

KNIGHT AUSTIN

Glade Knight sits in his office wondering how his company will be able to overcome this latest problem. Knight-Austin has built their entire company on the real estate syndication business, which gives wealthy investors the opportunity to receive large tax write-offs on their real estate investments. Congress passed the Tax Recovery Act of 1986 several months ago in mid-1985, and most of the benefits of the syndication structure have been eliminated. As soon as the real estate industry caught wind of the scope of the tax changes real estate prices tumbled, and properties only sold at a deep discount. After the change in the tax laws, Knight-Austin tried to sell their \$150 million dollar portfolio of real estate, only to find the market void of buyers.

Knight-Austin faces two serious problems. First is the problem of their current real estate portfolio. They own and manage approximately 6500 residential rental units. Up to this point, a negative cash flow has been tolerable because of the increased write offs the investors received. Now they must have positive cash flows or the company will go bankrupt.

Previously, the new investment money funded the negative cash flow. With real estate investment drying up, this practice becomes impractical.

The tax law change is retroactive, so properties in the current portfolio must now perform on a cash flow basis. Glade believes that their conservative history will help them through the cash flow crunch. Many of their properties do have a solid positive cash flow, and should pull the entire portfolio through the crisis.

The second problem that the company faces is one of growth and viability in the new marketplace. Glade realizes that syndications no longer make economic sense for the investors. The flow of money into real estate has already come to an abrupt halt. How will the company deal with this seemingly lethal blow to their business?

HISTORY OF KNIGHT-AUSTIN

Glade Knight was born in 1944 into a Utah farming family, and worked in the farming industry for nearly 20 years. He worked on the family farm from a very early age, and worked at a dairy while attending Brigham Young University.

In 1968, Glade volunteered for the army and was stationed at Fort Lee in Virginia. He went through Officer Training School and Instructor's School at Fort Lee. He was invited to teach at the same instructor's program he had just finished as a student. He remained at the Instructor's School for nearly three years.

Introduction to the Syndication Business

While teaching at the instructor's school Glade met an old friend from Utah, Keith Campbell. Keith was a bright, well-educated man working for the Mobil Chemical Company. At the time, Glade was struggling with the decision of what career path he should seek, so he asked Keith for his opinion. Keith said: "If I were you I would go and get my real estate license." In the past, Glade had not considered real estate salespeople extremely reputable, but respected Keith's suggestion and decided to follow Keith's advice.

After completing the licensing course, Glade met a man named Robert Goodman who took great interest in Glade's future. Mr. Goodman was heavily involved in real estate investments, and asked Glade to join his operation. Glade felt like this would be a good starting point, and accepted the job. Fortunately, the military allowed him to serve his last 6 months as an employee of Robert Goodman.

The new job for Glade entailed finding prospective investors, acquiring the real estate, and then selling the property in the future for a profit. The job paid on a commission basis and allowed Glade to benefit from any successful ventures he had a part in. The principal medium for funding the ventures at the time was through a legal entity called a syndication, which is similar to a specialized corporation. These syndications hinged on the current tax laws, effectively allowing wealthy individuals to buy a substantial tax break.

Glade spent two years working for Robert Goodman and did very well. The organization was small enough that he was able to move up very quickly, and even reached the vice-president level in two of the syndications they formed.

Glade Breaks Out On His Own

Upon leaving the military, Glade's goal was to start his own company by the age of 30. At the age of 28 he gave notice to Robert and moved out on his own. Glade had managed to save \$20,000 and felt this was adequate to start his own business. He soon purchased his first computer, leased an office, and began to put together real estate packages.

Glade soon found that the real estate business was very difficult without a well-developed network of contacts. Real estate is a networking business, and without even a banking contact he was discovering what start up was really all about. Glade was determined to succeed so he approached a local bank with the money he had saved and asked for a \$5000 dollar line of credit. To his surprise the banker told him to borrow \$10,000, backed by the money in his account. The banker explained that he should borrow the money and make consistent payments back to the bank. This would help Glade to establish the credit that he desired. To this day, Glade still works with that bank.

Soon, Glade met a man in Salt Lake City named Dick Krouse who convinced him to purchase Econolodge motel franchises in Provo, Salt Lake City, and in Idaho. Much to his dismay, Glade was unable to get bank financing for these projects and never carried out the plans.

At this time, the funds that Glade had saved up were diminishing rapidly and he felt it was time to find a partner. Glade had met a group of three individuals in Washington D.C. who were also forming syndications, so almost overnight they went into business together near the nation's capital.

Formation of Quadel

The partners decided to name the company Quadel. One of the individuals in the organization was a former assistant secretary for housing and urban development

named Norm Watson. He knew many key people in the business world, but lacked real estate knowledge. The combination of his network of contacts and the other's real estate knowledge made for a successful operation.

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At the time Quadel was putting together their deals, the Savings and Loan that they were dealing with was funding their projects with 100 percent financing. Quadel worked closely with that Savings and Loan and consequently became a preferred borrower of that particular Savings and Loan. This type of leveraged financing later became the downfall of the syndication industry.

Shortly thereafter, another partner was brought into the business, bringing the total numbers of partners to five. This new partner's name was Tom Tucker, a man who had been successful with a number of motel franchises. Tom owned several Quality Inns, and had started his own motel franchise named Red Carpet Inns. Tom was an experienced entrepreneur, and brought a great deal of key knowledge into the firm. However, he was in financial trouble and needed help. Quadel brought him in and expanded their business.

Quadel became a very diversified investment company. Due to the many different interests of the partners, they had invested in oil drilling operations, hotels, land syndication, and apartment syndication.

Glade felt Quadel needed more focus and specialization, but was unable to convince the others of this problem. Consequently, Glade sold his ownership in Quadel and went out on his own again. He did maintain his financial interest in the projects he had worked on.

Knight-Austin Corporation is Formed

The newly formed company was called the Knight Corporation. Glade quickly put together two successful packages, after which he was approached by one of his former partners, Ben Austin. Ben had been with him from the beginning of Quadel and understood Glade's goals. In addition, Glade desired to be the managing partner

in the company so that he could maintain the company focus. Ben agreed and in 1976 the two formed the Knight-Austin Corporation that exists today.

The Knight-Austin Corporation was slow in starting primarily because of a cautious, conservative approach to the business. With Quadel, Glade had always been a little hesitant at the rapid, almost undirected expansion that they experienced. With this new venture, Glade wanted to feel like he always had control of the current operations, and thus was less aggressive in his acquisition pace.

One day Ben met a man named Harry Dent, who was counsel for the Republican Party. Harry was extremely well connected in Washington DC, and could even call the President if necessary. As a result of this contact, the Knight-Austin Corporation made a number of major purchases and grew quite rapidly.

KNIGHT-AUSTIN OPERATIONAL PROCESS

Knight-Austin has developed a very structured operational procedure. The steps in the process include:

1. Investor Acquisition
2. Property Selection
3. Property Modification and Management
4. Property Disposition

INVESTOR ACQUISITION

Knight-Austin needs a substantial amount of capital in order to make the property acquisitions. The average apartment complex has an acquisition price of \$4-5 million dollars. Knight-Austin purchases these complexes through an entity known as a syndication. Knight-Austin takes anywhere between 10-20 percent ownership in the property for their expertise and organizational skills. The rest of the property

must be financed through outside investors. These investors provide the actual capital for the acquisition.

Ben Austin is mainly responsible for locating investors. His contacts allow him access to the financial elite of the Eastern Seaboard. Many of these people constantly search for methods to shield their income from taxes. Income taxes may cost them more than 50 percent of their income, and real estate is a very good tax shelter.

Often the investors have to put up little money. With the 100 percent financing provided by the Savings and Loan, the capital requirements were sometimes minimal. Investors often provided a letter of credit to only provide interim financing between acquisition and the placement of long-term debt.

The structure of syndications often made the debt load on the property extreme. Bank financing provided 100% financing for the purchase of the property. The acquisition of investors usually cost in the neighborhood of 25% of the amount of capital required. Brokerage houses that locate money for syndicators charge that amount in an up-front fee. Therefore, many projects had a debt load of 125% of the original purchase price. This type of financing usually strains the cash flow strains of even the best projects.

PROPERTY ACQUISITION

Glade Knight takes charge of property acquisition. Knight-Austin has built a solid reputation in real estate circles and receives many leads from banks, real estate brokerages, and owners of property. The process of selection consists of an analysis of the properties received from these sources.

Glade has set criteria that must be followed on each project. These criteria include:

- * A minimum of 100 units in the complex
- * Property must be located in solid neighborhoods
- * The property should be poorly managed and run-down
- * Older units are preferable with their lower acquisition cost

These criteria allow Knight-Austin to use their expertise in renovation and management to improve the financial position of the property.

PROPERTY MODIFICATION AND MANAGEMENT

The property modification and management are crucial for the success of Knight-Austin. Modification starts with the name of the complex. Knight-Austin typically changes the name and the associated image of the complex. An expensive looking sign is placed prominently on the street. If the office is run down, a complete facelift is given to the office to project a professional and successful image.

The next step is to modify the exterior of the complex. Simple color schemes with awnings and landscaping have been very common for Knight-Austin. All modifications are done by the in-house construction staff. These workers travel from project to project, and make all necessary modifications. Knight-Austin relies on the new curb appeal of their projects to attract tenants. Selected units within the complex are modified to become "luxury units." Wallpaper, chair molding, new linoleum, and new fixtures are installed in these units. Rent is raised by as much as \$100 in these units. One luxury unit is left vacant to show as the model unit.

Management centers around servicing the tenants. Knight-Austin has a one hour policy on response time for all repairs. Management is professional, and relies heavily on computerization. Operating data are followed closely by management. Operating expenses typically hover around 40 percent of gross rents because of the intense management style.

PROPERTY DISPOSITION

The long-term profitability of Knight-Austin has hinged on their ability to turn over the properties quickly. The typical plan is to purchase the property, make the physical and operational modifications, and sell the property within one year. The ability to sell quickly becomes even more important on properties that have negative cash flows.

Knight-Austin has been very successful in being able to dispose of properties at a profit. They often try to sell the property for \$1 million more than the acquisition price. The down payment received from the new owners pays off the initial investment and Knight-Austin takes their equity in the form of a third or fourth position note on the property.

KNIGHT-AUSTIN PROFITABILITY

The company has maintained a very high level of profitability over the years. Money is made through several methods.

1. Knight-Austin takes 10 percent of the acquisition price as their syndication fee. This fee is financed through the long-term financing and is paid in cash to the company.
2. Knight-Austin makes five percent on all gross rents of the project. This management fee is over and above all expenses of the project.
3. Knight-Austin receives 30-50 percent of all upside potential of the project. A project that is purchased for \$3 million and sold for \$4 million has \$1 million in appreciation. Knight-Austin receives up to half of that increase.

The concept has worked very well for Knight-Austin. Glade Knight must decide what direction the company will now take. The syndication business does not seem to be a viable option for them in the future. What should he do?

EXHIBIT 1

SYNDICATION

Syndications have been used extensively to shield current income from taxation. With personal income tax rates reaching 50 percent, many high income earners search for a tax shield.

The syndication concept: Income in one area may be offset by a loss in another portion of a person's business. Syndications are formed to provide a tax loss for the participants. The participants receive a percentage of any actual losses that may occur plus a percentage of the depreciation that the real estate provides. An example of a syndication and its advantages is illustrated below:

Equity provided to purchase a property	\$500,000
Debt financing for the property	<u>\$2,500,000</u>
Total Value of the property	\$3,000,000
Annual Depreciation (15 Year Schedule)	\$170,000
Minimum Investor Write-off	\$170,000
50 Percent Tax Bracket-Actual Tax Savings	\$85,000
Minimum Return on Investment	17%

An additional benefits of the syndication is the upside potential of the project. If the property is sold at a value higher than the purchase price, the syndication participants reap the benefits of the increase. This makes syndications especially popular during high inflationary periods.

An investor buys into a syndication to receive tax relief, not to make income.

Syndications have an implicit motivation to manage poorly and limit profits. This practice raises the investor's tax deduction. The investors are looking for tax relief, not for income.

Knight-Austin took a conservative stance in their syndications, trying to achieve positive cash flows. Often times, they sold their improved properties to other syndications for substantial profits. These high-flying syndications have very poor cash flow, because of the premium price paid for their properties. They were willing to operate in this fashion, in order to provide the size of loss they had promised their investors.

EXHIBIT 2

TAX LAW CHANGES

The new 1986 tax laws changed the investment arena substantially. The changes affecting the syndication business include:

- Passive Loss rule changes.
- Depreciation schedules lengthened.
- "At Risk" rule changes.
- Reduction of tax rates.

Passive Loss Changes: Before 1986, no distinction was made between active and passive income. Now, all income (loss) derived from investments becomes passive. Passive losses can only be offset against passive gains. This rule takes effect immediately, with no phase-in period. For a current investor with no passive gains, the syndication becomes worthless.

Depreciation Schedules: Between 1981 and 1986 the use of syndications accelerated. The depreciation schedules for residential property has been 15 years. These accelerated schedules allowed for much higher depreciation write-offs. The tax law changes the depreciation schedules to 27.5 years.

Residential Real Estate Depreciation Schedules

<u>Time Frame</u>	<u>Depreciation Schedule</u>
Pre-1981	45 years straight line
1981	15 years accelerated
1986	27.5 years straight line

"At Risk": Another effect of the new tax change limits the deduction that the passive activity may generate. If an investor does have passive income to offset, then passive losses may still be valuable. The "at risk" rule limits the amount of the deduction to:

- The amount of cash contribution
- The adjusted basis of the contribution
- The amount that is borrowed to invest

The net effect of this rule limits the very speculative tax shields. Some syndications were set up to generate a huge write-off with only a very small investment. The "at risk" rule limits these losses.

Reduced tax rates: Tax rates will be lowered for the next two years, finally ending up at 15 percent and 28 percent. The lower tax brackets make the losses less effective as a tax shield. A \$50,000 tax loss would look like this in the two situations:

50 Percent Tax Bracket	\$25,000 tax break
28 Percent Tax Bracket	\$14,000 tax break

The new tax rates nearly halve the amount of tax savings received from a loss.

EXHIBIT 3

DISCUSSION QUESTION FOR KNIGHT-AUSTIN

1. What are the options that the company has in regards to future survival and growth in the real estate business?
2. Is the syndication, with its high costs, still a viable option for them?
3. How will future tax law changes affect the decisions that Glade Knight makes?
Is there a chance that the law will be changed again?
4. Is real estate in general now a bad investment?

KNIGHT-AUSTIN

RESULTS OF EQUITY FINANCING DECISION

Glade Knight was faced with the problem of the 1986 Tax Recovery Act. At the time of the case, real estate prices had dropped by 10-20 percent. Real estate became less attractive as a tax shield, and the premium on real estate associated with that tax benefit disappeared.

At this time, Knight-Austin released an offering for real estate financed totally through the investors in the project. The properties would be debt-free, and all cash flow would be distributed to the owners of the project. This debt free approach to real estate was a radical departure from the 100 percent debt financing that had been the norm up to this point.

Ben Austin began the search for investors, and Glade Knight searched for properties to buy under the new program. The response to the program was unbelievable. The first offering netted the company \$20 million dollars in investments, the second, \$18 million.

The lack of leverage on the project reduced the number of properties that could be purchased. The \$38 million purchased only seven apartment complexes. The results of the program have been very impressive.

RESULTS OF PHASE ONE

Total dollar amount invested 20,000,000

Amount returned to investors 12,000,000

In the four years since the inception of this program, the return of cash has given the investor a return of over 15% on their investments. Each investors also receive an amount of depreciation proportional to his or her investment in the project. The property values have appreciated, also giving the investor a shield against inflation.

KNIGHT-AUSTIN GROWTH SINCE 1986

Most companies that were in the syndication business in 1986 have since gone bankrupt. Knight-Austin has been able to grow in both size and stability since that time.

Total assets have grown to over \$180 million dollars.

The company ranked 20th in the nation among real estate companies for capital raised in the year of 1987.

The current portfolio includes 6500 residential rental units and several motels.

Growth projections have the company owning 12,000 rental units in the next 5 years, with the asset value doubling to \$400 million.

HISTORICAL BACKGROUND - GLADE M. KNIGHT

Glade Knight's Early Childhood

Glade Knight was born March 11, 1944 in Spanish Fork, Utah. Born of deep Utah roots, Glade was raised to be a farmer. In the early years the Knight family owned a ranch in Kamas, Utah, and a farm in Roosevelt, Utah. As a young boy in the 2nd grade, Glade began attending the cattle drives that his family conducted along an old sheep trail over the Uintah mountains between the ranch and the farm.

The Knight family passed through several difficult financial periods and eventually lost the ranch in Kamas. The move from Kamas allowed the family to focus their efforts on the farm in Roosevelt. The time was very difficult for the entire family, and was especially stressful for Glade's father. Glade recalls the pressures his father felt to provide for the family. Farming was a hard way to make a living in those years, and such a lifestyle forced each of the five Knight children to have his or her own responsibilities on the farm. The boys had to be up early in the morning to feed the cattle and milk the cows. Even with hard work from the entire family, they could not make ends meet. Finally the family decided to sell the farm in Roosevelt and move westward to Salt Lake City.

High School Days and First Outside Work Experience

In Salt Lake City the Knight family opened up a dairy operation called the Paramount Dairy. It was located next to the Lagoon amusement park in Bountiful. Glade's father had extensive experience with cattle and quickly turned the Paramount Dairy into a 200 cow operation, one of the largest in the area. In the dairy, Glade continued with his farm labors by feeding the cattle and milking the cows. Farmwork was made a priority for Glade and his two brothers and he remembers having to finish all his daily work assignments before he started on any of his schoolwork.

The family rapidly grew up, and soon Glade was attending Granger High School. Schoolwork came easy to Glade, and as a result he did not spend a great deal of time studying. His work responsibilities required efficient completion of his homework. Glade's father demanded a high level of commitment from the family. That commitment extended beyond

work and included dedication to family and church.

Upon graduation, Glade was approached by an Eastern firm, American Hartford, to go to Texas on a business opportunity to buy cattle. He was only 19 at the time but knew a great deal about the cattle industry. Glade's responsibility in Texas was to attend up to six separate livestock auctions per week to purchase cattle, and to ship the cattle back to the East Coast. He was entrusted with a company checkbook to make the purchases, and received \$1 a head for his efforts. The job placed heavy responsibility on such a young man, and proved to be one of Glade's first great experiences in business.

After working for American Hartford for several months, Glade was approached to become a truck driver for a large cattle company. The new assignment required Glade to operate a large semi-truck with a double deck cattle trailer between Texas and the West Coast. At this time, Glade's future seemed tied to the farming industry.

With the money that Glade saved from his work in Texas he enrolled in Brigham Young University (BYU) in the fall of 1962. His parents had always stressed the importance of education and facilitated his efforts to obtain a college education. Glade was able to live with his older brother Jim at his grandmother's home while attending college. Receiving free room and board was the only way Glade could afford to go to college. Even with the help of his grandmother, Glade had to work during school in order to pay his tuition.

The First Year of College

During his first year at BYU, Glade found his primary interests to be in the animal sciences and physical education. Glade performed extremely well in these two areas, and received nearly straight A's. However, as is the case with many first year college students, Glade had difficulty concentrating in those classes where his interest wasn't as strong. As a result, his first year and a half at BYU was plagued with course incompletes and withdrawals.

While living at his grandmother's house, Glade's older brother Jim was called on a church mission to England. Jim's influence, along with the influence of other friends helped Glade to make a final decision to go on a mission.

A Church Mission in England

In 1964, Glade received his mission call to the North British Mission. The mission turned out to be a crucial time of growth for Glade, and one in which he was able to learn how to completely focus on his work. He found similarities between missionary work and work on the farm. Glade discovered that his farming background enabled him to get up a little bit earlier, and work a little later than most of the others. Glade was able to understand the happiness received through hard work for the right purpose.

During his mission, Glade was privileged to work directly with the mission president, Wilford Payne. President Payne was a successful attorney who had worked for the Internal Revenue Service. Glade was impressed with the Paynes and how they appeared to have a perfect family and lifestyle. President Payne was a true role model for Glade. President Payne seemed to have well balanced priorities, which Glade tried to duplicate in his own life.

After completing his mission, Glade returned to BYU. The mission had been a leadership developing experience for Glade. As a result he carried the experience gained into this new time of his life. Due to the influences of his mission president, he made the academic shift from Agriculture to Agriculture Economics.

Brigham Young University and the Beginning of an Entrepreneur

During the time that Glade was in England, his family moved to Orem, Utah. Upon Glade's return home, his mother had already "selected" a girl for him to marry from their local neighborhood. The young lady's name was Kathleen Nelson, and sure enough, years later became Mrs. Kathleen Knight.

Unlike Glade, Kathleen was a very determined student. She was a straight A student in high school, and an A- student throughout her first three years at BYU. During their courtship the two were able to take a few classes together. The result was a great deal of academic competition, and both usually received an A+ .

During his fourth year at BYU, Glade decided to change his major to Business Management, with minors in Economics, Physical Education, and Animal Science. It was during this time that Glade started to cultivate his entrepreneurial skills.

One of the first entrepreneurial experiences that Glade had was with a small dairy that

had started up in Provo called the House of Milk and Honey. As an employee, Glade learned about all aspects of the company as he milked cows, ran the processing plant, and worked in the store. He began to learn about marketing and selling from this experience.

Glade's first independent venture came during his final summer at BYU. He called it the Handy Dandy Pantry, and it was to be a small store for selling milk and selected dairy products. The pantry actually was a small hut set up on the corner of the Texaco lot, across the street from Helaman Halls dormitory. Glade scrounged up his life savings of \$1000 and drove to Smoot Dairy in Bountiful to purchase enough supplies for the grand opening.

On the morning of his grand opening, Glade pulled up to the pantry in his truck to see a number of men in suits standing at the entrance. Executives from Highland Dairy had come to prevent the opening of his new store. Glade had received proper permission from the owner of the service station, but had overlooked the possibility of the local competition. As it turned out, Highland Dairy purchased all of their gasoline from the service station for their delivery trucks. They exerted pressure on the gas station to stop the business. Legally, Glade had every right to open the store at that location, but gave in to the leverage of the powerful competitor, Highland Dairy.

The 1968 Draft Notice

Glade soon returned to the university, and in June of the following year was scheduled to marry his sweetheart, Kathleen. However, in 1968 the Vietnam war was at hand, and the United States Army was building up their forces through the draft. The inevitable occurred, and Glade received his draft notice. Glade had already been deferred on the draft once because of his mission, and would not receive a second deferral.

During his medical review for the military, the doctor rejected Glade because of a congenital heart condition. However, the next morning the doctor called and said "for some reason I feel you should go into the military." This left Glade with a difficult decision of whether he should enter the military. 1968 was a period when the fighting in Vietnam was very heavy, and many casualties had occurred. He probably could have appealed the decision of the doctor, but instead chose to serve his country. He entered the Army in July of 1968 and it appeared that the Knight wedding would have to wait until he returned from Vietnam.

Upon entering the Army, Glade made the decision to register for Officer Training School. In the Officer Training School he took stock control and accounting, a class he had dropped out of at BYU because of boredom. His strong desire to excel helped him through classes he had dropped at BYU. Because of an excellent training school record, he was selected to remain and teach for the military. The military required him to stay and attend an all-civilian instructor's training course taught at Fort Lee, Virginia by a number of high level educators.

After the completion of his training classes, he was asked to remain and teach at the instructor's training school. He found it humorous that he, a Private in the Army, was overseeing professional educators. This turned out to be his permanent assignment, in which he was paid \$200 a month, and consequently allowed him to move up his wedding date to November of 1968.

Glade was fortunate to be exposed to many professionals during his three years in Virginia at the training school. He developed many long-lasting relationships during this time. The experience allowed him to develop a network of acquaintances that proved to be very helpful in the future. As his military term came to a close, Glade began to look forward to working for a major firm. He had already received a number of offers from his acquaintances at the school and in the church, but he wasn't quite sure of what direction he should follow.

At this point in his life, Glade knew that he wanted to go back to school, get an MBA, and work for a big company in a job that had good advancement potential. Glade had learned the necessary commitment levels for academic success, and was determined to succeed in his next facet of life.

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While Glade was teaching at the instructor's school in Virginia in the latter part of 1971, he met one of his old friends from Roosevelt, Keith Campbell. Keith was a bright, well-educated man working for the Mobil Chemical Company. At the time, Glade was struggling with the decision of what career path he should seek, so he asked Keith for his opinion. Keith said: "If I were you I would go and get my real estate license." In the past, Glade had not considered real estate salespeople extremely reputable, but respected Keith's suggestion and

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Knight-Austin Corporation is Formed

The newly formed company was called the Knight Corporation. Glade quickly put together two successful packages, after which he was approached by one of his former partners, Ben Austin. Ben had been with him from the beginning of Quadel and understood Glade's goals. In addition, Glade desired to be the managing partner in the company so that he could maintain the company focus. Ben agreed and in 1976 the two formed the Knight-Austin Corporation that exists today.

The Knight-Austin Corporation was slow in starting primarily because of a cautious, conservative approach to the business. With Quadel, Glade had always been a little hesitant at the rapid, almost undirected expansion that they experienced. With this new venture, Glade wanted to feel like he always had control of the current operations, and thus was less aggressive in his acquisition pace.

One day Ben met a man named Harry Dent, who was counsel for the Republican Party. Harry was extremely well connected in Washington DC, and could even call the President if necessary. As a result of this contact, the Knight-Austin Corporation made a number of major purchases and grew quite rapidly.

Currently the Knight-Austin Corporation owns and manages over 6,500 apartment units and several hotels. The company has 200 employees, including the property managers and maintenance crews. Glade takes pride in getting to know every employee and he feels that such relationships are necessary for long-term success. Knight-Austin operates primarily in Virginia, Maryland, North Carolina, and South Carolina, with an asset value of nearly \$180 million dollars.

The Knight-Austin Corporation has received several recognitions including being ranked #52 in the nation in total number of apartment units owned, and #20 in total capital raised by real estate companies in 1987.

Glade contributes a great deal of his success to timing. He feels that if it were not for the contacts gained through his church and military experiences, Glade Knight would not be in the same position.

As with most entrepreneurs, Glade has always possessed the attitude that he could lose everything overnight. He feels that it is important to understand this principle because of the risks inherent in the real estate industry.

The Knight Family

Glade is married to Kathleen Nelson. They have four children: Justin, age 17; Amy, age 16; Megan, age 12; and Nelson, age 8. The Knights reside in Richmond, Virginia, and enjoy spending time at their ranch in northern Virginia.

The Knight family is active in the Mormon church, and places this activity as top priority in their lives. In addition, he has tried very hard to not let business operations affect his family life.

In the church, Glade has served in many leadership positions. A few of the positions include Young Mens President, Counselor in the Bishopric, High Councilman, Councilor in the Stake Presidency, and Stake Mission President.

Glade's hobbies include skiing, cutting horses, and ranching. The Knight family has continued the farming and ranching heritage with the children, spending a great deal of their vacation time at their ranch. Glade and Kathleen feel that the farming environment can teach children discipline and responsibility.