



Part 2 of Form ADV

Item 1. Cover Page

Urdang Capital Management, Inc.
630 W. Germantown Pike, Suite 300
Plymouth Meeting, PA 19462

Form ADV Part 2 (as of March 30, 2012)

This brochure provides information about the qualifications and business practices of Urdang Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us by phone at (610) 834-9500 or mail at 630 West Germantown Pike, Suite 300, Plymouth Meeting, PA 19462. Please visit our website at www.urdang.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Urdang Capital Management, Inc. is registered with the SEC as an investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about Urdang Capital Management, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2. Summary of Material Changes

The following is a summary of our material changes made since our last annual update dated March 31, 2011:

Item 4 has been updated to reflect the termination of the Firm's subadvisory of a private real estate debt fund in our Real Estate Debt strategy.

Item 9 has been updated in order to disclose recent civil and administrative complaints against the Bank of New York Mellon Corporation, the parent company of Urdang Capital Management, Inc., concerning its standing instruction foreign exchange services. Urdang Capital Management, Inc. is not a defendant in any of the complaints or actions described in Item 9.

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Item 4. Advisory Business

Urdang Capital Management, Inc. (the “Firm” or “We” or “Us”) is a corporation organized under the laws of the State of Delaware. The Firm is a wholly-owned subsidiary of The Bank of New York Mellon Corporation (“BNY Mellon”). We were organized and have been providing investment advisory services since October 1988.

We provide discretionary and non-discretionary investment advisory services to:

- institutional investors in the form of separate accounts;
- pooled investment vehicles that are exempt from registration in the U.S. (including private funds); and
- other investment advisory services through subadvisory agreements.

We primarily focus on the U.S. private equity real estate market, with investments in value-added and core/core-plus real estate. Nearly all of our clients follow this Private Real Estate strategy. We currently serve as investment advisor for a securitized asset fund (collateralized debt obligation or “CDO”) as part of our Real Estate Debt strategy. The Firm does not offer investment vehicles in the Real Estate Debt strategy to new clients. We have entered into an agreement with a subadvisor for management of the CDO. Among other duties, this subadvisor provides asset management and disposition services relating to CDO investments. *Please see Item 8 below for further information on our strategies.*

In our Private Real Estate strategy, we offer investment advisory services tailored to meet clients’ individual investment goals in the form of separate accounts. We work with these clients to create investment guidelines mutually acceptable to the client and the Firm. When creating investment guidelines, clients may impose investment restrictions, including limitations on the use of leverage, legal entity structures, or specific property types.

We also offer investment advisory services to private funds, including closed-end property funds. Each private fund has an investment objective and a set of investment policies and/or guidelines that we must follow. For this reason, we cannot tailor the investment advisory services we provide to pooled investment vehicles to meet individual investor needs. In addition, we cannot impose individual investment restrictions on our investment strategies for underlying investors in the pooled investment vehicles. Our investment advisory services provided to pooled investment vehicles may be in the form of subadvisory agreements.

Separate account clients and funds that follow our Private Real Estate strategy typically acquire and hold real property through a joint venture with an unaffiliated operating partner. A client portfolio may contain investments in office, retail, industrial and multifamily properties. *Please see Item 8 below for further information on the investment process.*

We managed \$1.2 billion on a discretionary basis and \$133 million on a non-discretionary basis as of December 31, 2011.

Assets under management (“AUM”) of UCM include separate accounts and private funds (including the CDO). Our AUM is generally based upon the fair value of investments as reported to clients and funds.

Item 5. Fees and Compensation

We provide investment advisory services for a fee. Fees may vary based on the type of account and the strategy that the account follows, among other things. Fees are expressed as an annual percentage. Separate account investment advisory agreements or private fund offering documents may also provide for expenses in addition to our advisory fees including costs relating to the administration of the account and its investments. Please refer to the respective investment advisory agreement or private funds offering materials for further information on how we charge and collect fees.

Private Real Estate Strategy

Representative fees payable to the Firm for separate accounts that follow our Private Real Estate strategy include:

- Acquisition fee: 0.25% - 0.5% of investment capitalization (equity plus leverage)
- Management fee: 0.5% - 1% of invested capital; certain client accounts base the fee on a percentage of operating cash distributions from property investments and third-party lender financing
- Performance fee: 8% - 10% of net profit, if any, over an agreed-upon rate of return threshold, subject to the return on the entire vehicle being above an agreed upon threshold (portfolio level test). Performance thresholds can be based on nominal or real (inflation-adjusted) return targets, or benchmark returns such as the NCREIF Property Index, U.S Treasury yields, or other comparable commercial real estate index. The NCREIF Property Index is a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only.

Typically, acquisition, management fees, and performance fees are agreed to at the inception of the client account and will be based in part upon the amount of client capital committed to the separate account. Management fees are billed quarterly in arrears. Acquisition and performance fees are billed other than quarterly, including performance fees that are billed annually.

Private funds that follow the Private Real Estate strategy typically pay the following fees to the Firm and/or its affiliate:

- Acquisition fee: None
- Management fee: .9% - 2.0% based on commitment size breakpoints. During the private funds investment period, fees are based on capital committed less any applicable reductions. After the investment period, the investment management fee will be calculated solely on the amount of each Limited Partner's funded commitments, reduced by capital contributions (and allocable fund-level expenses) in respect of investments that have been disposed.
- Performance fee: 20% of net realized profit (total distributions less capital invested) following a full return of capital plus a preferred return. Typically, our private funds are structured as limited partnerships. The general partner, an affiliate of the Firm, is entitled to a performance fee ("carried interest") which includes a "catch-up" provision. Once all partners have received a full return of capital plus the preferred return, the sponsor receives 40% - 50% of subsequent distributions until the sponsor has received 20% of all distributions to date (excluding return of capital). Thereafter, the sponsor receives 20% of all distributions. Since all limited partner capital must be returned prior to the sponsor receiving any carried interest, hold-backs, claw-backs, and reserves are not applicable.

Fees are paid by the respective private fund quarterly in advance and are deducted from the capital account balances of the underlying investors/limited partners. Such investors are typically also charged an allocable share of fund costs including professional, insurance, interest, and other administrative fees. Any separately negotiated fee arrangements are subject to a written letter agreement ("Side letters"). Such arrangements will cause some clients or groups of clients to pay fees that are different from the basic fee schedules disclosed in private fund offering materials. The Firm or its affiliates may offer management fee discounts, including fee reductions for existing investors. Please see the applicable private fund's offering materials for further information regarding fees. *Please also see Item 6 below for more information on our performance fees and related conflicts.*

Real Estate Debt Strategy: The Firm is entitled to a collateral management fee equal to 0.10% of the principal balance of CDO debt investments (net of defaulted loan principal).

We reserve the right, in our sole discretion, to negotiate or modify (either up or down) the basic fee schedules set forth above for any client due to a variety of factors, including but not limited to: the level of reporting and administrative operations required to service an account, the investment strategy or style, the number of portfolios or accounts involved, and/or the number and types of services provided to the client. Because our fees are negotiable, the actual fee paid by any client or group of clients may be different from the fees reflected in our basic fee schedule set forth above.

Item 6. Performance Fees and Side-by-Side Management

Advisers are subject to certain fiduciary standards under federal law and owe clients an affirmative duty of utmost good faith to act solely in the best interests of the client and to make full and fair disclosure of all material facts, particularly where the adviser's interests may conflict with the client's best interest. In this section, we describe our performance based fee arrangements and our side-by-side management activities and the inherent conflicts in such arrangements.

Our Private Real Estate separate account clients may pay a performance fee based on a percentage of net property investment gains over an agreed-upon rate of return threshold. *Please see Item 5 of this brochure for more information on our performance fees.* The performance fee may be further subject to the return on the entire client account above an agreed upon threshold (portfolio level test). Such thresholds vary between accounts and may be based on nominal or real (inflation-adjusted) return targets, or benchmark returns such as the NCREIF Property Index, U.S. Treasury yields, or other comparable commercial real estate index.

For private funds, affiliates of the Firm may earn a carried interest based on the performance of the funds. Underlying investors in any of the private funds that we manage should also see their offering materials and fund agreement for specific terms.

Performance-based fee arrangements are only available to qualified clients, in accordance with Rule 205-3 of the Investment Advisers Act of 1940.

"Side-by-side management" refers to our simultaneous management of multiple types of client accounts/investment products. For example, we manage separate accounts and pooled investment vehicles (including private funds) at the same time. Our clients have a variety of investment objectives, policies, strategies, limitations and restrictions. Our affiliates likewise manage a variety of separate accounts, managed accounts, and pooled investment vehicles.

Side-by-side management gives rise to a variety of potential and actual conflicts of interest for us, our employees, and our supervised persons. Below we discuss the conflicts that we and our employees and supervised persons face when engaging in side-by-side management and how we deal with them.

Note that we manage our accounts consistent with applicable law, and we follow procedures that are reasonably designed to treat our clients fairly and to prevent any client or group of clients from being systematically favored or disadvantaged.

For example, we have an investment rotation policy which is designed and implemented to ensure that all clients are treated fairly and equally, and to prevent conflicts from influencing the allocation of investment opportunities among clients. *Please see Item 12 for an explanation of our investment allocation policy.*

Conflicts of Managing Multiple Accounts

During the normal course of managing assets for multiple clients of varying types and asset levels, the Firm may encounter conflicts of interest. Management of multiple funds and accounts may create potential conflicts of interest relating to the allocation of investment opportunities. Additionally, the Firm may manage client accounts with varying fee structures. The Firm and its assigned investment professionals oversee the investment of various types of accounts such as separate accounts and pooled investment vehicles for clients and underlying fund investors. It is the policy of the Firm that investment decisions for client accounts are made based on a consideration of respective investment objectives and policies and opportunities are fairly allocated among clients. Investment decisions including the acquisition and disposition of property investments and allocation to client accounts is controlled by the Firm's Private Real Estate Investment Committee. *Please see Items 12 and 13 of this brochure for more information on the investment allocation and investment approval process.*

Conflicts of Interest Relating to Performance Based Fees When Engaging in Side-by-Side Management

We manage accounts that are charged a performance-based fee and other accounts that are charged a different type of fee, such as a flat asset-based fee. We have a financial incentive to favor accounts with performance-based fees because we (and our employees and supervised persons) may have an opportunity to earn greater fees on such accounts as compared to client accounts without performance-based fees. Thus, we have an incentive to direct our best investment ideas to client accounts that pay performance-based fees, and to allocate investment opportunities in favor of such accounts. We also have an incentive to give accounts with performance-based fees better execution. *Please see Items 12 and 13 of this brochure for more information on the investment allocation and approval process.*

Conflicts of Interest Relating to "Proprietary Accounts"

We, our affiliates, and our existing and future employees may from time to time manage and/or invest in products managed by the Firm ("Proprietary Accounts"). Investment by the Firm, our affiliates, or our employees in Proprietary Accounts may create conflicts of interest. We have an incentive to favor these Proprietary Accounts by, for example, directing our best investment ideas to these accounts or allocating investment opportunities in favor of such accounts, to the disadvantage of other accounts.

We also have an incentive to dedicate more time and attention to our Proprietary Accounts and to give them better execution than our other client accounts. *Please see Items 12 and 13 of this brochure for more information on the investment allocation and investment approval process.*

Other Conflicts of Interest

As noted previously, we and our affiliates manage numerous accounts with a variety of interests. This necessarily creates potential conflicts of interest for us. For example, the Firm or its affiliates may seek to perform investment banking and other financial services for, and will in such cases expect to receive compensation from, companies in which the Firm invests on behalf of clients in connection with transactions related to those investments or otherwise. This compensation could include financial advisory fees, as well as underwriting, placement or trailer fees, financing or commitment fees, and brokerage fees. The Firm or its affiliates may have an incentive to cause investments to be made, managed or realized in seeking to earn compensation or advance the interests of one client over another. *Please see Item 10 of this brochure for more information on other financial industry activities and affiliations.*

Item 7. Types of Clients

Type of Clients: We provide advisory services to clients and investors such as high net worth individuals, proprietary accounts, banks or thrift institutions, corporate pension and profit sharing plans, public/governmental pension plans, Taft-Hartley plans, trusts, charitable institutions, foundations, endowments, other non-US regulated funds, and other U.S. institutions.

Account Requirements: We require separate account clients to execute a written investment management agreement with us, granting us authority to manage their assets. Separate accounts are subject to minimum account sizes which vary depending upon the strategy of the account. Generally, the minimum account size for a separate account is \$100 million.

Investments in the Firm's private funds that we manage are subject to a minimum investment requirement of \$10 million. Please refer to the offering documents of such funds for more information.

We reserve the right to waive the minimum account size requirements.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

Private Real Estate Strategy

The Firm's long standing strategy is investment in value-added real estate. The Firm and its respective operating partner (see below) seek to add value to properties by stabilizing, enhancing and/or creating a property's income stream while improving its appearance, overall physical condition and position in the marketplace. We oversee the implementation and execution of property business plans spanning the full range of the value-added spectrum, including one or more of the following:

- Building renovation, expansion and/or redevelopment
- Lease-up of vacant space
- Aggressively increasing rental rates to market levels
- Property repositioning and turnaround
- Subdivision, rezoning and sale of excess land
- Development of additional building(s) on excess land

The universe of real estate investments that would be employed vary by each client's objectives and market cycles and conditions. We typically invest in office, industrial, retail and multi-family assets. We have also acquired performing and non-performing debt, secured by these property types, as well as structuring our investment as participating debt or preferred equity. We will also take advantage of opportunities in other property types, such as land.

The Firm's strategy is designed to anticipate market turning points in order to overweight or underweight property types and geographic regions. The selection of property types and geographic regions is supported by the Firm's top-down economic and capital markets forecasts. The Firm incorporates research on private and public capital markets, national and regional economic trends and regional real estate submarkets into analysis and decision making throughout all stages of the property investment lifecycle, including acquisition, financing, leasing and disposition.

Investment opportunities are sourced from various channels including the real estate brokerage community and our extensive network of operating partners. The Firm has long-term relationships with local operating partners that have intimate knowledge of value-added opportunities based on their particular market and property expertise.

The Firm and an operating partner with local market and property expertise will typically establish special purpose investment vehicles to acquire and hold property investments. These special purpose investment vehicles generally are formed as partnerships or limited liability companies. A private fund or separate account client will typically provide 80%-95% of the required equity for an investment, with the operating partner investing 5%-20% to secure its commitment to the success of the venture and create an alignment of interests. The operating partners typically provide day-to-day on-site property management services and in some cases serve as leasing agent. The Firm manages diversification across operating partner relationships to fit current target investment markets and property sectors.

The Firm has also invested through other investment vehicles including participating mortgages and mezzanine loans.

The Firm will also invest in core/core-plus real estate. Core real estate is high quality real estate, with low vacancy rates, and located in primary real estate markets. Core plus is also high quality real estate with the opportunity to increase returns by upgrading the property through additional capital or leasing of vacant space.

The Firm has a formal due diligence process for evaluation of an investment in a specific property. The due diligence process includes, but is not limited to, the following:

- Tenant interviews
- Detailed review of tenant leases
- Detailed analysis of income and expenses
- Review for environmental issues
- Review of physical property
- Evaluation of operating partner

The decision to acquire an investment requires approval by the Firm's Private Real Estate Investment Committee. *Refer to Item 13 for the role of the Investment Committee.*

Real Estate Debt strategy: While nearly all of our client accounts and funds follow the Private Real Estate strategy, we serve as advisor to a CDO. We do not offer any investment vehicles for new client investment in this strategy. The CDO holds investments in debt vehicles including commercial mortgage loans that are collateralized by underlying real estate properties. As advisor, we are primarily responsible for managing the investments of the CDO. The CDO has contracted with an independent Trustee and Servicer to manage loan transactions and reporting to investors. Underlying investors of the CDO should refer to the CDO Trust Indenture for additional information about the investment vehicle and methods of analysis and risks.

Risk of Loss

The table below and section that follows sets forth information concerning the material risks involved with our Private Real Estate strategy. Since the CDO investments are collateralized by real estate, the majority of risks identified for the Private Real Estate strategy are also applicable to the Real Estate Debt Strategy. An "X" in the table indicates that the strategy involves the corresponding risk. An empty box indicates that the strategy does not involve the corresponding risk in a material way. However, an empty box does not guarantee that the strategy will not be subject to the corresponding risk.

The risks set forth below represent a general summary of the material risks involved in the investment strategy we offer. If applicable, please refer to the “Risk Factors” section in the offering documents for a more detailed discussion of the risks involved in an investment in the Firm’s private funds.

Risk Type	Private Real Estate
General risks	X
Concentration risk	X
Counterparty risk	X
Development risk	X
Environmental risk	X
Insurance risk	X
Liquidity risk	X
Market risk	X
Partnership and joint venture risk	X
Real estate risks	X
Real estate financing risks	X
Tax risks	X
Valuation risk	X

General risks. Investing in real estate involves risk of loss that you should be prepared to bear. We do not guarantee or represent that our investment program will be successful. Our past results are not necessarily indicative of our future performance and our investment results may vary over time. We cannot assure you that our investments of your money will be profitable, and in fact, you could incur substantial losses. Your investments with us are not a bank deposit and are not insured or guaranteed by the FDIC or any other government agency.

Concentration risk. While diversification is an objective of the Firm for client accounts, there is no assurance as to the degree of diversification that will actually be achieved either by geographic region or property type. A client account may participate in a limited number of investments and, as a consequence, the aggregate return may be substantially adversely affected by the unfavorable performance of even a single investment. If a client portfolio makes an investment in a single transaction with the intent of refinancing or selling a portion of the investment, there is a risk that the Firm will be unable to successfully complete such a financing or sale. This could lead to increased risk as a result of the client account having an unintended long-term investment and reduced diversification.

Counterparty risk. Property investments may be financed and will be subject to the risk of the inability of lenders to perform with respect to loan or derivative transactions, whether due to insolvency, bankruptcy or other causes, which could subject a client account to substantial losses. In an effort to mitigate such risks, the Firm and the ownership entities of property investments will attempt to limit its transactions to counterparties, which are established, well-capitalized, and creditworthy.

Development risk. The Firm intends to acquire, redevelop and develop properties on behalf of client accounts. There can be no assurance that the Firm will undertake to acquire, redevelop or develop any particular site or that it will be able to complete such acquisition, redevelopment or development if it is undertaken. Risks associated with the Firm's acquisition, redevelopment and development activities include the following:

- Acquisition, redevelopment and development opportunities explored by the Firm may be abandoned and, as a result, the Firm may fail to recover expenses already incurred in connection with exploring such opportunities;
- Acquisition, redevelopment and development costs for a property, including, without limitation, materials, labor or other expenses, may exceed original estimates, possibly making the property uneconomical;
- Zoning, land-use, building, occupancy and other required governmental permits and authorizations may be difficult or impossible to obtain, leading to delays in and / or abandonment of all or a portion of the acquisition, redevelopment or development of a property;
- Construction and lease-up may not be completed on schedule, resulting in increased debt service and redevelopment or development costs;
- Leasing costs and tenant improvement costs may exceed expectations and, therefore, adversely affect the operating performance of a property; and
- Construction and permanent financing may not be available on favorable terms.

The occurrence of any of the events described above could result in meaningful unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could adversely affect the Firm's ability to achieve its projected yields on properties under redevelopment or development. Properties under development or properties acquired for development may distribute little or no cash flow from the date of acquisition through the date of completion of development and may experience operating deficits after the date of completion. In addition, market conditions may change during the course of development that makes such development less attractive than at the time it was commenced.

Environmental risk. As is the case with any holder of real estate investments, a client account could face meaningful risk of loss from environmental claims based on environmental problems associated with property investments. Property owners are subject to potential liabilities under various federal, state and local laws, ordinances and regulations as well as common law principles (collectively, "Environmental Laws"). Among other things, certain Environmental Laws provide that an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property and subject the owner or operator of real property or a facility to claims or liability for the costs of removal or remediation of hazardous substances that are released at, in, on, under, or from real property or a facility. The cost of any required remediation and the owner's liability therefore as to any property are generally not limited under such laws and could exceed the value of the property and/or the aggregate assets of the owner.

Insurance Risk. The Firm and the respective ownership entities of property investments held in client accounts intend to maintain comprehensive insurance on each property investment, including general liability, fire, extended coverage and rental loss insurance. Insurance coverage of the type and amount customarily obtained by owners of similar properties will be obtained. There are certain types of losses, however, generally of a catastrophic nature, including, without limitation, wars, natural disasters, mold, terrorist attacks and other similar events, that may be uninsurable or insurable only at such high rates that to maintain such coverage would cause an adverse impact on property investments. In general, losses related to terrorism are becoming harder and more expensive to insure against. Most insurers are excluding terrorism coverage from their all-risk policies. In some cases, the insurers are offering significantly limited coverage against terrorist acts for additional premiums, which can greatly increase the total costs of casualty insurance for a property. As a result, not all property investments may be insured against terrorism. Inflation, changes in building codes and ordinances, environmental considerations and other factors may also make it infeasible to use insurance proceeds to replace a property if it is damaged or destroyed. Under such circumstances, the insurance proceeds received might not be adequate to restore its economic position with respect to the affected property. If a major uninsured loss occurs, the client could lose both invested capital in and anticipated profits from the affected property investment.

Liquidity Risk. The investments made by the Firm are likely to be illiquid based on the nature of investments in real estate property. Dispositions of such investments also may be subject to limitations on transfer or other restrictions that would interfere with the subsequent sale of such investments or adversely affect the terms that could be obtained upon any disposition thereof. There is also the risk that the Firm will be unable to dispose of such investments at attractive prices or otherwise execute a successful exit strategy. Real estate can be difficult to sell, especially if local market conditions are poor. Such illiquidity may limit the ability of the Firm to vary holdings in client portfolios promptly in response to changes in economic or other conditions and limit near-term cash flow available for distribution to its investors. No assurances can be given that the fair market value of any of the investments acquired by the Firm will not decrease during the investment holding period.

Market risk. The market value of an investment may decline due to general market conditions that are not specifically related to a particular investment, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest rates or adverse investor sentiment generally. An investment's value may also decline because of factors that effect a particular industry.

Because the Firm concentrates its assets in the real estate industry, investments are closely linked to the performance of the real estate markets. Real estate is a cyclical business, highly sensitive to general and local economic developments and characterized by intense competition and periodic overbuilding. Real estate income and values may also be greatly affected by demographic trends, such as population shifts or changing tastes and values. Government actions, such as tax increases, zoning law changes or environmental regulations, may also have a major impact on real estate.

Partnership and joint venture risk. The Firm may invest client funds as a partner or a co-venturer with respect to investment in a property. Partnership or joint venture investments may involve risks including the possibility that the partner or co-venturer might become bankrupt or otherwise have financial difficulties that negatively impact a property investment including the ability to consummate an investment. The partner or co-venturer may also have economic or other business interests or goals that are inconsistent with the business interests or goals of the client and the Firm. A partner or co-venturer may also be in a position to take action contrary to the instructions or the requests of the Firm or contrary to the Firm's policies or objectives.

Real Estate risks. Real property investments are subject to varying degrees of risk. Because real estate, like many other types of long-term investments, historically has experienced significant fluctuations and cycles in value, specific market conditions may result in occasional or permanent reductions in the value of real property interests. The yields available from equity investments in real estate depend on the amount of income generated and expenses incurred from such investments. Moreover, certain significant expenditures associated with each investment in real estate (such as mortgage payments, if any, real estate taxes, insurance and maintenance costs) are generally not reduced when circumstances cause a reduction in income from the investment. If property investments do not generate revenues sufficient to meet operating expenses, including debt service and capital expenditures, the client account's cash flow and ability to receive distributions will be adversely affected. A property's revenues and value may be adversely affected by a number of factors beyond the control of the client or the Firm, including:

- the national and local economic climate;
- changes in supply of and demand for competing properties in an area (as a result, for instance, of overbuilding);
- changes in real property tax rates, changes in interest rates and the availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable;
- the financial resources of tenants;
- changes in building, environmental and other laws or changes in government regulations (such as rent control);
- contingent liabilities on disposition of assets;
- the perceptions of prospective residents of the safety, convenience and attractiveness of the properties or neighborhoods in which they are located and the quality of local schools and other amenities; and/or
- the ability of the operating partner and property management company to provide adequate management, maintenance and insurance

Real Estate financing risks. The Firm may leverage property investments with non-recourse debt financing. The Firm may also obtain recourse debt financing in select situations such as a completion guarantee for development projects or when market conditions make non-recourse debt unavailable. Although the use of leverage may enhance returns and increase the number of investments that can be made, it may also substantially increase the risk of loss. Additionally, use of leverage on any particular investment will increase the exposure of such investment to adverse economic factors such as rising interest rates, severe economic downturns or deterioration in the condition of the real estate investment or its market.

In the event a real estate investment is unable to generate sufficient cash flow to meet its principal and interest payments on its indebtedness, the value of the client's equity investment in such real estate investment could be significantly reduced or even eliminated.

If a property investment cannot satisfy its obligations under the debt instruments, then the unpaid amounts likely will promptly become due and, thus, the client may be required to forfeit the property or properties. Forfeiture of a property upon an event of default under a debt instrument will likely decrease the proceeds from the sale of a property upon foreclosure, thereby decreasing the client's return on investment in that

Tax risks. The Firm intends to use its best efforts to structure the investments so as to minimize the risk of realization of unrelated business taxable income ("UBTI") by tax-exempt investors. In this regard, the Firm may utilize one or more real estate investment trusts ("REITs") or other investment structures in the client's investment program. No assurance can be given, however, that investments will not give rise to UBTI for any tax-exempt investor.

The Firm may utilize one or more REITs in a client investment program. A REIT is generally not subject to federal income tax to the extent that it distributes its income to its shareholders. To qualify as a REIT, a company must meet certain requirements which are technical and complex and depend on various factual matters and circumstances that may not be entirely in the Firm's control. If a REIT does not qualify as a REIT for federal income tax purposes, it would be subject to income tax at regular corporate rates. REITs are subject to the possibility of failing to qualify for tax-free pass-through of income under the Internal Revenue Code and maintaining exemption from the registration requirements of the Investment Company Act of 1940. Certain REITs provide for a specified term of existence in their trust documents. Such REITs run the risk of liquidating at an economically disadvantageous time.

Valuation risk. The market value of real estate investments held by client accounts will generally fluctuate with, among other things, general economic conditions, world political events, developments or trends in any particular investment, and the conditions of financial markets. Most of client investments will be investments for which there is no, or limited, liquid market. The fair value of such investments may not be readily determinable. The Firm will value these investments periodically at fair value as determined by the Firm in accordance with the client agreement or fund governing document, as applicable. The valuations used by the Firm for a substantial portion of client investments may therefore not reflect the most recently available market information. The types of factors that may be considered in fair value pricing of investments include discounted cash flows, prevailing market conditions with respect to the location of the property investment, similar property sales, and other relevant factors. Because such valuations are inherently uncertain, they may fluctuate over short periods of time and may be based on estimates, the Firm's determination of fair value may differ materially from the actual results obtainable in an arm's length sale of such investments to a third party. A client account's financial condition and results of operations could be adversely affected if fair value determinations were materially higher than the values that the client account ultimately realizes upon the realization of such investments.

Item 9. Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an evaluation of the Firm or the integrity of the Firm's management in this item.

The Firm has no legal or disciplinary events to report.

The Firm is not a defendant in any of the complaints or actions described in the following paragraph.

Several State Attorney General's Offices, the U.S. Attorney's Office for the Southern District of New York and certain individual plaintiffs have filed civil complaints against the Bank of New York Mellon Corporation ("BNY Mellon"), the parent company of the Firm. Certain of these complaints supercede complaints that had been filed by a purported whistleblower under state false claims act statutes. In addition, the Massachusetts Securities Division has filed an administrative complaint against BNY Mellon. These actions allege that BNY Mellon improperly charged and reported prices for standing instruction foreign exchange ("FX") transactions executed in connection with custody services provided by BNY Mellon. BNY Mellon believes that the claims asserted in the actions are without merit, and reflect a fundamental misunderstanding of the role of custodian banks and the operation of institutional FX markets. BNY Mellon plans to defend itself vigorously on behalf of its shareholders.

Item 10. Other Financial Industry Activities and Affiliations

The Firm is the sole parent of Urdang Securities Management, Inc. ("USM"). USM is a registered investment adviser with the SEC, however, it does not provide investment advisory services to the Firm. USM focuses on publicly traded real estate securities which does not conflict with services provided by the Firm. Certain senior management executives are the same for the Firm and USM. Additionally, the Firm and USM share support services such as sales and marketing, accounting and reporting, and compliance.

BNY Mellon is a global financial services company providing a comprehensive array of financial services (including asset management, wealth management, asset servicing, clearing and execution services, issuer services and treasury services) through a world-wide client focused team that enables institutions and individuals to manage and service their financial assets. BNY Mellon Asset Management is the umbrella designation for BNY Mellon's affiliated investment management firms and global distribution companies and is responsible, through various subsidiaries, for U.S. and non-U.S. retail, intermediary and institutional distribution of investment management and related services.

We may enter into transactions with unaffiliated counterparties or third party service providers who then use affiliates of the Firm to execute such transactions. Although one of our affiliates may receive compensation for engaging in these transactions, the decision to use or not use an affiliate of ours is made by the unaffiliated counterparty or third party service provider. Further, we will likely be unaware that the affiliate is being used to enter into such transaction.

BNY Mellon and/or its other affiliates may gather data from us about our investment activities, including information about holdings within client portfolios, which is required for regulatory filings to be made by us or BNY Mellon or other affiliates or for other compliance, legal or risk management purposes, pursuant to policies and procedures of the Firm, BNY Mellon or other affiliates. This data is deemed confidential and procedures are followed to ensure that any information is utilized solely for the purposes intended.

BNY Mellon Referral Incentive Compensation Plan

BNY Mellon has adopted an incentive compensation program ("Program") designed to reward internal referrals of business and opportunities, and:

- 1) Help clients understand and gain access to the full range of products and services offered by BNY Mellon and its subsidiaries; and
- 2) Expand and develop client relationships.

The Program promotes BNY Mellon's corporate values of Client Focus, Trust, Teamwork and Outperformance by encouraging the cross-selling of BNY Mellon's broad array of services and products throughout the organization to better meet a current or prospective client's full range of needs for financial products and services, and to expand customer relationships.

The Program seeks to financially reward (via bonus or referral fee) eligible employees who offer a business lead that results in a sale of certain affiliated products or services to existing clients and prospects.

These bonuses and referral fees may be paid to us and our employees for referring business (services or products) to our affiliates, and our affiliates and their employees may receive bonuses and referral fees for referring business to us.

The bonuses and referral fees may be based on the number of referrals made and/or the revenue generated by the referral. Certain types of regulated entities, employees and referrals may be ineligible for the Program or subject to restrictions under applicable law or internal procedures governing the earning of such rewards. These referral fees and bonuses may create conflicts of interest for us and our employees because we have an incentive to encourage our clients to engage in transactions with our affiliates, based on the compensation that we will receive for these referrals, rather than our clients' needs.

Affiliated Solicitors and Placement Agents

We have entered into a fee sharing agreement with offshore affiliates, BNY Mellon Asset Management International Limited Companies, to solicit clients that may invest in the Firm's strategy through private funds or separate accounts. In addition, our sales representatives and sales representatives of our affiliates within the BNY Mellon Investment Management Group are paid for intra-Group referrals to their counterparts.

We do not use unaffiliated placement agents. We have an affiliated "placement agent," MBSC Securities Corporation, who may solicit persons to invest in our available private fund and may also provide other administrative services. The private fund and the Firm have entered into an agreement with MBSC Securities Corporation to pay them commissions or fees for such solicitations and services.

We or our affiliates are solely responsible for the payment of these commissions and fees and they will not be borne by the private fund or private fund investors.. We or our affiliates pay these commissions and fees out of our profits, and these payments do not increase the fees paid by investors of the private fund.. These financial incentives may cause the placement agent and their employees and/or salespersons to steer investors toward the private fund that will generate higher commissions and fees.

Our sales and client service employees are registered representatives of our affiliate, MBSC Securities Corporation, a registered broker-dealer under the Securities Exchange Act of 1934, as amended, and a member of FINRA. In their capacity as registered representatives of MBSC, these employees sell and provide services regarding private funds managed by us. There is a financial arrangement in place between us and MBSC.

Please see Item 14 for more information on the compensation arrangements related to client referrals.

Affiliated Service Providers

In addition, to the extent permitted by law, placement agents and their respective affiliates may provide brokerage and certain other financial and securities services to us, our affiliates or related private funds. Such services, if any, will be provided at competitive rates. BNY Mellon is also affiliated with service providers, distributors and consultants that may provide services and may receive fees from BNY Mellon in connection with such services, which may incentivize such persons to distribute interests in a private fund or other BNY Mellon products.

The General Counsel of the Firm is the sole proprietor of a law firm that provides legal services to the Firm's separate account clients and funds and underlying property real estate investments. The Firm has no economic ownership of the law firm.

Other Relationships

In addition, BNY Mellon personnel, including certain of our employees, may have board, advisory, or other relationships with issuers, distributors, consultants and others that may have investments in a private fund and/or related funds or that may recommend investments in a private fund or distribute interests in a private fund. To the extent permitted by applicable law, BNY Mellon and its affiliates, including the Firm and our personnel, may make charitable contributions to institutions, including those that have relationships with investors or personnel of investors. As a result of the relationships and arrangements described in this paragraph, placement agents, consultants, distributors and other parties may have conflicts associated with their promotion of a private fund, or other dealings with a private fund, that create incentives for them to promote a private fund.

Affiliated Private Funds and Sponsors

As discussed in Items 4-8 above, we act as investment adviser to various private funds, including certain real estate funds. Related persons, owned in part by our management persons but ultimately controlled by BNY Mellon, sponsor and/or act as the general partner of such private funds. Our management persons' relationship to these funds, the affiliated general partner and other affiliates as well as the related conflicts of interest are disclosed to underlying investors before they invest. For example, the general partner receives performance-based compensation (i.e. carried interest) from the private fund, which may create an incentive for our management persons to recommend investments that are riskier than might otherwise be the case. Also, such management persons may have conflicts of interest in allocating their time and service among such fund, the Firm and certain other BNY Mellon entities. Please see the applicable fund's offering materials for further information regarding such conflicts.

Affiliated Broker-Dealers and Investment Advisers

We are affiliated with a significant number of advisers and broker/dealers. Please see Form ADV, Part I - Schedule D, Section 7.A for a list of our affiliated advisers and broker-dealers. Given the type of assets we buy and sell on behalf of our clients, we do need to use affiliated broker-dealers to make investments. If in the future we were to need such services for client accounts, we may use either an affiliated or unaffiliated broker-dealer or adviser (unless otherwise restricted by an agreement, law or regulation). In such cases, we may have an incentive to enter into transactions with an affiliated broker-dealer, in an effort to direct more commission dollars to its affiliate. We have broker selection policies in place that require our selection of a broker-dealer to be consistent with its duties of best execution, and subject to any client and regulatory proscriptions.

Item 11. Code of Ethics, Participation or Interest in Client Transactions, Personal Trading

We have adopted a Code of Ethics that is made up of two parts:

- 1) BNY Mellon Code of Conduct and Interpretive Guidance (the “BNY Mellon Code”); and
- 2) BNY Mellon Personal Securities Trading Policy (the “PSTP”).

The BNY Mellon Code provides to employees the framework and sets the expectations for business conduct. In addition, it clarifies our responsibilities to clients, suppliers, government officials, competitors and the communities we serve and outlines important legal and ethical issues:

- 1) Conflicts of Interest: gifts, entertainment and other payments; personal conflicts of interest; fiduciary appointments and bequests; outside affiliations, outside employment and certain outside compensation issues; and disclosure of relationships and transactions;
- 2) Proper Use and Care of Information and Proper Recordkeeping: proprietary information and intellectual property; data integrity and corporate information; use of e-mail and internet; accurate accounting and internal controls; use of non-public or “inside” information; talking to the media; and document retention;
- 3) Dealing with Customers, Prospects, Suppliers, and Competitors: business relationships with customers, prospects, suppliers, and competitors; business decisions; exploitation of relationships and use of the company’s name, letterhead or facilities; knowing your customer; and recognizing and reporting illegal, suspicious, or unusual activities;
- 4) Doing Business With the Government: complying with government contracts, government contracting laws and regulations; integrity in the sales and marketing process; truthful, accurate statements and recordkeeping; safeguarding government information and property; cooperating with government audits and investigations; and meeting employment and labor obligations;
- 5) Personal Finances: personal investments; personal brokerage accounts; political campaign contributions; contributions to not-for-profit entities; and individual employees’ regulatory requirements; and
- 6) Compliance with the Law: among other matters illegal or criminal activities; investigations; and protection of company assets.

The PSTP is designed to reinforce our reputation for integrity by avoiding even the appearance of impropriety and to ensure compliance with applicable laws in the conduct of our business. The PSTP sets forth procedures and limitations that govern the personal securities transactions of our employees in accounts held in their own names as well as accounts in which they have indirect ownership.

We, and our related persons and employees, may, under certain circumstances and consistent with the PSTP, purchase or sell for their own accounts securities that we also recommend to clients.

The PSTP imposes different requirements and limitations on employees based on the nature of their business activities for the Firm. Each of our employees is classified as one of the following:

- 1) Investment Employee (“IE”): IEs are employees who, as part of their responsibilities, have access to nonpublic information regarding any advisory client’s purchase or sale of securities or nonpublic information regarding the portfolio holdings of any Proprietary Account, or are involved in making securities recommendations to advisory clients or have access to such recommendations before they are public.
- 2) Access Decision Maker (“ADM”): ADMs (generally portfolio managers and research analysts who make recommendations or decisions regarding the purchase or sale of equity, convertible debt and non-investment grade debt securities for mutual funds and other managed accounts) are subject to the most extensive procedures under the PSTP.
- 3) Other Employee (“OE”): Our employees are considered OEs if they are not an IE or ADM.

PSTP Overview:

- 1) IEs and ADMs are subject to preclearance and personal securities reporting requirements, with respect to discretionary accounts in which they have direct or indirect ownership;
- 2) Transaction reporting is not required for non-discretionary accounts, transactions in exempt securities or certain other transactions that are not deemed to present any potential conflicts of interest;
- 3) Preclearance is not required for transactions involving certain exempt securities (such as open-end investment company securities that are not Proprietary Funds) or money market funds and short-term instruments, non-financial commodities; transactions in non-discretionary accounts (approved accounts over which the employee has no direct or indirect influence or control over the investment decision-making process); transactions done pursuant to automatic investment plans; and certain other transactions detailed in the PSTP which are either involuntary or deemed not to present any potential conflict of interest;
- 4) We have a “Preclearance Compliance Officer” who maintains a “restricted list” of companies whose securities are subject to trading restrictions. This list is used by the Preclearance Compliance Officer to determine whether or not to grant trading authorization;
- 5) The acquisition of any securities in a private placement requires prior written approvals;
- 6) With respect to transactions involving BNY Mellon Company securities (“BNYMC securities”), all employees are also prohibited from engaging in short sales, purchases on margin, option transactions (other than employee option plans), and short-term trading (*i.e.*, purchasing and selling, or selling and purchasing BNYMC securities within any 60 calendar day period);

- 7) With respect to non-BNYMC securities purchasing and selling, or selling and purchasing the same or equivalent security within 60 calendar days is discouraged, and any profits must be disgorged; and
- 8) No covered employee should knowingly participate in or facilitate late trading, market timing or any other activity with respect to any fund in violation of applicable law or the provisions of such fund's disclosure documents.

The Firm's wholly-owned subsidiary, Urdang Securities Management, Inc. ("USM"), invests client portfolios in publicly traded real estate securities. As an additional control measure, the Firm and USM employees designated as ADMs and IEs are prohibited from holding securities that are part of USM's universe of investable real estate public securities. A restricted list serves to prohibit AMD and IE investment in restricted real estate securities.

A copy of our Code of Ethics will be provided upon request.

Interest in Client Transactions:

Note that while the following types of transactions present conflicts of interest for us, as described below, we manage our accounts consistent with applicable law, and we follow procedures that are reasonably designed to treat our clients fairly and to prevent any client or group of clients from being systematically favored or disadvantaged.

The Firm may invest in and/or provide investment advice to real estate related securities that it also recommends for its private funds. When we hold the same securities as a client, we could be viewed as having a potential conflict of interest. Any fee received by the Firm in connection with such advice is reimbursed to the relevant fund, as required by the respective fund limited partnership agreement.

Item 12. Brokerage Practices

As an investment advisor for real estate investments, the Firm seeks to invest client funds in real estate property throughout the United States. Investment opportunities are sourced from various channels including real estate commercial brokers and our network of operating partners. Unaffiliated brokers and operating partners are selected on an individual investment basis.

The Firm employs a rotation policy to allocate investment opportunities to client accounts in a fair and equitable manner. Investment opportunities are generally allocated by assessing a series of considerations as follows: (i) the investment parameters of the Firm's separate account clients and private funds; (ii) the size of the investment opportunity and the diversification requirements of the Firm's separate account clients and private funds; and (iii) rotation among the separate account clients and private funds as determined by the Firm which is designed to be equitable to all clients and funds.

The Firm, as investment advisor to the CDO, may recommend broker-dealers to be used for selling commercial loan investments that have a liquid market. The selection of a broker-dealer will be based on the commissions to be paid, execution ability, product expertise and availability provided by the broker-dealer.

Item 13. Review of Accounts

Accounts are regularly monitored by assigned investment professionals. Our Private Real Estate Investment Committee ("Committee") controls the implementation of the Firm's Private Real Estate Equity investment strategy. The Committee reviews real estate and capital markets conditions, identifies current market trends and opportunities, and monitors portfolio composition. The Committee approval is required for the acquisition, sale, or refinancing of any property. The Committee is generally comprised of the Firm's senior Private Real Estate executives and meets regularly as needed.

Clients receive monthly and/or quarterly reports reflecting investment value based on the performance of the underlying property investments. These reports generally include a portfolio overview, real estate holdings including current investment value, property business plan status updates, financial statements, and related performance results. Other reporting requirements, including annual audited financial statements, are mutually agreed to with investors.

As it relates to the Real Estate Debt strategy, a CDO Investment Committee, comprised of senior Firm executives and a member of the subadvisor, is responsible for approval of all major loan purchases, sales, and other loan transactions including discounted payoffs.

Item 14. Client Referrals and Other Compensation

Unaffiliated Solicitors and Placement Agents. Although we currently do not use unaffiliated solicitors and placement agents, we may hire third parties to solicit new investment advisory clients. The commissions or fees, if any, payable to such solicitors (also referred to as placement agents) with respect to solicitation of investments with us will be paid solely by us. Clients will not pay fees for these solicitations. These solicitors have an incentive for the client to hire us because we will pay the solicitor for the referral. The prospect of receiving solicitation/placement fees may provide such placement agents and/or their salespersons with an incentive to favor these sales over the sale of interests of other investments with respect to which the placement agent does not receive such compensation, or receives lower levels of compensation. In addition, to the extent permitted by law, certain placement agents and their respective affiliates may provide brokerage and certain other financial and securities services to us or our affiliates. Such services, if any, will be provided at competitive rates.

Affiliated Solicitors and Placement Agents. We may pay referral fees to our affiliates (and/or their employees) for referrals that result in additional investment management business. *Please see the discussion of affiliated solicitors and placement agents in Item 10, above.*

Our parent, BNY Mellon, has organized its lines of business into two groups: Investment Management and Investment Services (collectively “Groups”). As a member of BNY Mellon Asset Management, we are part of the Investment Management Group. A sales force has been created to focus on developing new customer relationships and developing and coordinating large complex existing customer relationships within those Groups.

In certain circumstances, Asset Management sales representatives are paid fees for sales. The fees may be based on revenues and may be a one-time payment or paid out over a number of years. In addition, our sales representatives and sales representatives of our affiliates within the Investment Management Group are paid for intra-Group referrals to the Group counterpart. Those fees are based on the first year’s revenue for the Group counterpart.

Sales of any alternative investment products (such as private funds) may be made through a broker-dealer affiliate. Only registered representatives of such broker-dealer receive compensation for sales of alternative investments.

We may pay a fee to an affiliate (or directly to employees of the affiliate) that has a pre-existing relationship with a new client in the Investment Services Group. The fees may be based on revenues and may provide for a one-time payment or payments over a number of years.

We and our affiliates also participate in the BNY Mellon Referral Incentive Compensation Plan, which presents certain conflicts of interest, all as described in Item 10, above.

Item 15. Custody

Rule 206(4)-2 under the Advisers Act (the “Custody Rule”) defines “custody” to include a situation in which an adviser or a related person holds, directly or indirectly, client funds or securities or has any authority to obtain possession of them, in connection with advisory services provided by the adviser.

For purposes of the Custody Rule, we are deemed to have “custody” of certain client assets because of the following:

- We serve as general partner of private funds organized as limited partnerships;
- We maintain cash accounts with qualified custodians for specific real estate investments on behalf of client accounts;
- Certain Officers of the Firm are officers of title holding companies formed on behalf of client investments for direct investment in real estate; and
- We have custody of privately offered securities for which the Firm maintains client ownership agreements relating to private real estate investments made on behalf of client accounts.

Generally, an adviser that is deemed to have custody of a client’s funds or securities, among other things, is required to arrange for an annual independent verification of such funds or securities in accordance with the Custody Rule (the “Surprise Exam Requirement”). Accordingly, the Firm is subject to the Surprise Exam Requirement, except for pooled investment vehicles as described below.

The Custody Rule contains an exception from the Surprise Exam Requirement for pooled investment vehicles. Advisers deemed to have custody of the assets of clients formed as pooled investment vehicles will not be subject to the Surprise Exam Requirement, provided the pool has audited financial statements that are prepared in accordance with generally accepted accounting principles and such statements are distributed to investors in the pool within 120 days at the end of the fiscal year. The Firm relies upon this exemption and delivers its private fund audited financial statements to investors within the mandated time frame.

A client will generally receive from its bank or other qualified custodian, an account statement, at least quarterly, identifying the amount of funds and each security in the account we manage at the end of the applicable period and setting forth all transactions in the account during that period. Clients should review these statements carefully. Clients may also receive account statements separately from us. Clients are strongly urged to compare the account statements received from us with those that are received from qualified custodians.

Item 16. Investment Discretion

We accept discretionary and non-discretionary investment authority over client assets. Investment authority is documented in client contracts and/or through an appointment to become the investment adviser of a private fund. In all cases, investment authority is to be exercised in a manner consistent with the stated investment objectives and guidelines for the particular client account.

Clients must deliver their investment guidelines and restrictions to us in writing, and we will adhere to such guidelines and restrictions when making investment decisions.

Item 17. Voting Client Securities

This item is not applicable.

Item 18. Financial Information

In certain circumstances, registered investment advisers are required to provide you with financial information or disclosures about their financial condition in this Item. The Firm has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has never been the subject of a bankruptcy proceeding.