JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

V. INDUSTRY SEMINARS AND SPEECHES - SHORT TERM

I. Other Presentations In Which Either The Date And / Or Sponsoring Organization Is Missing

1. Risk Management/Investment Related Topics

e. Some New Perspectives on Money Management Strategy", no date

SOME NEW PERSPECTIVES ON MONEY MANAGEMENT STRATEGY

I. Mortgage Lending in a Nutshell

   A. The pleasure, pain, and bail-out theory of loaned security

   B. Purchase of a set of assumptions

   C. Control of the surprise potential

   D. Incentive collateral

II. Modern management defines risk as the potential variance between expectations and realizations, i.e., between proforma prospects and balance sheet and P & L statements.

   A. Dynamic risks can produce profit or loss and are best controlled by the finesse of management execution of a plan.

   B. Static risks are those which can only cause a loss due to surprise upset of a plan.

   C. Risk management has two objectives:

      1. Conservation of existing enterprise assets despite surprise events
      2. Realization of budgeted expectations despite surprise events

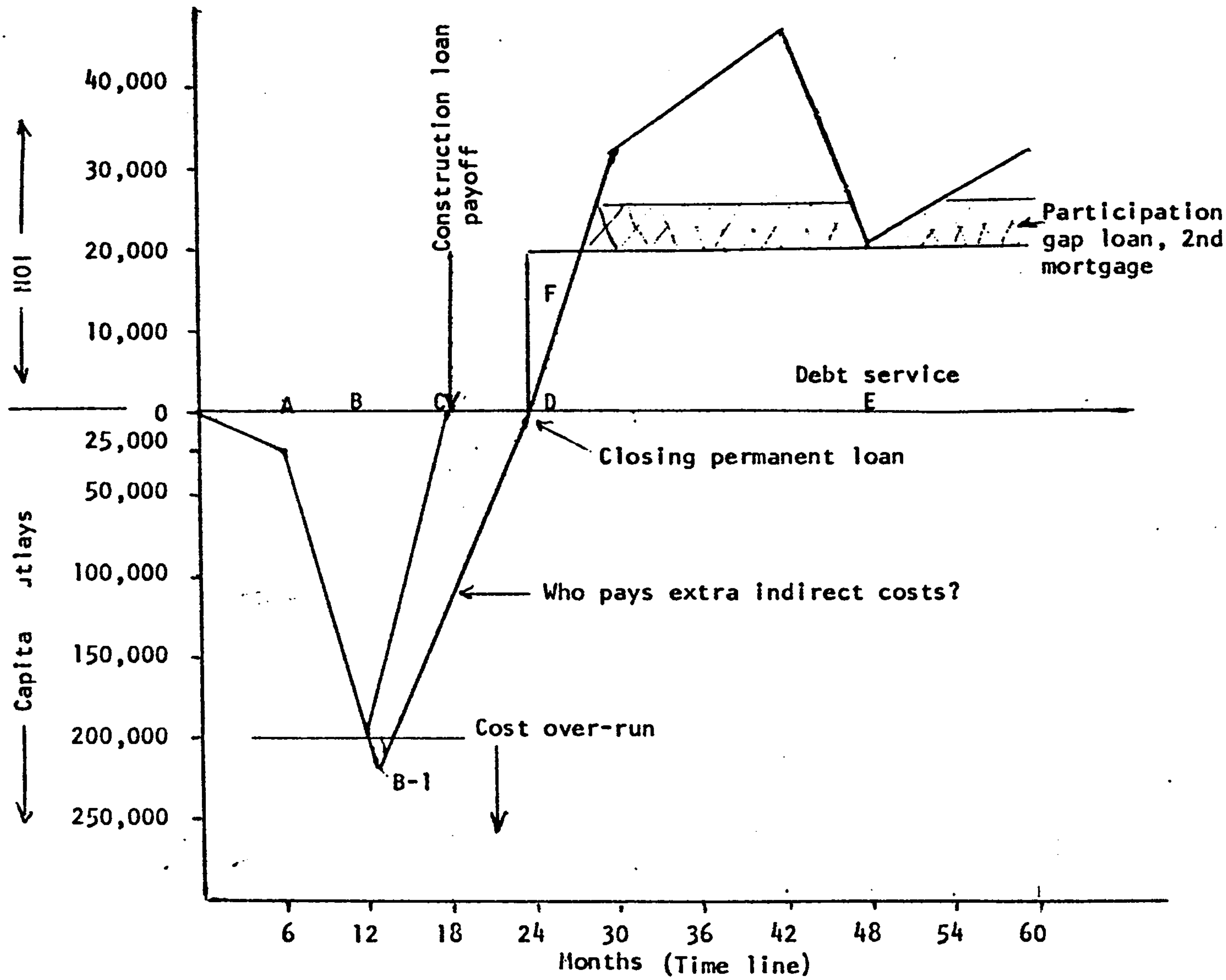
   D. The process of risk management involves:

      1. Identification of significant exposures to loss
      2. Estimation of potential loss frequency and severity
      3. Identification of alternative methods to avoid loss
      4. Selection of a risk management method
      5. Monitoring execution of risk management plan

   E. Alternative methods for surviving potential risk losses:

      1. Eliminate uncertainty (research or confirm)
      2. Reduce frequency or severity of loss contingencies (incentive contracts)
      3. Combine risks to increase predictability (reserves for expenses or pool investments)
      4. Shift risk by contract (subcontracts or escape clauses)
      5. Shift risk by combination by contract (insurance)
      6. Limit maximum loss (corporate shell or limited partnership)
      7. Hedging (gap financing)

   F. A graphic representation of real estate cash flows will serve to review the nature of yield and risk control in real estate financing and investment and provide a method for analyzing loan opportunities or limited partnerships.



A = Start of construction
B = Estimated completion date
B-1 = Actual completion date
C = Construction loan payoff
C-D = Gap financing period
D-E = Positive cash flow and gap loan participation
F = Negative cash throw-off

III. Analysis of a Limited Partnership Prospectus

A. From the investor viewpoint there are five basic areas of consideration in the selection of limited partnership investment.

1. Strategic choice of property type
2. Attributes of specific property or property pool
3. The marketing method utilized to sell security
4. The use of incentive clauses for control of the general partner
5. The financial projection

B. The strategy in picking a property is to decide where on the time line you wish to commit because of the profit centers in which you wish to participate.

1. The profit centers
2. Position on the time line as a risk control device
3. Staging of capital outlay
4. Priority of claim on cash proceeds and tax shelters
5. Measures of yield

C. Attributes of specific property

1. A limited partnership share is a second mortgage revenue bond
2. Does it lower break-even point for high risk development venture?
3. Does it accelerate payback for the general or limited partner?
4. Does it retail sizzle for the cow carcass bought wholesale?

D. The marketing method utilized to sell security

1. Direct selling in the traditional real estate manner - high cost per unit sold for packager and high cost for investor because of brokers front end load.
2. The seminar approach - loss of credibility, loss of efficiency and now questions of legality.
3. Channeling through securities brokers (efficiency of mutual shares marketing but dependency on uninformed licensed security salesmen).
4. Marketing compensation consists of front-end loads, management fees, or praticipation in the event - % of asset or of money raised?

E. The use of incentive clauses for control of the general partner

1. Disenchantment clauses for replacement of general partner or property manager or both are critical.
2. Dissolution clauses for sale or refinancing must be watched carefully where general partner has participation.
3. Variance in projections must be controlled:
   a. Provision for cost guarantees
   b. Provision for earn-outs against absorption period
   c. Provision for loans and terms from general partner or assessment and penalties for limited partners for liquidity gaps

d. A guarantee against negative cash flows
e. Protection against construction of competitive units on adjacent property with 36 month option or right of first refusal.

4. Incentive clauses to make self interest of general partner the same as limited partner.

a. Management fee subject to downward adjustment each year if certain expenses have increased at a greater rate than gross income.
b. Bonus management fees for occupancy in excess of a stated level, say 94% or absorption rate in excess of some stated schedule.
c. Controls on GP access to certain profit centers such as leasing equipment to partnership, insurance premiums, or similar spinoffs contingent on meeting certain cash payouts to limited partners on a cumulative basis.

IV. Current Trends in Real Estate Investment

A. Sensitivity analysis reveals marketing is the most critical factor followed by cost to acquire.

1. Increasing use of primary consumer research to gain a competitive edge in a specialty market
2. Control of purchase price through acquisition of the stress property

B. Shift of real estate value creation from asset management to liability management means greater emphasis on financial attributes.

1. Real estate investment as a security with increased state and federal regulation
2. Standardization of real estate accounting and terminology
3. The war between security dealers and NAREB

C. Buying a set of assumptions rather than brick and mortar means innovation to test ranges of assumptions.

1. Operational real estate investment probability or risk density models have been built in various parts of the country
2. Real estate portfolio risk models are also under development to apply "covariance investment theory" which is used for the securities market by various institutions
3. The impact of EDUCARE and the computer terminal

D. The encroachment of professionals in economic, market, and money management squeezes out appraisal concepts and practitioners.

1. Management consulting firms such as Gladstone, Gruen, Market Facts, etc.
2. Real estate services of accountants, lawyers, and engineers
3. Bank trust department advisory services

E. The questions asked no longer are served by present concepts of highest and best use or fair market value and are therefore no longer answered by appraisers.