Schiff Hardin

BLIND POOL FUND V. PLEDGE FUND

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Real estate Sponsors raising capital from Investors have multiple ways to structure the investment. Sponsors with strong track records commonly raise funds in which Investors commit to funding capital as and when determined by the Sponsor and the Sponsor has flexibility within pre-negotiated parameters to invest without approval from Investors. Such funds are known as Blind Pool Funds. Sponsors without strong track records commonly raise funds in which Investors are given first look at investment opportunities located within a pre-negotiated geographic area and of a pre-negotiated asset class (without set parameters) and Investors elect on a deal-by-deal basis whether to invest in a given opportunity. Such funds are known as Pledge Funds. Below is a chart that briefly summarizes some of the characteristics of these types of funds.

	BLIND POOL FUND	PLEDGE FUND
Types of Investors	Sponsors can attract institutional Investors who are either not equipped or do not wish to review investments on a deal-by-deal basis and prefer to rely on the expertise of the Sponsor and the pre-set parameters.	Sponsors are more likely to attract non-institutional Investors who prefer overseeing each investment decision. Because of the frequent communication between Sponsors and Investors, Sponsors can build a strong relationship with new Investors. Sponsors can use a Pledge Fund as a springboard to launching a Blind Pool Fund.
Capital	Sponsors have certainty as to how much Investor capital is available for each transaction and depending on the size of the fund may not need joint venture partners.	Sponsors do not have certainty as to how much Investor capital is available for any given transaction and are frequently in need of additional (possibly more expensive) capital (e.g., JV partners). The uncertainty of how much Investor capital is available, delays caused by Investors' review and decision period and the need for JV partners make it difficult for Sponsors to bid on time-sensitive deals.
Fees, Expenses and Promotes	Investors pay a management fee during the investment and exit periods (typically, 1.5% of committed capital per year).	Investors usually pay fixed annual fee (based on pledged capital) for the right to invest on a deal-by-deal basis.
Timing	All expenses (e.g., legal, due diligence, organizational, travel etc.) are passed on to Investors.	Setup costs and broken deal costs incurred prior to Investors opting in are usually borne solely by Sponsors. Once Investors opt in those costs are allocated among the Investors that elected to participate in the transaction.

For additional information:

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