysis and is fact specific. Please consult with your tax advisor before proceeding.

SOWER
LEGACY FARMLAND FUND

402.502.9252
www.legacyfarmlandfund.com