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TODAY'S FINANCING CHALLENGES

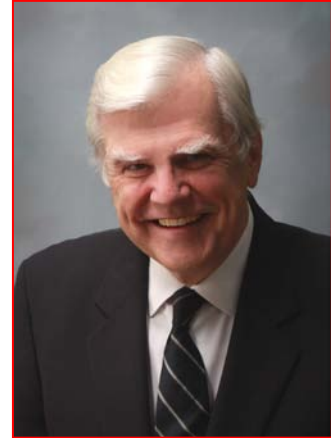
Solutions for today's complexities

Money is available! There is always a solution for financing today's developments. Despite claims to the contrary, smart money is around. Many of us do not like the terms that allow us to access the financing that is available.

Although most lenders have a different approach to today's market, all lenders also have basic principles that are axioms in the industry. Understanding these will better enable the developer to think through the most successful financing plan for his development.

A few of these "ground rules" follow:

- A market must be proven to exist for every product.
 - For residential developments this may include a heavier pre-sales component or guarantee than in previous years.
 - For hotels and other components the market must be clearly shown to exist
 - Support from established brand names and highly regarded experts is useful
- A more substantial equity than previously experienced is necessary.
 - Quasi or substitute equity can be utilized in the capital committed.
 - Guarantees can be used, or third party endorsements can be utilized to enhance the desirability of the loan.
 - There are many methods developed by Panorama to raise equity or quasi equity. Develop your own set of how equity funds can be secured.
- Carve the project into smaller meaningful "bites" or segments. Often a lender likes to see other lenders committed to a project. This can be done by segmenting different types of financing for different components within a project. In this manner:
 - An infrastructure loan can be organized to develop the property. The land and infrastructure with entitlements, upgrade the value of the land many times for your asset column.
 - Infrastructure has different meanings with different lenders, but usually includes roads, potable water distribution and treatment, irrigation water distribution, sewage collection and treatment facilities, power and communications.



Williston Clover, President, Panorama

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- Sometimes a lender will include commonly used facilities that enhance value in the infrastructure loan. Golf courses, tennis facilities, marinas, offices, landscaping and public buildings are often acceptable.
- Superstructure – that is vertical construction – can be financed as a one-off project separately from the infrastructure and land.
 - Residential construction (including houses, condominiums, and Fractionals), hotels, commercial buildings, and service buildings can all be financed in various methods.
- Consider the many established ways to raise financing –either debt or equity - and decrease risk. You can develop your own list and criteria, but a few interesting methodologies of the list of 25 Panorama has developed include:
 - The use of financial guarantees. Although increasingly difficult to obtain, financial guarantees reduce both the perception and reality of risk to a traditional lender and reduce interest rates. They also are costly – and the interest savings are often gobbled up by the cost of the guarantee. The bonus – a development gets the development loan.
 - The use of multilateral loans combined with private capital. A unique structure devised by Panorama experts allows a higher L/V loan at lower risk for all concerned.
 - Fractioning – a concept developed by the late (and great) William Zeckendorf is ideal for resort and resort/residential development. Fractioning calls for the financing of the component of a building, rather than the whole structure.
- Risk Reduction is essential. Think through the loan request as if you were the lender. Undertaking risk has shortened many a financial shelf life, as the unexpected usually happens.
 - How can you reduce risk by using third party validation source?
 - Pre-sales
 - The use of established names and brands
 - The use of contractors and suppliers who are established and successful
 - Various forms of insurance.
 - Use of the most modern estimating and plan conflict resolution software (eliminating change orders).
- Superior Packaging to Increase Placement Potential: Lenders want to see the concise presentation in an easy read. This needs to be followed with a completely detailed report on each of the key issues of the proposed or existing development. All elements should be prepared by a third party consultant. Although there are “file cabinets” of detail that make up the detail of the finished product, the presentation includes:
 - A detailed concept

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- The preliminary master plan or site plan (not just a land use plan)
 - Sports and activities planning
 - Sustainability reports for environment and social purposes
 - Prototypical preliminary architecture and renderings
 - Preliminary engineering
 - Costing
 - Pricing
 - Market studies for each component
 - Economic studies and projections – all inclusive
 - Cash sources and supply
 - Income projections
 - Cost projections and budget
 - Branding and operator endorsements and preliminary agreements
 - Business planning
 - Operational plan so the development can survive the developer
 - Marketing Plan and budget
 - Financial Plan
 - The financial offer
- Loan Structure and strategy is everything. Thinking through the demand for capital, the tools used to raise the capital, the best employment of your own assets, and how one blends different capital sources together to reduce risks, and create profits is the mark of a seasoned professional.
- Think through with your advisors how to employ your capital in order to make the best use of your capital.
 - The methodology and strategy of the offer takes all elements above (and many others) into consideration, but allows equity, quasi equity, primary and secondary lenders, mezzanine lenders, income projections, pre-sales, endorsements and guarantees, and the use of specialty finance to be included in a plan that will best assure that financing in each category can be secured.
 - Use and package the best third party names and involvement. Use brand names, recognized consultants and time proven experts in the creation of the structure,
 - Review each element from the lender's viewpoint; reduce risk, buffer around disaster, and assume that the lender is interested in primarily protecting his investment and secondarily making a profit.

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- Use endorsements, reputation, past successes, or associate with people who have had these successes.
- Flexibility: Regardless of how well thought out the plan might be, there will always be changes in approach from a lender. The lender/investor will have their own ideas and these should be embraced – if found practical for your endeavor.

The above are simply a few hints at a successful pre-finance and finance effort. The depth of a successful offer financially and its placement is a large undertaking, and often left to professionals with the right existing contacts in the financial world.

The fun is in the success of the placement and then the smooth implementation of a merger of “money, market, and manpower”, elements always necessary in any endeavor.