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Both Sides of the Coin

A Strategic Framework for Fund Management and Underwriting Capitalization

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Executive Summary

This document provides a general overview of the organizational setup, responsibilities, and regulatory requirements for establishing a structure required for capitalizing on both fund management and underwriting. It details the roles and tasks of each entity, including Holdings Inc., Fund Management Inc., Underwriting Inc., Land Fund LP, and an external custodian, outlining steps for incorporation, compliance, operational management, and financial projections.

Detailed steps for each entity involve legal formation, regulatory registration, development of operational processes, and compliance procedures. Specific tasks include market research, strategic planning, fund documentation, capital allocation, marketing materials, and investor outreach.

Each entity must adhere to specific incorporation and compliance requirements, such as registering with appropriate regulatory bodies, filing necessary documents, ensuring ongoing compliance with relevant laws, and maintaining transparency in operations.

The document provides a detailed timeline, divided into four phases:

- Months 1-3: Incorporation and initial setup.
- Months 4-6: Fund and strategy development.
- Months 7-9: Operational launch.
- Months 10-12: Full operational execution.

Financial projections include income sources, revenue estimates, and financial benefits. Assumptions for these projections are based on initial capital raises, growth rates, and various fees. The financial summary highlights the expected value of Land Fund LP and total revenues for the involved companies over ten years.

The initial estimated budget for establishing the entity structure totals \$407,000, covering legal fees, strategic planning, fund setup, capital raising, asset acquisition, and compliance measures.

Entity Structures Diagram

Holdings Inc.

└─ Fund Management Inc.

- | └─ Responsibilities:
- | | - Fund Setup
- | | - Investment Strategy
- | | - Regulatory Compliance
- | | - Operational Management
- | | - Investor Communication

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└─ Underwriting Inc.

- | └─ Responsibilities:
- | | - Capital Raising
- | | - Due Diligence
- | | - Pricing and Distribution
- | | - Regulatory Compliance

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└─ Land Fund LP

- └─ Responsibilities:
- | - Asset Acquisition
- | - Performance Management
- | - Income Generation

└─ Custodian (External Party)

- └─ Responsibilities:
- | - Asset Safekeeping
- | - Regulatory Compliance

Entity Structures

1. **Parent Company (Holdings Inc.)**
 - This is the overarching entity that owns and controls the various subsidiaries involved in the fund's creation, management, and underwriting.
2. **Fund Management Company (Fund Management Inc.)**
 - A subsidiary responsible for the overall management and operation of the closed-end fund.
3. **Underwriter Company (Underwriting Inc.)**
 - A subsidiary responsible for underwriting and distributing the fund's securities to investors.
4. **Investment Fund (Land Fund LP)**
 - The actual closed-end fund that holds the investments in land and related assets.
5. **Custodian (External Party)**
 - An independent third-party custodian responsible for holding the fund's assets.

Responsibilities of Each Entity

1. Parent Company (Holdings Inc.)

- **Oversight and Governance:**
 - Provides strategic direction and oversight to ensure all subsidiaries operate effectively and in compliance with regulations.
 - Ensures proper corporate governance across all entities.
- **Capital Allocation:**
 - Allocates capital and resources to the fund management and underwriting subsidiaries as needed.

2. Fund Management Company (Fund Management Inc.)

- **Fund Setup:**
 - Establishes the closed-end fund structure, including legal formation and regulatory registration.
- **Investment Strategy:**
 - Develops and implements the investment strategy for the fund, focusing on land acquisition, management, and development.
- **Regulatory Compliance:**
 - Prepares and files the prospectus with the Alberta Securities Commission (ASC) and ensures all regulatory requirements are met.
 - Manages ongoing compliance and reporting obligations, including financial statements and disclosures.
- **Operational Management:**
 - Handles day-to-day operations of the fund, including asset management, investor relations, and administrative tasks.

- **Investor Communication:**
 - Communicates with investors regarding fund performance, distributions, and other material information.

3. Underwriter Company (Underwriting Inc.)

- **Capital Raising:**
 - Conducts the initial public offering (IPO) or private placement to raise capital for the fund.
 - Markets and sells the fund's securities to investors.
- **Due Diligence:**
 - Performs due diligence to ensure that the securities offering complies with regulatory standards and that all material information is disclosed.
- **Pricing and Distribution:**
 - Sets the offering price for the fund's securities and manages the distribution process.
- **Regulatory Compliance:**
 - Ensures compliance with underwriting regulations and maintains registration with the ASC and IIROC if acting as an investment dealer.

4. Investment Fund (Land Fund LP)

- **Asset Acquisition:**
 - Holds the land and related assets acquired through the fund's capital.
- **Performance Management:**
 - Focuses on maximizing returns through effective land management, development, and potential sales.
- **Income Generation:**
 - Generates income through leasing, development projects, and other land-related activities.

5. Custodian (External Party)

- **Asset Safekeeping:**
 - Holds the fund's assets in a secure and segregated manner to ensure their safety and integrity.
- **Regulatory Compliance:**
 - Complies with custody regulations and provides regular reports to the fund management company and regulatory bodies.

Setup Tasks

Holdings Inc.

Oversight and Governance:

- 1. Establish Strategic Direction and Goals:**
 - Conduct market research and analysis.
 - Define long-term objectives and KPIs.
 - Create a strategic plan outlining goals and actions.
- 2. Ensure Corporate Governance Policies:**
 - Develop and document corporate governance policies.
 - Implement training programs for board members and executives.
 - Regularly review and update policies.
- 3. Monitor Subsidiary Operations:**
 - Establish regular reporting mechanisms.
 - Conduct periodic audits and reviews.
 - Implement a compliance monitoring system.

Capital Allocation:

- 1. Allocate Initial and Ongoing Capital:**
 - Develop a capital allocation framework.
 - Assess funding needs of each subsidiary.
 - Approve and disburse funds based on assessed needs.
- 2. Manage Financial Needs and Distribution:**
 - Monitor financial performance of subsidiaries.
 - Adjust capital allocations based on performance and needs.
 - Plan for future capital requirements.

Fund Management Inc.

Fund Setup:

- 1. Legal Formation and Regulatory Registration:**
 - Consult with legal advisors to establish fund structure.
 - Prepare and file necessary legal documents.
 - Register with regulatory bodies.
- 2. Develop Fund Documentation:**
 - Draft the fund prospectus and other required documents.
 - Review and finalize documentation with legal and financial advisors.

Investment Strategy:

- 1. Develop Investment Strategy:**
 - Conduct market analysis and research.
 - Define investment goals and criteria.
 - Develop a detailed investment plan.
- 2. Implement and Adjust Strategy:**

- Execute investment plan.
- Monitor performance and market conditions.
- Adjust strategy as needed.

Regulatory Compliance:

1. Prepare and File Prospectus:

- Gather required information and data.
- Draft and review the prospectus.
- Submit prospectus to the ASC.

2. Ensure Ongoing Compliance:

- Develop a compliance calendar.
- Monitor regulatory updates and changes.
- Prepare and file regular reports and disclosures.

Operational Management:

1. Manage Daily Operations:

- Establish operational processes and procedures.
- Hire and train staff.
- Implement an asset management system.

2. Develop Internal Processes:

- Identify key operational areas.
- Document standard operating procedures.
- Regularly review and improve processes.

Investor Communication:

1. Develop Communication Plan:

- Identify key communication channels and methods.
- Create a schedule for regular updates.
- Draft communication materials.

2. Provide Regular Updates:

- Collect and analyze performance data.
- Prepare and distribute reports.
- Respond to investor inquiries.

Underwriting Inc.

Capital Raising:

1. Plan and Execute IPO or Private Placement:

- Develop a capital raising strategy.
- Create marketing materials and roadshow presentations.
- Engage with potential investors and conduct presentations.

2. Develop Marketing Materials:

- Identify target investor segments.

- Draft and design marketing materials.
- Review and approve materials with legal and compliance teams.

Due Diligence:

1. Conduct Thorough Due Diligence:

- Compile and review necessary documentation.
- Assess legal, financial, and operational aspects.
- Document findings and recommendations.

2. Ensure Compliance with Regulatory Standards:

- Review regulatory requirements.
- Ensure all disclosures are accurate and complete.
- Address any potential compliance issues.

Pricing and Distribution:

1. Set Offering Price:

- Analyze market conditions and comparable offerings.
- Consult with financial advisors.
- Determine and approve the final price.

2. Manage Distribution Process:

- Develop a distribution plan.
- Coordinate with brokers and distributors.
- Monitor and report on distribution progress.

Regulatory Compliance:

1. Maintain Compliance with Regulations:

- Stay updated on underwriting regulations.
- Implement compliance policies and procedures.
- Conduct regular compliance training.

2. Ensure Registration with ASC and IIROC:

- Prepare and submit necessary registration documents.
- Maintain ongoing compliance with registration requirements.

Land Fund LP

Asset Acquisition:

1. Identify and Acquire Land:

- Conduct market research to identify opportunities.
- Perform due diligence on potential acquisitions.
- Negotiate and complete purchase agreements.

2. Conduct Due Diligence:

- Assess legal, environmental, and financial aspects.
- Document and review findings.
- Approve acquisitions based on due diligence results.

Performance Management:

- 1. Manage and Develop Land:**
 - Develop land management and development plans.
 - Hire and manage contractors and development teams.
 - Monitor and report on land performance.
- 2. Monitor and Adjust Strategies:**
 - Regularly review performance data.
 - Adjust management and development plans as needed.
 - Implement improvements and optimizations.

Income Generation:

- 1. Develop Income Generation Plans:**
 - Identify potential income streams (e.g., leasing, development projects).
 - Create and implement plans for income generation.
 - Monitor and adjust plans based on performance.
- 2. Monitor Income Streams:**
 - Track income and performance data.
 - Report on income generation progress.
 - Adjust strategies to optimize revenue.

Custodian (External Party)

Asset Safekeeping:

- 1. Securely Hold Assets:**
 - Implement security measures for asset safekeeping.
 - Maintain accurate records of asset holdings.
 - Conduct regular audits to ensure asset integrity.
- 2. Maintain Accurate Records:**
 - Develop and maintain an asset management system.
 - Regularly update and review asset records.
 - Ensure transparency and accuracy in reporting.

Regulatory Compliance:

- 1. Comply with Custody Regulations:**
 - Stay updated on custody regulations.
 - Implement compliance policies and procedures.
 - Conduct regular compliance training.
- 2. Provide Regular Reports:**
 - Develop a reporting schedule.
 - Prepare and distribute reports to Fund Management Inc. and regulatory bodies.
 - Ensure accuracy and completeness of reports.

Startup and Regulatory Compliances Overview

Holdings Inc.

1. Incorporation:

- Register with the federal or provincial corporate registry (e.g., Alberta Corporate Registry).
- Comply with the Business Corporations Act (Alberta) or Canada Business Corporations Act (CBCA).
- Obtain a Business Number (BN) from the Canada Revenue Agency (CRA).
- File Articles of Incorporation.

2. Annual Filings:

- File an Annual Return with the corporate registry.
- Hold an annual general meeting (AGM) and maintain minutes as per the corporate bylaws.

Fund Management Inc.

1. Fund Registration:

- Register the fund with the Alberta Securities Commission (ASC).
- Comply with National Instrument 81-102 Investment Funds for mutual funds.
- Prepare and file a prospectus with the ASC.

2. Regulatory Compliance:

- Adhere to National Instrument 31-103 Registration Requirements, Exemptions, and Ongoing Registrant Obligations.
- Ensure ongoing compliance with ASC rules and regulations.

3. Anti-Money Laundering (AML) Compliance:

- Register with the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC).
- Comply with the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA).

4. Privacy Compliance:

- Adhere to the Personal Information Protection and Electronic Documents Act (PIPEDA).

Underwriting Inc.

1. Dealer Registration:

- Register as a dealer with the Investment Industry Regulatory Organization of Canada (IIROC).
- Comply with National Instrument 31-103 Registration Requirements, Exemptions, and Ongoing Registrant Obligations.
- Obtain approval from the ASC for underwriter activities.

2. Securities Offering:

- File and obtain approval for the offering prospectus with the ASC.
- Comply with National Instrument 41-101 General Prospectus Requirements.
- 3. Marketing and Distribution:**
 - Ensure all marketing materials comply with National Instrument 81-105 Mutual Fund Sales Practices.
 - Adhere to the Code of Conduct for IIROC Members.

Land Fund LP

- 1. Partnership Registration:**
 - Register the limited partnership with the provincial registry (e.g., Alberta Corporate Registry).
 - File a Declaration of Limited Partnership.
- 2. Securities Compliance:**
 - Register the limited partnership interests with the ASC.
 - Comply with National Instrument 45-106 Prospectus Exemptions, if applicable.
- 3. Real Estate Regulations:**
 - Adhere to provincial and municipal real estate laws and regulations.
 - Obtain necessary permits and zoning approvals for land acquisitions and developments.

Custodian (External Party)

- 1. Custody Registration:**
 - Ensure the custodian is registered with the appropriate regulatory bodies, such as the Office of the Superintendent of Financial Institutions (OSFI) for federally regulated financial institutions.
 - Comply with National Instrument 31-103 Registration Requirements, Exemptions, and Ongoing Registrant Obligations.
- 2. Asset Safekeeping Compliance:**
 - Adhere to National Instrument 81-102 Investment Funds for custody requirements.
 - Implement measures to comply with the regulatory requirements for safeguarding client assets.

Timeline Estimates

The timeline assumes parallel execution of tasks where possible to optimize the setup process.

Timeline Overview

- **Month 1-3:** Incorporation, Initial Legal and Regulatory Setup
- **Month 4-6:** Fund and Strategy Development, Detailed Planning
- **Month 7-9:** Operational Launch, Investor Outreach, Capital Raising

- **Month 10-12:** Full Operational Execution, Performance Monitoring

Detailed Timeline

Months 1-3: Incorporation and Initial Setup

- **Holdings Inc.**
 - Register with federal/provincial corporate registry.
 - Obtain Business Number from CRA.
 - File Articles of Incorporation.
 - Develop corporate governance policies and strategic direction.
- **Fund Management Inc.**
 - Consult with legal advisors for fund structure.
 - Prepare and file necessary legal documents.
 - Register with regulatory bodies.
 - Develop the fund prospectus.
- **Underwriting Inc.**
 - Register as a dealer with IIROC.
 - Prepare initial regulatory compliance documents.
 - Develop capital raising strategy.
- **Land Fund LP**
 - Register the limited partnership.
 - File a Declaration of Limited Partnership.
 - Conduct initial market research for land acquisition opportunities.
- **Custodian (External Party)**
 - Ensure registration with appropriate regulatory bodies.
 - Develop asset management and security policies.

Months 4-6: Fund and Strategy Development

- **Holdings Inc.**
 - Conduct market research and analysis.
 - Define long-term objectives and KPIs.
 - Develop a strategic plan outlining goals and actions.
- **Fund Management Inc.**
 - Draft and finalize fund documentation with advisors.
 - Develop detailed investment strategy.
 - Prepare and file the prospectus with the ASC.
 - Develop compliance calendar and operational processes.
- **Underwriting Inc.**
 - Create marketing materials and roadshow presentations.
 - Engage with potential investors.
 - Conduct thorough due diligence on the fund.
- **Land Fund LP**
 - Identify and acquire initial land assets.
 - Perform due diligence on acquisitions.
 - Develop land management and development plans.

- **Custodian (External Party)**
 - Implement security measures for asset safekeeping.
 - Develop and maintain an asset management system.

Months 7-9: Operational Launch

- **Holdings Inc.**
 - Allocate initial capital to subsidiaries based on needs.
 - Monitor subsidiary operations through regular reporting mechanisms.
- **Fund Management Inc.**
 - Execute the investment strategy.
 - Manage daily operations and hire necessary staff.
 - Develop and implement investor communication plan.
- **Underwriting Inc.**
 - Plan and execute IPO or private placement.
 - Set offering price for the fund's securities.
 - Manage the distribution process.
- **Land Fund LP**
 - Manage and develop acquired land assets.
 - Monitor performance and adjust strategies as needed.
- **Custodian (External Party)**
 - Securely hold assets and maintain accurate records.
 - Provide regular reports to Fund Management Inc. and regulatory bodies.

Months 10-12: Full Operational Execution

- **Holdings Inc.**
 - Conduct periodic audits and reviews.
 - Adjust capital allocations based on performance and needs.
- **Fund Management Inc.**
 - Ensure ongoing compliance with regulatory requirements.
 - Monitor investment performance and adjust strategy as needed.
 - Provide regular updates and reports to investors.
- **Underwriting Inc.**
 - Monitor and report on distribution progress.
 - Conduct regular compliance training.
 - Maintain ongoing compliance with registration requirements.
- **Land Fund LP**
 - Implement income generation plans.
 - Track income and performance data.
 - Adjust strategies to optimize revenue.
- **Custodian (External Party)**
 - Conduct regular audits to ensure asset integrity.
 - Prepare and distribute accurate and transparent reports.

Financial Projections and Analysis

Assumptions

1. Initial Raise: \$380 million
2. Annual Growth Rate: 11%
3. Management Fees: 0.3% of AUM annually
4. Performance Fees: 10% of annual profits above an 8% hurdle rate
5. Underwriting Fees: 3% of the initial capital raised (one-time fee)
6. Custody Fees: 0.15% of annual AUM

Income Sources

- **Fund Management Inc.**
 - Management Fees: 0.3% of AUM annually.
 - Performance Fees: 10% of profits above an 8% hurdle rate.
- **Underwriting Inc.**
 - Underwriting Fees: 3% of initial capital raised, collected only in Year 1.
- **Land Fund LP**
 - Direct revenue from asset appreciation and income generation
- **Custodian**
 - Custody Fees: 0.15% of AUM annually.

Projected Annual Revenue Table

Year	Fund Management Inc.	Underwriting Inc.	Land Fund LP	Custodian
1	\$2.28M	\$11.4M (one-time fee)	-	\$0.57M
2	\$2.52M	-	-	\$0.63M
3	\$2.76M	-	-	\$0.76M
4	\$3.06M	-	-	\$0.85M
5	\$3.38M	-	-	\$0.93M
6	\$3.70M	-	-	\$1.02M
7	\$4.10M	-	-	\$1.10M
8	\$4.52M	-	-	\$1.20M
9	\$4.96M	-	-	\$1.32M

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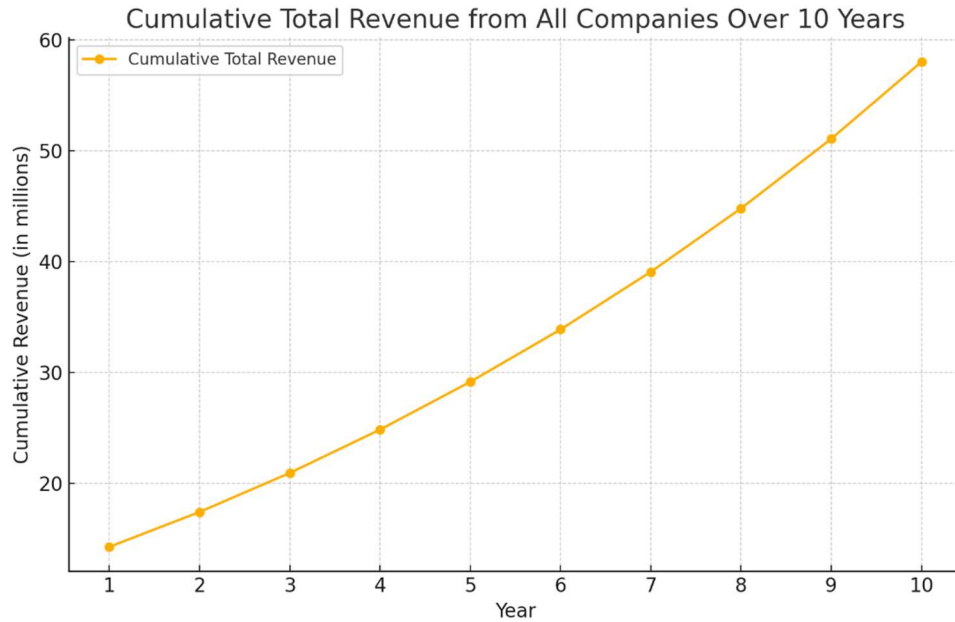
\$5.48M

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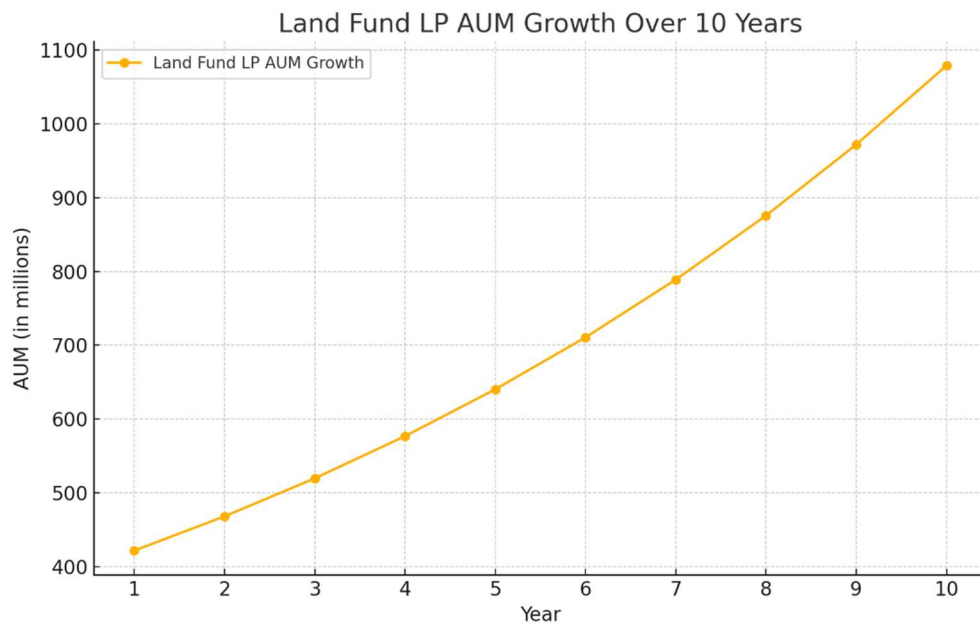
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\$1.46M

Cumulative Total Revenue from All Companies Over 10 Years



Land Fund LP AUM Growth Over 10 Years



Financial Benefit Summary

- **Land Fund LP Value at Exit:** \$1,078.97 million
- **Total Revenue for Fund Management Inc.:** \$36.76 million
- **Total Revenue for Underwriting Inc.:** \$11.4 million
- **Total Revenue for Custodian:** \$9.84 million
- **Combined Total Revenue (Excluding Land Fund LP):** \$58 million

Budget Estimate for Establishing Entity Structure

Summary

This budget estimate covers the costs of establishing and operationalizing the entity structure for Holdings Inc., Fund Management Inc., Underwriting Inc., Land Fund LP, and the Custodian. All legal fees have been consolidated under one lawyer or firm to ensure project-wide compliance and efficiency.

Costs Overview

Category	Tasks	Estimated Costs
Legal Fees (Consolidated)	Incorporation, Regulatory Compliance, Due Diligence, Compliance Training	\$75,000
Holdings Inc.	Strategic Planning, Corporate Governance, Capital Allocation	\$117,000
Fund Management Inc.	Fund Setup, Investment Strategy, Operational Management, Investor Communication	\$65,000
Underwriting Inc.	Capital Raising, Marketing, Distribution, Compliance	\$50,000
Land Fund LP	Asset Acquisition, Performance Management, Income Generation	\$80,000

Custodian	Asset Safekeeping, Regulatory Compliance	\$20,000
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Total Costs

Entity	Estimated Costs
Legal Fees (Consolidated)	\$75,000
Holdings Inc.	\$117,000
Fund Management Inc.	\$65,000
Underwriting Inc.	\$50,000
Land Fund LP	\$80,000
Custodian	\$20,000
Grand Total	\$407,000