

# **The BM Excelsior Opportunitas Fund**

Sponsor Capital Fund

Formed by:



**March 2021**

# **NOTICE TO POTENTIAL INVESTORS**

The information contained herein is provided to you confidentially at your request for informational purposes only and is not, and may not be relied on in any manner as, legal, tax or investment advice or as an offer to sell or a solicitation of an offer to buy an interest in any opportunity (the “Opportunity”) to invest in a newly-formed Delaware limited liability company (the “Fund”) formed by Barone Management LLC and/or its affiliates (collectively, “Sponsor”). A private offering of interests in the Opportunity will only be made pursuant to definitive documents, which will be furnished to you on a confidential basis at your request for your consideration in connection with the Opportunity. The information contained herein will be superseded by, and is qualified in its entirety by reference to, those documents, which contain additional information about the investment objective, terms and conditions of an investment in the Opportunity and may also contain tax information and other disclosures that are important to any investment decision regarding the Opportunity.

Investment in the Opportunity is speculative and will involve significant risks, including risk of loss of the entire investment. Before deciding to invest in the Opportunity, you should pay particular attention to certain risk factors, including, but not limited to: (i) the Opportunity’s investment in real property may result in a loss of investment; (ii) dependence on key personnel may result in additional operational risk; (iii) the Fund will not be registered under the Securities Act of 1933 or with any securities regulatory authority, there may be no secondary market for the investment, there may be substantial transfer restrictions, you may not be able to re-sell your investment and if you are able to re-sell you may receive much less than your purchase price; and (iv) the Fund does not face the same oversight and scrutiny from financial regulatory entities such as the Securities and Exchange Commission, is not subject to the same regulatory requirements as registered investment companies, including requirements for such entities to provide certain periodic pricing and valuation information to investors, and may be subject to higher fees and expenses than registered investment companies that reduces returns.

No person has been authorized to make any statement concerning the Opportunity other than as set forth in any definitive documents and any such statements, if made, may not be relied upon. The information contained herein must be kept strictly confidential and may not be reproduced or redistributed in any format without Sponsor’s express written approval. Except where otherwise indicated herein, the information provided herein is based on matters as they exist as of the date of preparation and not as of any future date, and will not be updated or otherwise revised to reflect information that subsequently becomes available, or circumstances existing or changes occurring after the date hereof.

In connection with any projected performance information for the Opportunity, estimates, projections, and assumptions are subject to change and may not be reflective of the actual returns at the realization of the Opportunity’s investments. Additional information about these assumptions is available upon request. Please note that the Opportunity will bear expenses, including incentive fees, that will substantially reduce returns to investors. Prospective investors should bear in mind that the Opportunity may not achieve its objectives and may realize substantial losses. The performance, projections and target returns shown are not indications or guarantees of Sponsor and/or the Opportunity’s future performance or that such projections or target returns will be achieved.

All information contained herein, including, without limitation, all information concerning the Opportunity, projections, models or forecasts, economic trends, market comparables and prior performance, is based on or derived from information that Sponsor believes is accurate as of the date on the cover page hereto (unless otherwise indicated). Sponsor does not guarantee the accuracy of any such information, however, and such information will not be updated or otherwise revised to reflect information that subsequently becomes available, or circumstances existing or changes occurring after the date hereof. Furthermore, certain information contained herein is based on or derived from information provided by independent, third party sources. Sponsor believes that such information is accurate as of the date hereof and that the sources from which it was obtained are reliable, but does not verify the accuracy of the information provided by these sources.

The information contained herein may also contain certain statements that are based on Sponsor’s expectations, projections, predictions, beliefs and/or assumptions (collectively, “Assumptions”) and there can be no assurance that such Assumptions will prove correct or that the Assumptions will occur as anticipated.

PAST PERFORMANCE IS NOT INDICATIVE NOR A GUARANTEE OF FUTURE RESULTS. NO ASSURANCE CAN BE MADE THAT PROFITS WILL BE ACHIEVED OR THAT SUBSTANTIAL LOSSES WILL NOT BE INCURRED.

## Investment Highlights

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- The background of the slide is a faded image of the Statue of Liberty on the left, holding a torch and a tablet. In the background, the New York City skyline is visible across the water, with various skyscrapers and buildings. The water is a light blue-grey color.
- ✓ Opportunity to partner with an experienced, scalable development platform operated by a management team with in-house development expertise
  - ✓ Ability to deploy capital in the New York metropolitan market, which is regarded by many to be a high barrier to entry market
    - ✓ Potential access to off-market transactions that may be inaccessible to most investors



## INTRODUCTION

The BM Excelsior Opportunitas Fund (the “Fund”), led by sponsor Barone Management LLC (“Barone” or the “Company”), is a real estate investment fund targeting value-add development opportunities in the greater New York metropolitan market which we anticipate will reemerge in the aftermath of the COVID-19 pandemic and resulting market disruption. The Fund will pursue an assortment of residential, commercial, and industrial investment opportunities spanning from renovation and repositioning to new ground-up construction.

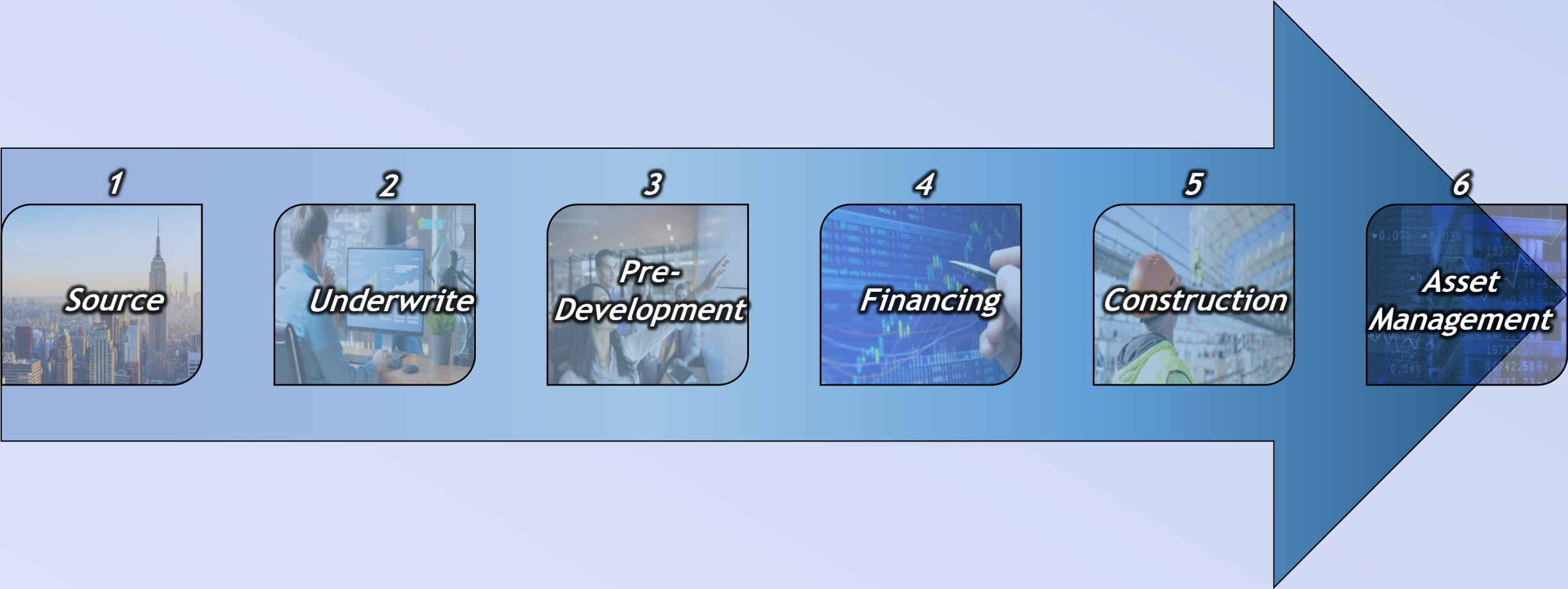
Founded in 1999, Barone is a vertically integrated development, construction, and management firm operating in the New York metropolitan market. With separate but complementary divisions dedicated to developing its own real estate holdings, Barone has found a niche in the highly competitive New York metropolitan marketplace allowing for Barone to build a portfolio with a diverse list of partners and projects. A dedicated approach focused on acquiring what it determines to be premium real estate, coupled with a commitment to a value-add business plan rooted in the ability to construct its own projects, has yielded a diverse portfolio of assets in the hospitality, multifamily, office, industrial, and community facility sectors. As of January 2021, Barone has approximately one million square feet of projects that are either completed, actively managed, or under development, including projects that have been sold. Barone’s executive team has a combined experience of over 50 years in the commercial real estate industry, having curated a six-stages approach to the development process, including sourcing, underwriting, pre-development, financing, construction, and asset management. Since its inception, Barone has acquired and subsequently developed or traded over half a billion dollars in value of operating and development properties throughout the New York metropolitan market.

In response to the unprecedented events of 2020 and their substantial impact on the New York metropolitan market, we believe compelling opportunities are presenting themselves and will continue to do so for a limited amount of time. Following the guidance of the Latin proverb “Fortis Fortuna Adiuvat,” which translates to “Fortune Favors the Bold,” Barone feels that the time is now. In that same spirit, we have named this fund after the New York State motto, “Excelsior,” which means “Ever Upward.”

The following materials are assembled in such a way so as to walk you through Barone’s six-stage investment approach, its track record, the ethos driving the timing of the Fund itself, and the salient business terms of an investment in the Fund.

## INVESTMENT STRATEGY

As its primary objective, Barone seeks to achieve high yield “opportunistic” internal rates of return ranging from 18% to 24%<sup>1</sup> for its principals and investors, as opposed to more risk-averse “core” investment opportunities. It endeavors to accomplish this by leveraging a six-stage approach to real estate development that has been curated throughout the company’s 20+ year operating history. During each stage of the process, Barone implements a carefully refined strategy characterized by in-house expertise and a wide-ranging network of third-party relationships.



<sup>1</sup> The target return information presented herein represents certain underwriting criteria used by Barone to analyze investment opportunities, and is provided for illustrative purposes only and does not represent a projection of performance or returns to investors. Target return information is based upon certain estimates and assumptions, which may not prove accurate. There are no assurances or guarantees that such target returns will be achieved.

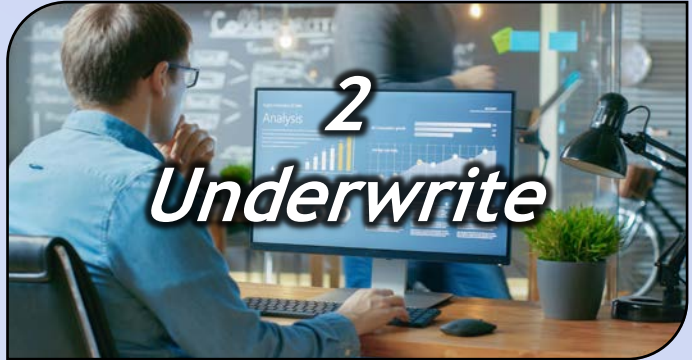


It is one of Barone's core principles that most successful real estate ventures begin with the ability to identify undervalued assets or displaced business models, thereby securing an advantageous cost basis upon which the balance of the project is developed.

In addition, we believe identifying off-market investment opportunities is a crucial first step in the process, as openly marketed transactions may be overpriced.

Barone seeks to accomplish this sourcing by tapping its network of brokers, principals, and joint venture partners. In fact, over 60% of Barone's acquisitions over the past decade were word-of-mouth deals that were never openly marketed through a broker.

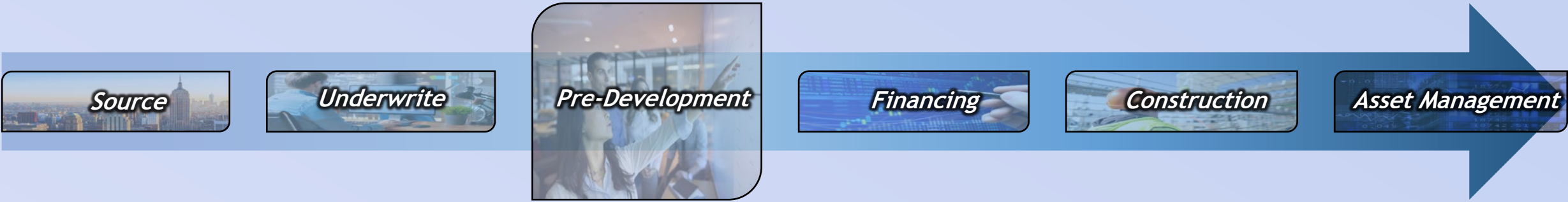




Barone's underwriting team is experienced in all aspects of deal fundamentals, structuring, and return metrics. It's assumptions and projections are based upon a wealth of industry knowledge, derived from hands on experience.

Specifically, Barone implements a careful focus on design and construction costs given its 20+ year history in construction management. Its in-house design and construction team works closely with its underwriters to generate accurate cost projections and a pragmatic approach to scheduling.

Given Barone's pursuit of various potential transactional structures, whether it be acquisition, long-term land lease or joint-venture, it seeks to unlock what it considers to be the highest valued business model available to the property.



Pre-development begins with the assemblance of a supportive team of architects, engineers, expeditors, environmental consultants, attorneys, lobbyists, and other professionals. Barone prides itself on having cultivated long-term relationships with many of these groups.

Each of these disciplines work with Barone's staff to guide the development process, including, but not limited to, transaction structuring, zoning analysis, building design, environmental due diligence, and political relations.

Moreover, Barone has a track record of unlocking value via the pursuit of discretionary land-use actions including Special Permits from the New York City Board of Standards and Appeals and rezonings pursuant to the Uniform Land Use Review Procedure administered by the New York City Department of City Planning.

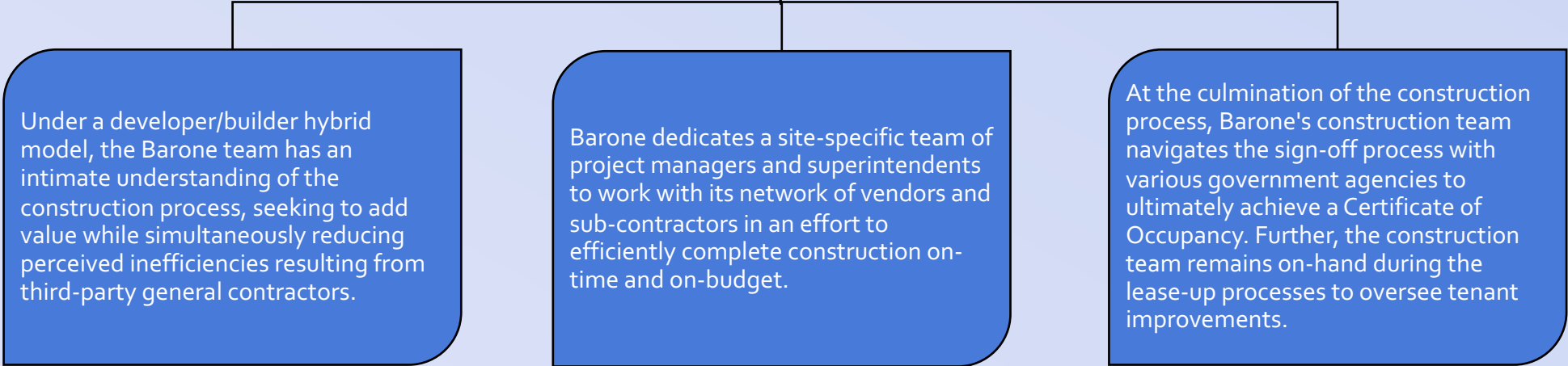




A key consideration for Barone during the underwriting process is the extent to which debt will be utilized to fill the capital stack for each project.

From early on in the development process, Barone initiates conversations with its network of lending relationships, inclusive of traditional banks, debt funds, pension funds, and insurance companies, in an effort to secure what it considers to be advantageous terms to maximize profitability.

Barone employs varying degrees of equity syndication to round out the capital stack, initially constituting principal capital only before expanding to friends and family investors, joint ventures, and most recently crowdfunding. All of these resources would serve to potentially compliment the investment made by the Fund.





As construction approaches substantial completion, Barone assembles a marketing team tasked with the development of a strategy aimed at identifying the highest and best end-users for projects that are not already pre-leased.

During lease-up and upon stabilization, the management team works with its tenants to provide a smooth transition into the premises and to maintain ongoing property upkeep to facilitate timely rent receipts.

Simultaneously, Barone re-engages conversations with its lending network to refinance the existing construction loan in an effort to achieve superior terms on senior debt. As a final step, Barone's ultimate goal is typically to monetize the asset by way of disposition at a favorable capitalization rate and a targeted internal rate of return.



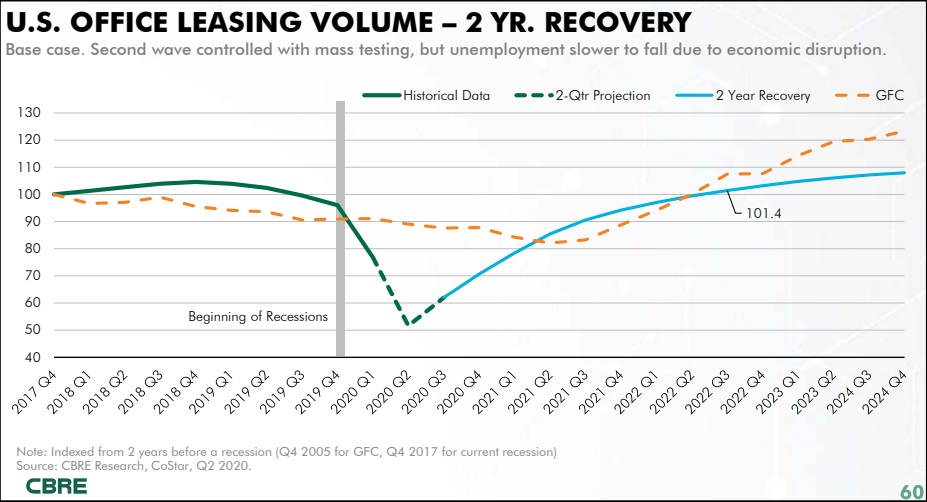
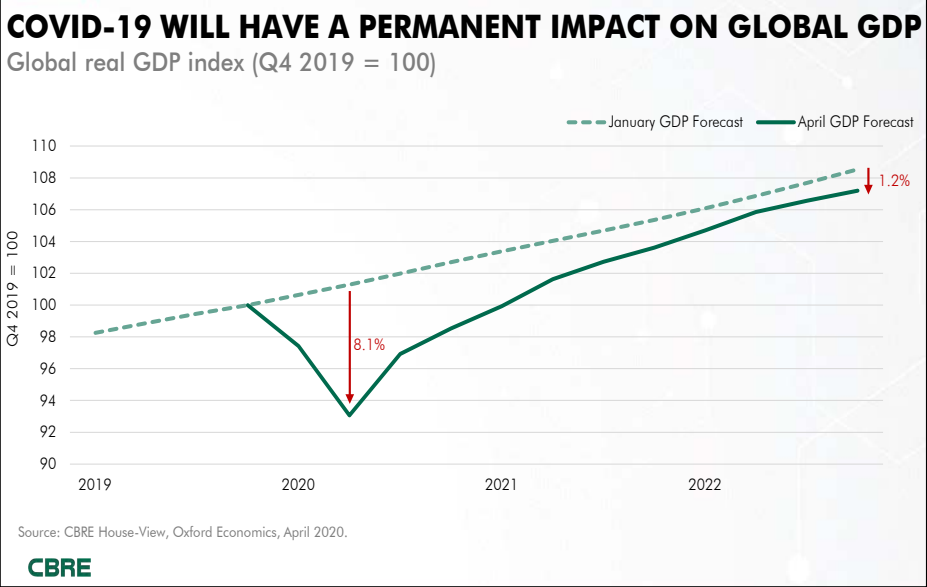
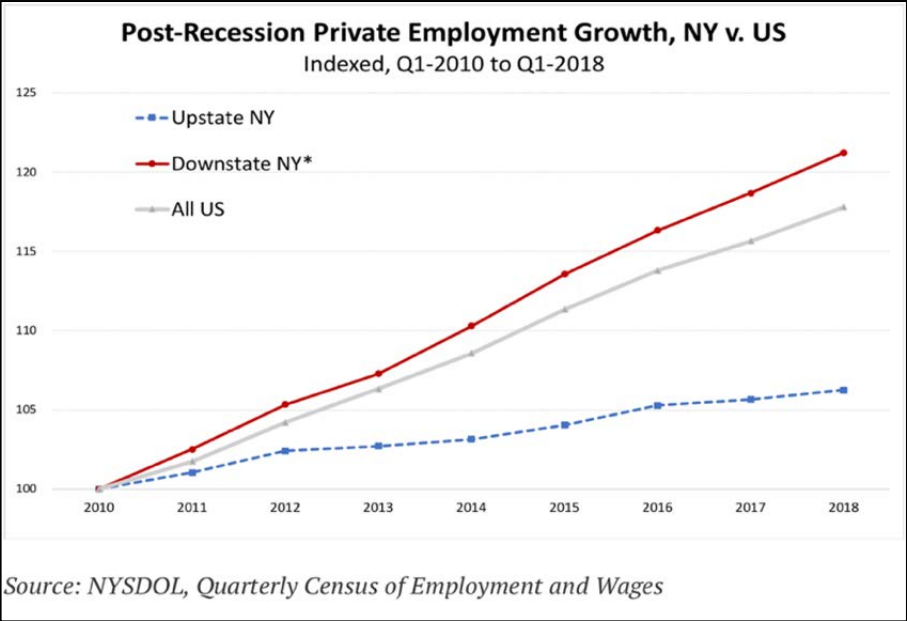
## Why Now?

We believe that Baron Rothschild said it best when he stated: "The time to buy is when there's blood in the streets."<sup>[i]</sup> This declaration underscores the stark reality that adversity often creates opportunity. It is evident to us that, since the onset of COVID-19, much of the global population has faced unprecedented challenges with extensive economic impact as a result of the pandemic and the associated economic stagnation.

While very likely that the breadth of the pandemic's fallout has yet to be fully realized, we think one thing is unfortunately abundantly clear – many businesses have and will continue to fail, while entire industries face fundamental disruption and restructuring.<sup>[ii]</sup> However, history has proven that resourceful and forward-thinking entrepreneurs armed with a combination of resources, strategic relationships, and industry know-how are often well-positioned to capitalize on the vast opportunities that present themselves in the wake of such disruption.

For us, there is no better place in the world to capitalize on such opportunities than New York metropolitan market, which in our minds has been historically successful at reinventing itself after incredible challenges. Although one could look back as far as the Revolutionary War for evidence of this phenomenon, we think the last three decades specifically provide a lesson on the New York metropolitan market's perseverance and resurgent nature.

Examples of this include urban renewal after the challenges resulting from the Koch and Dinkins administrations, and the rebirth of lower Manhattan following the events of September 11<sup>th</sup>. Most recently, the Great Recession of 2008 which significantly shook New York City given its position as the financial epicenter of the world. Even so, New York City bounced back quicker, stronger, and more resilient than the rest of the United States by a wide margin.<sup>[iii]</sup>

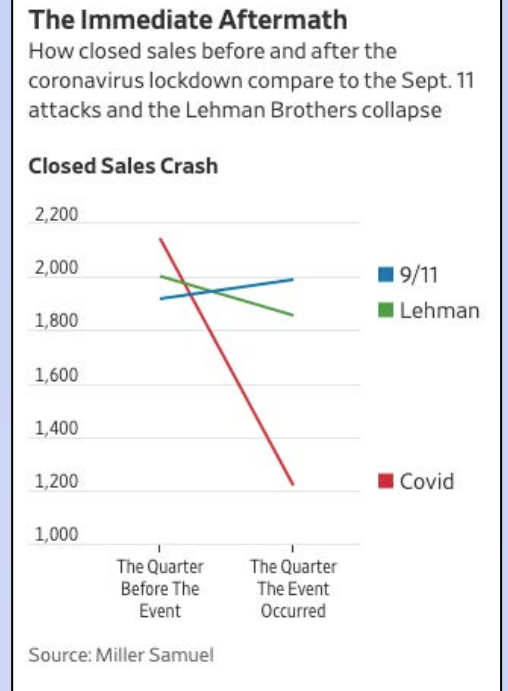
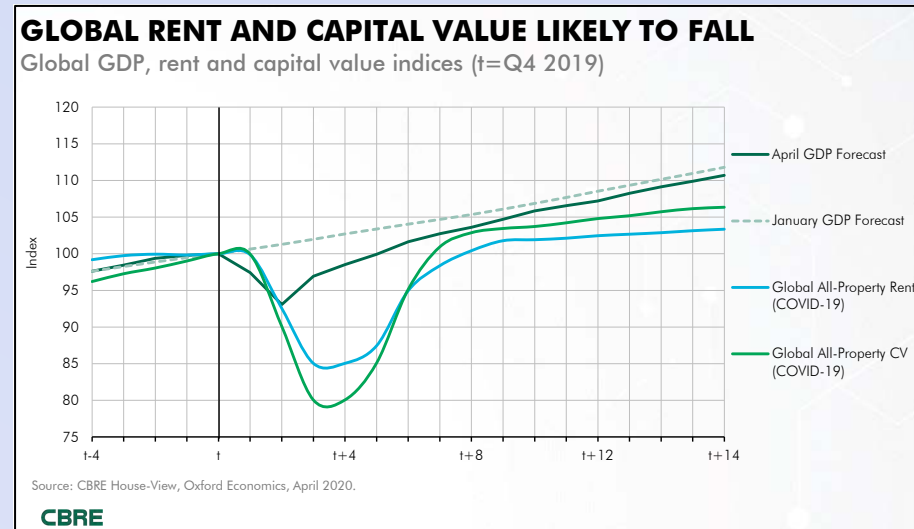


## Why Now? (cont.)

Furthermore, while we believe New York City will continue to thrive in a post COVID-19 world, we are of the opinion that there will be a shift over time that will change certain long-established trends in the Manhattan office market, which we think will in turn have resulting ripples in the residential, retail, and other asset classes. For example, we have already recognized an observable short-term “flight” from Manhattan residential in addition to a longer than expected office vacancy with employees not yet returning to core urban office buildings. We believe the opposite of that equation is that there will be an increased focus on the suburban markets located within various boroughs and surrounding counties as a result of a shift towards satellite office spaces, especially as the long-term effects of the work from home phenomenon does not bear long term productive results. Moreover, there has already been an observable surge in residential demand in the secondary markets of Long Island and Westchester.<sup>[iv]</sup> We anticipate that these trends will continue to be bolstered by extended periods of low interest rates and

other favorable market conditions, including but not limited to further governmental stimulus. To this end, we expect that New York State (and the City specifically) will receive a disproportionately outsized share of support from the Federal Government, reminiscent of the extensive financial support afforded to the State after the 2008 Great Recession. This prediction is based upon the outcome of the 2020 presidential election, which aligned party lines between the state and federal executive branches, the appointment of Chuck Schumer as the Senate Majority Leader, and the substantial impact of COVID-19 on the New York City region. As a result, we expect to witness a swift economic recovery characterized in part by a resurgence in property values.

In conclusion, our team believes that we possess the appropriate combination of resources, relationships, and industry know-how to capitalize on the opportunities set forth herein. Significantly, the firm’s foray into real estate ownership and investment was born out of the ashes of a Great Recession-era stalled project in the Hudson Square area of Manhattan. What the firm lacked in 2008 was ready working capital, lengthy experience, a financing track record, and capital relationships to name a few. However, what it had then was hunger, drive, wit, and a willingness to get its hands dirty – traits that we believe not only remain today but also have been enhanced by the expansion of a young, strong, and eager team. With what we perceive as a global economy and local market primed for resurgence, we believe the Fund is the next logical step in the organic growth trajectory of the firm.



# SUMMARY OF CERTAIN TERMS

*The following is a summary of certain terms of an investment in the Fund only and is qualified in its entirety by reference to the Fund's limited liability company agreement and other offering and subscription materials. To the extent of a conflict or inconsistency between the terms of this summary and the terms of the limited liability company agreement, the terms of the limited liability company agreement govern and control.*

<b>Fund:</b>	BM Excelsior Opportunitas Fund A LLC, a newly-formed Delaware limited liability company.
<b>General Partner:</b>	A newly-formed entity directly or indirectly controlled by Barone Management LLC and/or one or more of its principals or affiliates.
<b>Key Persons:</b>	During the Investment Period, Scott Barone and/or John Silviano will be actively involved in the management of the Fund and its related operations and will be members of the investment committee of the Fund.
<b>Investment Strategy:</b>	The Fund will seek to invest in commercial and residential real estate in the New York metropolitan area (including New York City, Westchester County, Long Island, and New Jersey). Subject to the discretion of the General Partner, up to 15% of the committed capital may be invested in other geographic areas that the General Partner determines. Investments may include redevelopment and repositioning to actively create value. The Fund may wholly own underlying assets or joint venture with one or more third parties, as determined by the General Partner.
<b>Target Capital Raise:</b>	\$40,000,000, subject to the discretion of the General Partner to raise a greater or lesser amount.
<b>Minimum LP Commitment:</b>	\$400,000, subject to the discretion of the General Partner to accept a lesser amount.
<b>Minimum GP Commitment:</b>	5% of the aggregate LP Commitments, not to exceed \$2,000,000, unless otherwise determined by the General Partner.
<b>Capital Raise Period:</b>	Anticipated to be 1 year, with one 6-month extension option exercisable by the General Partner.
<b>Investment Period:</b>	Anticipated to be 2 years after the final Limited Partner closing, with two 6-month extension options exercisable by the General Partner.
<b>Term:</b>	Anticipated to be 7 years after the expiration of the Investment Period, with two 1-year extension options exercisable by the General Partner.
<b>Target Internal Rate of Return<sup>3</sup>:</b>	18% - 24%
<b>Waterfall:</b>	Distributions of available cash will be made as follows: (i) first, 100% to the Limited Partners until the Limited Partners receive a 9% preferred return on their capital contributions; (ii) second, 25% to the General Partner and 75% to the Limited Partners until the Limited Partners have received a 13% IRR; (iii) third, 35% to the General Partner and 65% to the Limited Partners until the Limited Partners have received a 17% IRR; (iv) fourth, 45% to the General Partner and 55% to the Limited Partners until the Limited Partners have received a 20% IRR; and (v) thereafter, 55% to the General Partner and 45% to the Limited Partners.
<b>Management Fee:</b>	1.5% per annum, payable in quarterly installments from the initial Limited Partner closing.
<b>Property-Level Fees:</b>	It is anticipated that affiliates of the General Partner will be entitled to receive fees for providing property-level services (including acquisition, financing, development, construction management, asset management, property management, leasing, brokerage, disposition and/or other fees) on customary market terms. In addition, the General Partner and/or its affiliates may participate in property-level fees that are paid to third parties. The Fund will not participate in such fees.
<b>Underlying Promote:</b>	In the event that an underlying third-party capital partner in an investment agrees to pay a promote or carried interest at the property level to Barone or its affiliates, 50% of such property-level promote will be distributed to the Fund.
<b>Fund Expenses:</b>	The Fund will pay organizational expenses, as well as on-going operating expenses (including accounting, administrative expenses and other customary Fund-level expenses).
<b>Advisory Committee:</b>	The Fund will have an Advisory Committee composed of Limited Partner representatives selected by the General Partner. The consent of a majority of the members of the Advisory Committee will be required with respect to matters giving rise to conflicts of interest and certain other matters to be set forth in the Fund's limited liability company agreement.

<sup>3</sup> The target return information presented herein represents certain underwriting criteria used by Barone to analyze investment opportunities, and is provided for illustrative purposes only and does not represent a projection of performance or returns to investors. Target return information is based upon certain estimates and assumptions, which may not prove accurate. There are no assurances or guarantees that such target returns will be achieved.



## Works Cited

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