

Principle Real Estate Syndication Documents

Once the 1000 ownership shares are reserved by \$50 initial non-refundable payments, subscribers will be informed via email once the private placement legal documents are posted on the website. Online completion, review and execution of these documents are required before the final payment of \$950 to complete your purchase of an ownership share.

The principal real estate syndication documents are:

- **Offering Memorandum**
- **Private Placement Memorandum**
- **Operating Agreement**
- **Subscription Agreement**

Offering Memorandum (OM) – also sometimes referred to as the investment summary or investor pitch, the Offering Memorandum presents a summary of the key points of the investment opportunity. This is typically a slide deck, with glossy photos of the property, information on the general partners, the market and property, the business plan that the general partners have for the property and the expected returns (or benefits) that would be obtained from the investment.

Private Placement Memorandum (PPM) – A legally binding document that discloses the granular details not covered in the offering memorandum. The private placement memorandum is used for *private* investment opportunities as opposed to a prospectus which you would see for publicly traded securities.

The PPM is typically 200+ pages and covers details covered in the Offering Memorandum such as information on the general partners, business plan, expected financial performance of the property and projected returns , distributions to investors and fees with additional data points such as the major risks associated with the investment, structure of the company that will manage the investment opportunity, conflicts of interest amongst other items.

The PPM is a very important document in the syndication process which is prepared by a licensed securities attorney such that the offering is compliant with the US SEC securities law. Within the PPM a passive investor will be able to find the true legal arrangements of the investment opportunity. Investors should review this document thoroughly and obtain advice from their tax and legal advisors as well.

Operating Agreement - This is the agreement between the general partners (active investors) and limited partners (passive investors) that delineates how the company (i.e. the LLC or corporation) will operate. This agreement will detail the rights and obligations of the general and limited partners, bylaws, voting rights and other administrative guidelines on how the company will operate. All partners in the LLC/corporation will sign the operating agreement.

Subscription Agreement – The subscription agreement operates as an application to join the syndication. Like subscribing to a mailing list or other recurring service, an investor that is purchasing shares in the company will “subscribe” to purchase a set number of shares. There will be a questionnaire that also helps the general partners to understand the suitability of the limited partner investor and how the limited partner plans to invest (i.e. IRA, personal checking account etc.) and other administrative details such as how communications and distributions should be made to the investor.

All of the above documents will require you to be legally and financially qualified to purchase a share. In this case, an investment of \$1,000 requires you have a minimum net worth of \$20,000 or an annual income greater than \$20,000. You are legally allowed to invest up to 5% of your annual income or net worth. \$20,000 is the minimum requirement or either case. As such, I expect anyone will qualify.

The return for this investment is ownership of a security that gives you ownership rights in the property. There will be no financial distributions. All extra income or revenues will be retained for additional property purchases, operating/maintenance reserves and/or donations to community organizations such as food banks, wild life or river conservation groups, etc.

The sole General Partner is Commercial Property Associates, Inc. and Carl Swanson as President of Commercial Property Associates, Inc. By law, all management of the syndication is 100% by the General Partner. There will be an Advisory Board of Owners to help with the day-to-day operations of the property.