



CONTRIBUTION SCENARIOS

INDIVIDUALS/REVOCABLE TRUSTS OWNERS IV

Property is owned by individuals as tenants in common, one of whom would like to continue to own his/her interest directly and lease and operate the ground while the other owners would like to contribute their interest to the fund and not be involved in the day-to-day operations.

SCENARIO

The contributors can contribute their tenant in common interests to the fund, which shall hold them in a new subsidiary (Newco). Contemporaneously with this contribution, the non-contributor shall contribute their interest directly into Newco as well, creating a partnership for tax purposes, which shall be managed by the fund.

The non-fund partner/operator can enter into a lease agreement with Newco. All income and loss from the partnership shall be divided proportionally between the fund and the non-fund partner/operator.

If the property is secured by a mortgage that is not assignable, the fund would loan the contributors and the non-contributor the money required to pay off the existing debt (to secure this loan, the contributors would pledge their units in the fund and the non-contributor would pledge his/her interest in Newco).

This loan would remain in place until the parties fully repaid the note. Until then, the note would accrue interest, which would be paid by the contributors' quarterly distributions and the non-contributor's share of Newco distributions. This scenario will typically only work if the land has less than 25% debt to value.