

Item 1.

Capital Mortgage Management, Inc.

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*DISCLOSURE BROCHURE*

This brochure provides information about the qualifications and business practices of Capital Mortgage Management, Inc. (CMM). If you have any questions about the contents of this brochure, please contact us by phone at 636-207-0160 or email us at [proloan1@aol.com](mailto:proloan1@aol.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Capital Mortgage Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## **Item 2. Material Changes Summary**

This brochure provides prospective clients with information about Capital Mortgage Management, Inc. that should be considered before or at the time of obtaining our advisory services.

Effective March 31, 2011, the SEC adopted a new form of brochure for registered investment advisers that includes the information previously required in Form ADV Part II. This brochure is required to be updated annually or sooner when material changes to our business take place

Each year we will deliver to you, by no later than April 30<sup>th</sup>, a free updated brochure that includes or is accompanied by a summary of material changes; or a summary of material changes and an offer to provide a copy of the updated brochure and how to obtain it.

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#### **Item 4 .Advisory Business**

Capital Mortgage Management, Inc. ("CMM") was formed in October 1997 by its President, John W. Stewart, CPA. CMM currently has one advisory client, Builders Proloan Fund, LLC (the "Fund"), for which it serves as manager. The Fund's interests are offered to institutional investors on a confidential, private placement basis. The Fund's limited liability company members (the "Members") primarily are Taft-Hartley pension funds. CMM manages the Fund's Proloan© program, which is a coordinated effort involving home builders, mortgage lenders and organized building trade unions.

John W. Stewart, CPA, born November 21, 1958, is President and sole owner of CMM. Mr. Stewart graduated from St. Louis University in 1981 with a BA in Accounting. From August 1988 through August 1997, Mr. Stewart served as Controller/Systems Administrator of the approximately \$688 million Carpenter's District Council of Greater St. Louis Retirement Fund. Mr. Stewart also had primary responsibility for the Carpenters District Council of Greater St. Louis' Proloan mortgage program since the program's inception in June 1991 until August 1997.

#### *Assets Under Management*

As of December 31, 2011, the Fund's total assets were \$190,430,540.00. CMM serves as manager of the Fund and its ProLoan program. The Fund has engaged Richmond Capital Management, Inc., a federally registered investment advisor, to serve as sub adviser of the Fund (the "Subadviser") and to manage the Fund's investment portfolio on a fully discretionary basis.

#### **Item 5. Fees and Compensation**

As compensation for providing management of the Fund and its ProLoan program and oversight of the Subadviser, the Fund pays CMM an annual fee of 0.20% of the value of each Member's capital account at the close of trading on the last business day of the prior month. CMM may negotiate lower fees with Members who invest at least \$100 million in the Fund.

The Fund pays all costs and expenses relating to its investment activities, including but not limited to legal, auditing, custodial, administrative and accounting expenses, costs of preparing the Fund's financial statements, tax returns, and IRS Forms K-1, expenses of the meetings of the Members and the Fund's Advisory Board, expenses associated with the acquisition, holding and disposition of investments, management and subadvisory fees, as well as taxes, interest and extraordinary expenses.

#### **Item 6. Performance Based Fees and Side by Side Management**

CMM does not charge performance-based fees, and CMM does not manage the securities of any client account.

#### **Item 7. Types of Clients**

The Fund's interests are not registered under the Securities Act of 1933 or the Investment Company Act of 1940 or under state securities laws in reliance upon exemptions contained in these Acts and in state

securities laws for transactions not involving a public offering. Accordingly, offers and sales of the Fund's interests are made only to prospective investors who satisfy certain eligibility criteria. A Member must meet the requirement to be a "Qualified Purchaser" under Section 2(a)(51) of the Investment Company Act, which typically includes an institution investing for its own account that, in the aggregate, owns or invests on a discretionary basis, not less than \$25 million in investments.

The minimum investment in the Fund is \$1 million, although CMM may cause the Fund to accept lower investments in its discretion.

#### **Item 8. Method of Analysis, Investment Strategies and Risk of Loss**

*Methods of Analysis.* The Fund is designed to provide institutional investors with the opportunity to invest in a fixed income portfolio while also promoting employment in the home construction industry through the ProLoan® program. ProLoan is a coordinated effort involving home builders, mortgage lenders and organized building trade unions. The Fund contracts with banks and other mortgage lenders to offer ProLoan mortgage loans for single and multi-family homes and other commercial or residential properties that are substantially union-built and newly constructed or renovated. The Manager coordinates with home builders and local building trade unions to ensure that the properties are built using trained union labor and, thus, are eligible to be included in the ProLoan program. ProLoan home mortgages offer qualified borrowers the opportunity to lock in interest rates for an extended period to allow time for construction or renovation.

*Investment Strategies.* To accomplish its goals, the Fund invests in ProLoan mortgage-backed securities that directly or indirectly finance new construction or substantial rehabilitation of single- and multi-family housing projects, and in mortgage securities backed by single- and multi-family loans. Mortgage securities backed by multi-family housing projects including market-rate housing, low-income housing, housing for the elderly or handicapped, intermediate care facilities, assisted living facilities and nursing homes. ProLoan mortgage-backed securities are pools of mortgage loans, including ProLoans, that have been securitized and guaranteed by GNMA, FNMA or FHLMC. Participating banks and other mortgage lenders in the ProLoan program submit ProLoans to these government agencies, and the agencies include the ProLoans in pools with other mortgage loans.

*Risk of Loss.* An investment in the Fund is illiquid in that no present market exists for its interests and none is expected to develop. An investment in the Fund involves significant risks and certain potential material conflicts of interest. Prospective investors should read the Fund's Confidential Offering Memorandum together with the appendices prior to purchasing an interest in the Fund. The Fund's interests are speculative securities and should be considered only by an investor who can afford the risk of loss of the investor's entire investment. As with any investment, the Fund's returns will vary and Members could lose money.

#### **Item 9. Disciplinary Information**

CMM has no disciplinary history to report.

#### **Item 10. Other Financial Industry Activities and Affiliations**

The Fund contracts with banks and other mortgage lenders to offer ProLoan mortgage loans for single and multi-family homes and other commercial or residential properties that are substantially union-built

and newly constructed or renovated. CMM coordinates with home builders and local building trade unions to ensure that the properties are built using trained union labor and, thus, are eligible to be included in the ProLoan program.

Mr. Stewart spends approximately 95% of his time on matters for CMM. From time to time, Mr. Stewart may engage in business consulting or provide accounting services outside of CMM.

Mr. Stewart is licensed to sell insurance products in Missouri but he is not currently pursuing insurance sales.

#### **Item 11. Code of Ethics, Interest in Client Transactions and Personal Trading**

CMM has adopted a Code of Ethics pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 which is based on the principle that CMM and its employees owe a fiduciary duty to clients. In complying with this duty, advisory personnel must avoid activities or interests that might interfere with making decisions in the best interests of clients. Under the Code of Ethics, CMM's advisory personnel are required to submit regular reports of their personal securities transactions to the Chief Compliance Officer for review. In addition, each person subject to the Code of Ethics is required to report all violations of which such person becomes aware to the Chief Compliance Officer. CMM will provide a copy of its Code of Ethics, free of charge, upon the request of any client.

#### **Item 12. Brokerage Practices**

CMM does not recommend brokers to clients.

The Subadviser has sole discretion to determine the types and amount of securities to be bought and sold for the Fund's account, as well as sole authority to determine brokers and dealers to be used by the Fund and sole discretion to negotiate transaction costs, mark-ups and mark-downs.

#### **Item 13. Review of Accounts**

The President of CMM generally reviews the Fund's account no less frequently than quarterly. Members receive regular statements of their capital account in the Fund detailing their transactions in Fund interests and a current value of their capital account in the Fund. Members also receive the Fund's financial statements audited by an independent public accounting firm no later than 120 days after the end of the Fund's fiscal year ended December 31<sup>st</sup>.

#### **Item 14. Client Referrals and Other Compensation**

CMM does not compensate any person for client referrals. CMM does not receive compensation from any source other than the Fund.

#### **Item 15. Custody**

The Fund retains ownership of all securities and cash in its accounts. Adviser will not accept physical custody of the Fund's securities or cash. Custody of the Fund's cash and securities is maintained by U.S. Bank, NA, an independent qualified custodian bank. Members should carefully review their capital account statements.

**Item 16. Investment Discretion**

CMM does not take or accept discretionary authority to manage any client investment portfolio. The Fund has engaged the Subadviser to manage the Fund's investment portfolio on a discretionary basis.

**Item 17. Voting Client Securities**

CMM does not vote proxies on behalf of the Fund. The Fund has engaged the Subadviser to vote any proxies received by the Fund with respect to its portfolio securities.

**Item 18. Financial Information**

CMM is not aware of any financial condition that is reasonably likely to impair the fulfillment of our contractual commitments to our clients.