

Real Estate Preferred Equity Investments: *Issues Concerning the Sponsor Principal*

Thompson & Knight



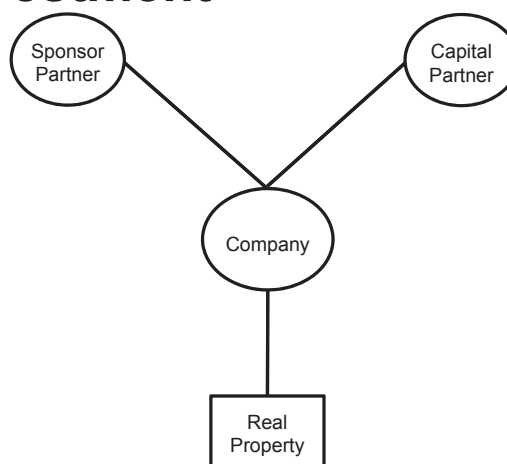
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2014 MORTGAGE LENDING INSTITUTE
UNIVERSITY OF TEXAS SCHOOL OF LAW

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Introduction

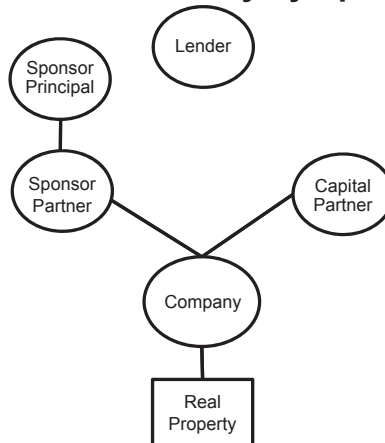
- **Basic Form of Real Estate Preferred Equity Investment**



Introduction (cont.)

- **Structure rarely this simple**

- Multiple variations
- One common variation: **Guaranty by Sponsor Principal**



Outline of Presentation

- **Nomenclature and a dichotomy**
- **Consequences for the Sponsor Principal based on type of Real Estate Capital Investment Agreement**
- **Issues attending removal or departure of the Sponsor Principal from involvement with the Company**

Part I: Nomenclature and a Dichotomy

- **Nomenclature**
 - Capital Partner
 - Sponsor Partner
 - Sponsor Principal
 - Company
 - Project

Part I: Nomenclature and a Dichotomy (cont.)

- **Dichotomy**

Debt



Equity

- Agreements at “Debt” End of Continuum: “Preferred Equity Agreements”
- Agreements at “Equity” End of Continuum: “Joint Venture Agreements”
- Collectively: “Real Estate Capital Investment Agreements”

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Also available as part of the eCourse

[Commercial Mortgage Lending: Economic Development Incentives; plus Real Estate Preferred Equity Agreements](#)

First appeared as part of the conference materials for the

48th Annual William W. Gibson, Jr. Mortgage Lending Institute session

"Real Estate Preferred Equity Agreements: Issues Concerning the Sponsor Principal"