

## SYNTHETIC DEBT FOR DUMMIES

1. Real estate equity leveraged with synthetic debt has lower investment risk than equity leveraged with actual debt.
  - 1a. The real estate buyer cannot forfeit equity in event of a default on the synthetic debt.
2. If lessees have good credit, equity leveraged with synthetic debt has higher expected return than equity leveraged with actual debt.
3. Lessees are responsible for servicing synthetic debt, not the real estate buyer.
4. Synthetic debt is lease-based fixed-income finance, so leases matter.
5. Fixed-income finance is credit-based, so lessee credit matters.
  - 5a. Lessee credit determines the interest rate of every synthetic debt financing.
  - 5b. Synthetic debt interest rates are as low as rates on senior unsecured debt of lessees.
6. Real estate leveraged with synthetic debt is securitized, as is the synthetic debt.
7. Real estate buyers considering synthetic debt finance need to be sure of two main points.
  - 7a. Need to verify point #1a.
  - 7b. Need to verify point #2.
  - 7c. 7(a) and 7(b) should be the primary concerns from the real estate buyer perspective.