

# **CAP ASSET COMMERCIAL AND RESIDENTIAL DEVELOPMENT PROGRAM**

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## **Statement of Purpose**

The purpose of the CAP Asset Residential and Commercial Development Program is to provide long term above average investment returns through direct private real estate transactions.

The purpose of this document is to communicate, in writing, the investment objectives and guidelines established by the Investment Advisory Board of CAP Asset Management, LLC, and to provide a clear and accurate understanding of all investment objectives, investment guidelines, and criteria by which investment performance will be evaluated.

The investment policies set forth in this document were established after a thorough review of the unique needs and circumstances of CAP Asset Management, LLC clients and careful evaluation of the risk and potential returns expected from the underlying real estate transactions.

## **Investment Objective**

The investment objective of the CAP Asset Commercial and Residential Development Fund is to preserve the purchasing power of the clients' assets, earn a minimum compound annual return of 13%, with the potential for substantially higher returns, while minimizing to the extent reasonable, short term volatility. Real estate investments contain numerous risks and there is no assurance that the Program's objective will be achieved.

To achieve these objectives, the Investment Advisory Board of CAP Asset Management, LLC seeks to purchase land zoned, at the time of purchase, as residential, commercial, or mixed use within the United States, improve the land, and construct the units for public and private sale.

The Program, when available, will use private or public financing to increase the overall investment return of the development. All funding for developments will be on a non-recourse basis and will include interest reserves and contingency provisions.

## **Investment Parameters**

**Investment Time Frame** - The Program will only invest in developable land zoned for residential, commercial, or mixed-use units. As such, the minimum timeframe for invested funds will be 36 months.

The Program intends to perform all of the due diligence and construct and sell each development within 24 months or less, but has set an investment timeframe of 36 months to account for possible delays in permitting, municipal approvals, construction and sales.

**Investment Returns** - The Program will seek development opportunities that have annual earning potential in excess of 13%. In an effort to increase the return potential, the Program may seek non-recourse financing for each development project.

**Reporting of Investment Returns** - The Program will report investment returns on a quarterly basis. Since the underlying investments are individual real estate developments with investment horizons in excess of 12 months, quarterly reports may indicate a 0 or negative change in investment returns.

It is the intention of the Program to report/return any and all profit at the end of each development project.

**Return of Capital/Withdrawals** – The Program is designed to invest all capital in each development at initiation and does not have accounts with reserve capital.

Should a client need its funds prior to the completion of the development, the Program will make every attempt to return the capital in a timely manner. All requests for withdrawal of capital should be made in writing to CAP Asset Management, LLC at least 90 days prior to the expected funds receipt date. CAP Asset Management, LLC can give no assurance that funds can be returned prior to project completion and sale.

Clients that withdraw their funds prior to the completion of the development will forfeit any profit, capital appreciation, and/or interest resulting from the development. If other CAP Asset Management, LLC clients wish to take a position in the Program, the withdrawing client will receive its original capital contribution plus 0.25% simple interest for each month its capital was invested.

### **Roles and Responsibilities**

The Investment Advisory Board of CAP Asset Management, LLC will be responsible for seeking out and evaluating individual real estate development opportunities within the Investment Policy Statement guidelines. The Investment Advisory Board will be made of the following individuals:

Marco Caporale, President and CEO of CAP Asset Management, LLC, will act as Chief Investment Advisor for the Program and make all final decisions regarding its operation and communication with clients.

Paul R. West, President of West Florida Real Estate Services, LLC will act as Senior Real Estate Acquisition Consultant for the Program and will seek development opportunities, prepare preliminary Pro Forma calculations, market analyses, and assemble all due diligence information needed to properly evaluate each proposed project.

Matthew Joseph Honea, Vice President of Independent Executive Management, LLC, will act as Senior Planner for the Program and will act as the Program's Liaison to the various municipalities governing the proposed project site, advise on development concessions that may negatively/ positively impact the proposed development, and assess the needs and pitfalls of the surrounding markets.

Flischel, Townsend & Murtha, P.A, Certified Public Accountants will act as the accounting manager for the Program and will be responsible for recording and reconciling all transactions pertaining to each individual development. The Accounting Manager also will have the responsibility of creating quarterly reports to the Advisory Board showing the transaction history and current valuation of the account.

deBeaubien, Knight, Simmons, Mantzaris & Neal will act as the legal counsel for the Program and will review all contracts pertaining to each development, including purchase contracts, sub-contracting and additional legal contracts. The firm will provide referral services, should the legal scope be outside their expertise or outside the State of Florida.

Larry Golden, President of CMSS/Services will act as the Construction Estimating Consultant to the Program and will estimate the cost and timeframe of construction for the entire development process, including site preparation, subcontracting bids, utilities, impact fees, and building construction costs. Larry also will be in charge of initiating and implementing project timelines as well as reviewing all contractor bids and material costs in order to maintain the development budget.

### **Investment Management Fee**

CAP Asset Management, LLC will receive a 1% annual asset management fee from each client participating in the Program. The fee will be paid quarterly in advance out of the cash reserves of the client's account, based on the NAV at the end of the previous quarter.