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PART 2A of FORM ADV
FIRM BROCHURE

**STOCKBRIDGE CAPITAL GROUP, LLC
FORM ADV PART 2A
September 12, 2012**

ITEM 1 – COVER PAGE

This brochure provides information about the qualifications and business practices of:

**Stockbridge Capital Group, LLC
Four Embarcadero Center, Suite 3300
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Telephone: (415) 658-3300**

If you have any questions about the contents of this brochure, please contact Daniel Newman, Chief Compliance Officer of our firm, at the telephone number indicated above or by email at newman@sbfund.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. Further, while we are a registered investment advisor, our registration does not denote, and should not be construed as implying, a certain level of skill or training on the part of our investment professionals.

Additional information about our firm is available on the Internet at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our CRD number is 149002. Information about our firm is also available on our website at www.stockbridgerealestate.com.

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ITEM 2 – MATERIAL CHANGES

Since our last annual update of this brochure on March 28, 2012, Daniel Newman was appointed Chief Compliance Officer in place of Stephen J. Pilch.

ITEM 3 – TABLE OF CONTENTS

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ITEM 4 – ADVISORY BUSINESS

Stockbridge Capital Group, LLC (“SCG,” “we” or “us”) was formed in April 2003 and provides investment advisory and supervisory services to the following funds and related co-investment partnerships:

- Stockbridge Real Estate Fund, LP (“Fund I”), a Delaware limited partnership;
- Stockbridge Real Estate Fund II, consisting of six parallel Delaware limited partnerships¹, each designed to meet the differing tax and regulatory needs of investors (collectively, “Fund II”);
- Stockbridge Real Estate Fund III, consisting of two parallel Delaware limited partnerships², each designed to meet the differing tax and regulatory needs of investors (collectively, “Fund III,” and, together with Fund I and Fund II, the “Opportunity Funds”);
- Stockbridge Hollywood Park Co-Investors, LP (“HP Co-Invest”), a Delaware limited partnership; and
- Stockbridge Real Estate Fund II Co-Investors LV, LP (“Sahara Co-Invest,” and together with HP Co-Invest, the “Co-Investment Partnerships”), a Delaware limited partnership;

In addition to our management of the Opportunity Funds and the Co-Investment Partnerships, we continue to manage one separately managed account (an “SMA”) that is in the process of being liquidated and provide certain consulting and administrative services to a real estate investor with respect to real estate assets not managed by us. We may form and manage additional commingled investment funds in the future, may manage other SMAs in the future and may provide consulting and administrative services to real estate investors with respect to real estate assets, properties and portfolios that are not managed by us in the future. We refer to our existing Opportunity Funds, the Co-Investment Partnerships and any future funds we may raise collectively herein as our “Funds.” Our firm is 100% owned by Terrence E. Fancher, who serves as Executive Managing Director and Managing Member.

¹ The six limited partnerships comprising Fund II are Stockbridge Real Estate Fund II-A, LP, Stockbridge Real Estate Fund II-B, LP, Stockbridge Real Estate Fund II-C, LP, Stockbridge Real Estate Fund II-D, LP, Stockbridge Real Estate Fund II-E, LP and Stockbridge Real Estate Fund II-T, LP (collectively, the “Fund II Constituent Funds”). The Fund II Constituent Funds invest alongside one another in all Fund II investments. References herein to Fund II include all of the Fund II Constituent Funds.

² The two limited partnerships comprising Fund III are Stockbridge Real Estate Fund III-A, LP and Stockbridge Real Estate Fund III-C, LP (collectively, the “Fund III Constituent Funds”). The Fund III Constituent Funds invest alongside one another in all Fund III investments. References herein to Fund III include all of the Fund III Constituent Funds.

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Our investment advisory and supervisory services to clients are provided principally with respect to real estate properties and real estate-related assets and businesses. Like many other real estate investment managers, our investment activities can be separated into three broad investment categories: core, value-added and opportunistic. For a further description of these categories, as well as information on the specific investment strategies we pursue for the Opportunity Funds and how we may tailor our services to meet the needs of SMA clients, please refer to “Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.”

In 2010, we formed an affiliated investment advisor, Core and Value Advisors, LLC (“CVA”; CRD File # 156093), to expand the core and value-added segments of our business. In 2011, with the consent of the clients involved, CVA assumed management of substantially all of the SMAs previously managed by us, all of which invest in the core or value-added segments of our business. CVA is 50% owned by SCG, with the remaining 50% owned by certain of our (and CVA’s) senior investment professionals.

As of December 31, 2011, our firm managed approximately \$2,821,784,000 of client assets, including \$2,691,988,000 of client assets managed on a discretionary basis and \$129,796,000 managed on a non-discretionary basis. These figures include uncalled equity capital commitments of our Opportunity Funds and Co-Investment Partnerships and the *pro rata* share (based on percentage of ownership) of property-level indebtedness to which assets in such Opportunity Funds and Co-Investment Partnerships, as well as the one SMA we continue to manage, were subject as of December 31, 2011.

ITEMS 5 – FEES AND COMPENSATION

THE OPPORTUNITY FUNDS

The Opportunity Funds are closed-end Delaware limited partnerships organized to operate as private placement real estate opportunity funds. Stockbridge Capital Partners, LLC, the General Partner of Fund I (the “Fund I GP”), Stockbridge Real Estate Partners II, LLC, the General Partner of Fund II (the “Fund II GP”) and Stockbridge Real Estate Partners III, LLC, the General Partner of Fund III (the “Fund III GP,”), are all related entities of SCG. Terrence E. Fancher is the Managing Member of each of the Fund I GP, the Fund II GP and the Fund III GP.

Management Fee: For our services as Manager of the Opportunity Funds, we charge each of the Opportunity Funds a Management Fee, which represents the cumulative total of the management fees paid by the Limited Partners (the “LPs”) in such

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Opportunity Fund. The management fee paid by LPs varies by Opportunity Fund and by the size of an LP's investment therein, and is subject to negotiation in certain circumstances. We have also agreed to group the investments of several smaller investors together for the purposes of determining the applicable annualized fee.

Annual management fees paid by LPs in the Opportunity Funds range from 0.833% to 1.50%, and are calculated initially based on an LP's total capital commitment. At the end of an Opportunity Fund's commitment period (*i.e.*, the period during which the capital commitments of LPs in that Opportunity Fund are generally available to be called and invested), annual management fees are calculated based on an LP's unreturned capital contributions (*i.e.*, capital contributions that remain invested and have not yet been returned to the LPs through distributions).³ Management Fees for all of the Opportunity Funds are paid quarterly in arrears⁴, and are generally deducted from each Opportunity Fund's assets, which may include capital called from the LPs for this purpose.

Carried Interest Distributions: The General Partners of the Opportunity Funds are each entitled to receive Carried Interest distributions. Carried Interest distributions for each of the Opportunity Funds equal 20% of profits⁵, but are calculated based on a distribution priority formula, such that no Carried Interest distributions are paid unless the LPs have achieved a return of their invested capital and a specified annual "preferred" return rate. After achievement of this, or in certain cases a subsequent, higher "preferred" return rate, the distribution priority formula typically provides a "catch-up" mechanism, whereby the applicable General Partner receives disproportionate distributions so as to "catch up" to its 20% share of the profits previously paid to the LPs. With respect to Fund II and Fund III, proceeds from the operation, disposition and/or refinancing of investments (including Carried Interest distributions, if any) are distributed on an investment-by-investment basis, however an escrow account and "clawback" mechanism are in place to generally insure that the General Partner does not receive cumulative Carried Interest distributions greater than those it would have received had the applicable distribution formula been applied on an aggregate basis covering all investments in the Opportunity Fund.

Development Fee: The Fund III GP may provide pre-development, development, construction management, entitlement management or other similar services (collectively, "Development Services") with respect to investments of Fund III, and may also contract with its affiliates (including SCG) or third parties for the provision of such

³ The commitment periods of Fund I and Fund II have expired, while the commitment period for Fund III expires in June 2012.

⁴ One investor in Fund II pays management fees quarterly in advance.

⁵ As used herein, "profits" refers to distributions in excess of return of capital.

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services. In consideration for the provision of Development Services, the Fund III GP or its affiliates (as applicable) is entitled to receive a Development Fee. In respect of development and construction management services, the Development Fee is equal to 4% of all costs incurred by Fund III (or a Fund III portfolio company, as applicable) for the development, redevelopment or renovation of the properties with respect to which such services were rendered, excluding expenses incurred for land acquisition and financing. In respect of pre-development and entitlement management services, the Development Fee equals the actual out-of-pocket costs incurred by Fund III GP or any affiliate to provide such services.

THE CO-INVESTMENT PARTNERSHIPS

Organization: The Co-Investment Partnerships were formed to provide opportunities for current LPs of the Opportunity Funds to further invest in specific real estate assets already invested in by the Opportunity Funds. HP Co-Invest is affiliated with both Fund I and Fund II and was open to investment from the LPs of Fund I and Fund II or their affiliates. Sahara Co-Invest is affiliated with Fund II and Fund III and was only open to investment from the LPs of Fund II and Fund III or their affiliates. The Fund II GP is the General Partner of both HP Co-Invest and Sahara Co-Invest.

Management Fee: For our services as Manager of the Co-Investment Partnerships, we charge each Co-Investment Partnership a Management Fee, which represents the management fee paid by the LP in that Co-Investment Partnership.⁶ The LP in HP Co-Invest pays an annual management fee equal to 0.75% of its invested capital, while the LP in Sahara Co-Invest pays an annual management fee equal to 1.00% of its invested capital. Management Fees for both Co-Investment Partnerships are paid quarterly in arrears and are generally deducted from the assets of the Co-Investment Partnership, which may include capital called from the LP for this purpose.

Carried Interest Distributions: The Fund II GP, as General Partner of HP Co-Invest, is entitled to receive Carried Interest distributions from HP Co-Invest based on the following distribution priority: (1) 100% of proceeds to the LP until all capital is returned and the LP achieves a 10% annual compounded return on their capital contributions; (2) 80% to the LP and 20% to the Fund II GP until the LP achieves a 20% annual compounded return; (3) thereafter, 70% to the LP and 30% to the Fund II GP. The Fund II GP is not entitled to receive Carried Interest distributions as General Partner of Sahara Co-Invest.

⁶ There is only one LP in each of the Co-Investment Partnerships.

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SEPARATELY MANAGED ACCOUNTS

We provide advice to SMA clients (each such client, an “SMA Client”) regarding investment of client funds in real estate assets based on such client’s individual investment needs. The organization of the assets within an SMA will differ with each SMA, but will typically include one or a series of partnerships, limited liability companies or corporations (or a combination of the foregoing) owning real estate properties and other real estate and real estate-related assets and businesses. In certain case, SCG or an affiliated entity will serve, directly or indirectly, as General Partner of one or more of the partnerships holding the assets within an SMA or as Managing Member or Manager of one or more of the limited liability companies holding the assets within an SMA. Our investment professionals may also serve as officers of any such entities, or as officers or directors of one or more corporations holding assets within an SMA. In certain cases (including with respect to the one SMA we currently manage), we will assume management of an existing SMA that was previously managed by another, unaffiliated manager.

For our services, we may charge fees to an SMA Client in any or all of the manners described below, depending on the type and amount of assets contained in the SMA, the individual circumstances of the SMA Client and other relevant factors. All such fees will be subject to negotiation between the SMA Client and us.

Management Fee: Management Fees payable by SMA Clients may depend on various factors, such as (i) the amount of the assets under management, (ii) the type of services provided, (iii) the nature of the assets for which services are provided and (iv) whether other fees (e.g., Individual Investment Fees and Performance and Incentive Fees, each as described below) are payable by the SMA Client. Annual Management Fees may be calculated based on a percentage of gross asset value (including indebtedness) or net asset value (excluding indebtedness), using either fair value, historical or acquisition cost of the assets, or as a percentage of net operating income, cash flow or revenue. Management Fees will be subject to negotiation with the SMA Client, may be collected monthly or quarterly in arrears or in advance and may be billed to the SMA Client or deducted from assets of the SMA. Management Fee arrangements may also include payment of an up-front “transition” or other fee in circumstances where we assume management of an existing SMA from an unaffiliated manager. The terms of the Management Fees payable by each SMA Client (including, if applicable, our right to deduct Management Fees directly from the SMA) will be disclosed to such SMA Client before entering into the SMA advisory agreement.

Individual Investment Fees: SMA Clients may be charged fees on an investment-by-investment basis, including acquisition and disposition fees, financing fees, property management fees and development fees. The payment of such fees will be subject to

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agreement with the SMA Client and may be collected at the time a transaction (e.g., a property acquisition or financing) is consummated or on a monthly or quarterly basis, and may be billed to the SMA Client or deducted from assets of the SMA. Fees collected monthly or quarterly may be collected in arrears or in advance. The terms of all Individual Investment Fees that may be paid by an SMA Client (including, if applicable, our right to deduct Individual Investment Fees directly from the SMA) will be disclosed to the SMA Client before entering into the SMA advisory agreement.

Performance and Incentive Fees: We may assess Performance and/or Incentive fees on SMAs. Such Performance and/or Incentive Fees will typically be paid at one to five-year intervals, but may also be paid at the disposition of a property or portfolio. Incentive Fees may be computed based on a percentage of the excess of net operating income or cash flow of a property or portfolio over the net operating income or cash flow of such property or portfolio in a previous period. Performance Fees may be computed based on a percentage of the excess of realized or appraised appreciation (as applicable), cash flow and/or distributions from a property or portfolio over (i) return of capital, (ii) certain specified "hurdle" rates and/or (iii) designated time periods. The terms of any Performance and/or Incentive Fees to be charged to an SMA Client (including, if applicable, our right to deduct such Performance Incentive Fees directly from the SMA) will be disclosed to the SMA Client before entering into the SMA advisory agreement.

CONSULTING AND ADMINISTRATIVE SERVICES

We provide consulting and administrative services to real estate investors with respect to real estate assets, properties and portfolios that are not managed by us. Our consulting and administrative services may include, among other things, (i) assessment of assets, properties or portfolios based on evaluation criteria agreed to with the client, (ii) assessment of managers, joint venture or operating partners, (iii) recommendations with respect to future actions, including capital investment and hold/sell decisions and (iv) assistance with accounting and administrative support functions.

Our consulting and administrative services will be provided for fees based on the client's specific circumstances, the complexity of the issues presented and our negotiations with the client. Our fees for consulting and administrative services may be based on hourly, daily, weekly or monthly rates for our services generally or for the services of specific professionals of firm, or may involve an overall fee for services rendered with respect to a particular asset or portfolio. In certain circumstances, a portion of our consulting fees may be performance-based, including fees tied to the success of our recommendations with respect to any particular asset or portfolio.

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Consulting and administrative services fees will be agreed upon prior to entering into a consulting or administrative services arrangement with any client. Consulting and administrative services clients may be invoiced in arrears or in advance (as provided for in the applicable agreement). We may also require an up-front retainer from consulting and administrative services clients in certain circumstances, however in no event will advance payment be accepted for consulting and administrative services work that will not be completed within six months. While there is no minimum fee for consulting and administrative services, we do not expect to accept such assignments where anticipated fees will not exceed \$250,000.

GENERAL INFORMATION

Asset Management: In addition to providing investment advice to the Funds, the Co-Investment Partnerships and SMA Clients, SCG also provides asset management services. These services vary with the nature and type of each investment, but generally include: (i) devising and implementing annual strategic plans; (ii) arranging debt financing and any refinancing; (iii) overseeing joint venture operating partners; (iv) evaluating ongoing financial performance; (v) approving annual budgets, major leases and other key decisions and (vi) implementing disposition strategies. Subject to certain exceptions, asset management services are included in consideration of the applicable Management Fee payable by the Fund, Co-Investment Partnership or SMA Client to which such services are rendered, and SCG does not charge a separate fee for such services.

Negotiability of Fees and Investment Minimums: In certain circumstances, all fees and investment and account minimums may be negotiable and we may reduce or waive fees and account minimums by agreement with clients or investors or otherwise at our discretion. Additionally, we may agree to group certain investors or clients together for the purposes of achieving a minimum account size or determining an annualized fee. Investment and account minimums may also be reduced or waived for our affiliates and employees.

Other Fees and Expenses: While we do not anticipate that mutual funds will be included in any SMA or in the portfolios of the Opportunity Funds or the Co-Investment Partnerships, money market mutual funds may be used to “sweep” unused cash balances until they can be appropriately invested. Accordingly, LPs in the Opportunity Funds and the Co-Investment Partnerships and SMA Clients should be aware that all fees paid to us are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each mutual fund's prospectus. These fees will generally include a management fee, other fund

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expenses and, in certain cases, a distribution fee. In this regard, please see “Item 12 – Brokerage Practices” below.

The Opportunity Funds, the Co-Investment Partnerships and SMA Clients, as applicable, are also responsible for the fees and expenses charged by custodians and imposed by broker dealers. Such fees may include, but are not limited to, any transaction charges, fees for duplicate statements and transaction confirmations, and fees for electronic data feeds and reports.

Termination of Relationship: LPs in an Opportunity Fund or Co-Investment Partnership are requested to refer to the limited partnership agreements and the other offering and subscription documents of such Opportunity Fund or Co-Investment Partnership for complete information on withdrawal of funds and the applicable commitment period and term of such Opportunity Fund or Co-Investment Partnership. Withdrawal of funds from, or transfer of LP interests in, the Opportunity Funds and the Co-Investment Partnerships is generally prohibited.

For SMA Clients, the terms associated with the termination by either party of an SMA will be negotiated and contained in the SMA advisory agreement and, to the extent SCG or its affiliates serves as General Partner of any partnership and/or Managing Member of any limited liability company holding assets within an SMA, may also be contained in the applicable partnership agreement or limited liability company agreement for such entities. Upon termination of an SMA advisory agreement, any prepaid, unearned fees will be determined pursuant to the SMA advisory agreement and promptly refunded, and any earned, unpaid fees will be due and payable.

For consulting and administrative services clients, the terms associated with the termination by either party of a consulting or administrative services arrangement will be contained in the agreements establishing the arrangement.

ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

We accept performance-based fees from the Opportunity Funds and one of the Co-Investment Partnerships (in each case, in the form of Carried Interest distributions) and may accept such fees from SMA Clients and, under certain circumstances, from consulting clients. Performance-based fees may be accepted from SMA Clients and Funds which are managed side-by-side and which have similar investment strategies as SMAs and Funds that do not pay such fees. Further information regarding performance-based fees with respect to each type of client is provided in “Item 5 – Fees and Compensation” above.

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The acceptance of performance-based fees may create an incentive for us to recommend investments which may be riskier or more speculative than those that would be recommended under a different fee arrangement. Additionally, as certain of our investment professionals may manage one or more accounts that are charged a performance-based fee and others that are not charged such a fee, it may create an incentive for such professionals to favor the accounts in which we may receive a performance-based fee over those in which we do not receive such a fee. To address this issue, and in general to address the fact that we may advise multiple clients with substantially similar investment strategies, we have adopted an Investment Allocation Policy, which is described below.

Investment Allocation Policy: In order to minimize the potential for conflicts of interest and to insure that all clients pursuing substantially similar investment strategies are treated in a consistent and equitable manner in the allocation of investment opportunities, we have adopted a policy regarding investment allocation (the "Investment Allocation Policy"). Under the Investment Allocation Policy, if we reach price agreement for a potential investment that satisfies the general investment criteria of multiple clients pursuing substantially similar investment strategies, the decision as to the suitability of the property for investment by particular clients will be made based on objective and subjective criteria supplied to us by the clients or included in the clients' investment plans. These criteria may include transaction size, leverage, geographic location, diversification policies and risk profiles, among others. If an investment is suitable for multiple clients pursuing similar substantially investment strategies, then the investment opportunity will be allocated among such clients based on the clients' priority on the Rotation Priority List (the "Rotation List") composed of all clients pursuing substantially similar investment strategies with firm and available capital commitments. Priority on the Rotation List will be given to clients based on which client has gone the longest without being allocated an investment opportunity. If the first client on the Rotation List declines the investment opportunity, the investment will be allocated to the next eligible client on the Rotation List, until a client elects to make the investment. Once an investment is made, the client that makes the investment will be rotated to the bottom of the Rotation List. If the Investment Committee for such client disapproves an investment (or due diligence discovery causes the transaction to terminate), the client that was allocated such investment opportunity will retain its priority on the Rotation List. Finally, if we determine that an investment opportunity is not appropriate for any client on the Rotation List, we may pursue the investment with a client that is not on the Rotation List. We may modify our Investment Allocation Policy from time to time at our discretion.

PERFORMANCE-BASED FEES WILL ONLY BE CHARGED IN ACCORDANCE WITH THE PROVISIONS OF RULE 205-3 OF THE INVESTMENT ADVISERS ACT OF 1940 AND/OR APPLICABLE STATE REGULATIONS.

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ITEM 7 – TYPES OF CLIENTS

We provide our services principally to institutional investors, including public and private pension funds, endowments, foundations and corporations or other businesses. In addition, we also provide services to certain high net worth individual investors.

Presently, all of the Opportunity Funds, as well as the Co-Investment Partnerships, are closed to new investors,⁷ and thus there is no applicable minimum investment.

With respect to new SMA Clients, we generally require a minimum \$50,000,000 capital commitment to establish an SMA, but may waive this requirement under certain circumstances. Additionally, we may agree to group certain related SMA Client accounts together for the purposes of achieving the minimum account size.

ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

METHODS OF ANALYSIS

Our selection of target markets for investment opportunities is based on our review of real estate and macroeconomic research and the views of our investment professionals regarding the potential for favorable investment returns in various geographic markets and property types. We also consider input from prospective joint venture partners and real estate service providers (*i.e.*, property management firms, real estate brokerage firms, developers, construction managers, etc.) who have broad experience in particular regions, markets or property types.

Prospective investment opportunities are generally sourced through the network of relationships our firm and our investment professionals have developed throughout the real estate industry, including existing operating and development partners, potential new operating partners, real estate brokerage and lending contacts, as well as relationships with various other real estate professionals. We expect to proactively identify investment opportunities that are not broadly marketed for sale and endeavor, where possible, to identify and execute real estate transactions outside of a competitive bidding process.

Our due diligence review of prospective investments includes a financial review of the asset or portfolio, including an assessment of the market or markets in which the investment is located. Our financial analysis may utilize various valuation benchmarks,

⁷ In 2010, certain LPs in Fund II or their affiliates, as well as the Fund II GP, committed to purchase Senior Partnership Notes issued by Fund II. There was no minimum investment for this offering.

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including estimated internal rates of return, expected cash-on-cash yields, projected investment yields on either a leveraged or unleveraged basis or both, testing of expected debt service coverage ratios and sensitivity analyses to consider investment returns based on a variety of potential scenarios. Where appropriate, we will utilize standardized financial, accounting and/or real estate software, such as ARGUS, to assist us in the development of financial forecasts and projections.

INVESTMENT STRATEGIES – GENERAL

Funds and SMAs managed by us will typically pursue an opportunistic investment strategy, while those managed by our affiliated advisor, CVA, will typically pursue a core or value-added strategy. Additionally, Funds or SMAs may focus on investments within one or more selected property types (such as office, industrial, residential, retail or hotel properties) or geographic regions, or those meeting other selected criteria. All of our Funds and SMAs will focus their investments principally on real estate properties, but certain Funds and SMAs may also invest in real estate-related assets and businesses.

Core: A core investment strategy generally involves the pursuit of real estate assets that are operationally stable and demonstrate high occupancy at acquisition, with low near-term rollover in leases. Core investments are generally located in primary markets (such as large cities or their suburbs) and are typically acquired in structures involving low to moderate levels of indebtedness. While a core portfolio will typically include a preponderance of core assets, it may also include certain non-core assets.

Value-added: A value-added investment strategy generally involves the pursuit of real estate assets that demonstrate somewhat greater volatility than core assets. Such assets are often moderately to well-leased, but may require additional capital investment, renovation or repositioning to achieve greater occupancy. Additionally, value-added portfolios may include selected development or redevelopment assets, “distressed” assets or assets acquired from “distressed” sellers. Value-added assets may be located in primary or secondary markets, and are typically acquired in structures involving higher levels of indebtedness than core assets. A value-added portfolio will typically include a preponderance of value-added assets, but may also include assets outside this category.

Opportunistic: An opportunistic investment strategy involves the pursuit of assets demonstrating higher volatility and risk than either core or value-added assets. Such assets may include both traditional and non-traditional property types, as well as “ground-up” development projects and land. Opportunistic assets may have minimal or no occupancy at acquisition and/or a high concentration of near-term lease rollover. Opportunistic assets may be located in any geographic market, and are typically

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acquired in structures involving higher levels of indebtedness. An opportunistic portfolio will typically include a preponderance of opportunistic assets, but may also include assets outside this category.

While certain real estate investment strategies are intended to minimize risk, investing in real estate and real estate-related assets and businesses will involve the risk of loss that our clients and investors in our Funds must be prepared to bear.

INVESTMENT STRATEGIES – THE OPPORTUNITY FUNDS

We pursue an opportunistic investment strategy on behalf of the Opportunity Funds. This strategy includes the use of significant leverage and thus involves a high degree of risk.

While the investment strategy of each of Fund I, Fund II and Fund III differs slightly, the Opportunity Funds have generally pursued investments in the following categories: (1) large, complex transactions requiring expertise across multiple property types and real estate disciplines; (2) strategic development, redevelopment and land entitlement; (3) properties with definable legal risks, such as inefficient ownership or lease structures; (4) properties held by unintended or undercapitalized owners, or which require substantial renovation, repositioning or capital investment; (5) “going private” transactions for real estate investment trusts (“REITs”) and other real estate companies; and (6) transactions requiring certainty of closing, a reliable buyer and/or rapid execution.

The Opportunity Funds invest in multiple property types and in real estate development projects, including in “ground-up” developments (*i.e.*, development projects on raw land on which there are no existing improvements). The Opportunity Funds do not have specific diversification requirements as to property type or geographic region, although each of Fund I, Fund II and Fund III has restrictions as to the portion of capital commitments that may be invested in any single asset.

The Opportunity Funds are currently closed to new investors. Fund I and Fund II have invested, or committed for investment, all of their equity capital commitments, subject to certain ongoing and follow-on investments.

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INVESTMENT STRATEGIES – SEPARATELY MANAGED ACCOUNTS

The investment strategy of SMAs will vary based on the goals and objectives of the SMA Client. Through personal discussions with an SMA Client, in which the SMA Client's goals and objectives with respect to the SMA are established, we will develop an investment strategy for the SMA and then create and manage the SMA based on that strategy. In certain cases, prospective SMA Clients may already have an investment strategy in mind (or in circumstances where we are assuming control over an existing SMA, a strategy for the SMA may already be in place) and we will implement that strategy, subject to modifications agreed to between the SMA Client and us. We may manage certain SMAs on a discretionary basis and others on a non-discretionary basis (in each case, subject to discussions with the SMA Client) and (as applicable) customize SMAs based on an SMA Client's investment needs, leverage expectations and risk tolerance.

RISK FACTORS

Investments in real estate properties and real estate-related assets and businesses involve various risks, and we make no guarantees or assurances that our Funds or SMAs will achieve their investment or return objectives. Risk factors associated with the investments of our Funds and SMAs include the following:

Highly Competitive Market for Investment Opportunities: The business of identifying and structuring real estate investments is highly competitive and involves a high degree of uncertainty. Our Funds and SMAs compete for investments with other real estate investment vehicles, as well as individuals, financial institutions and other institutional investors which may have greater financial and other resources. In addition, the availability of investment opportunities is subject to market conditions as well as, in some cases, the prevailing regulatory or political climate.

General Economic and Real Estate Considerations: Real estate investments are subject to a variety of inherent risks that may have an adverse impact on the values of, and returns (if any) from, such investments, including changes in the general economic climate, local conditions (such as an oversupply of space or a reduction in demand for space), competition based on rental rates, attractiveness and location of the properties, the financial condition of tenants, buyers and sellers of properties, the quality of maintenance, insurance and management services, changes in operating costs and taxes, government regulations (including those governing usage, improvements, zoning and taxes), interest rate levels, the availability of financing, potential liability under environmental and other laws, energy prices, the ongoing need for capital improvements, tenant default or distress, construction risks, as well as natural

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catastrophes, acts of war, civil unrest, uninsurable losses and other factors beyond our control.

Risks Relating to Tenants: Our Funds and SMAs may not be able to attract credit-worthy tenants for their properties or replacement tenants at rental rates equal to or greater than the rents paid under previous leases. Increased competition for tenants may require capital improvements to properties which would not have otherwise been planned. Any unbudgeted capital improvements that are undertaken may divert cash from that which would otherwise be available for distributions to clients/investors or may require unanticipated borrowings. Furthermore, at any time, a tenant may seek the protection of bankruptcy or insolvency laws, which could result in the rejection and termination of such tenant's lease and thereby cause a reduction in the distributable cash flow to clients/investors.

Potential Environmental Liabilities: Under various federal, state and local laws, ordinances and regulations, 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. Such enactments often impose such liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The cost of any required remediation and the owner's liability therefore is generally not limited under such enactments and could exceed the value of the property and/or the aggregate assets of the owner. The presence of such substances, or the failure to properly remediate such substances, may adversely affect the owner's ability to sell such property or to borrow using such property as collateral. A Fund or SMA could also be held liable for any and all consequences arising out of past and future releases of, or exposure to, such hazardous or toxic substances or other environmental damage.

Risks Associated with Development, Redevelopment and Renovation: Depending on their individual investment strategies, our Funds and SMAs may acquire properties in need of substantial renovation or redevelopment and may also develop new properties. New project development, redevelopment and major renovation work are subject to a number of risks, including risks of construction delays or significant cost overruns that may increase project costs, risks that the properties will not achieve anticipated sales prices or occupancy levels or sustain anticipated rent levels, and new project commencement risks, such as the failure to obtain entitlement, zoning, occupancy and other required governmental permits and authorizations and the incurrence of development costs in connection with projects that are not pursued to completion.

Lack of Liquidity and Long Term Nature of Investments: Real estate investment are often illiquid and this fact will tend to limit our ability to vary the portfolios of our Funds and SMAs promptly in response to changes in economic or other conditions. Illiquidity may result from the absence of an established market for the investments, as

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well as legal, contractual or other restrictions on resale. As a result, a Fund or SMA may be unable to realize its investment objectives by sale or other disposition at attractive prices, or may otherwise be unable to complete an exit strategy for its investments. Additionally, while the expected holding period for real estate investments will vary, such investments are generally longer term in nature. Accordingly, our Funds and SMAs face risks of changes in long-term interest rates and adverse changes in the real estate markets over the holding period of their investments.

Third-Party Involvement: Our Funds and SMAs may hold investments in partnerships, joint ventures or other entities with third parties. Joint venture investments involve various risks, including the risk that we will not be able to implement investment decisions or exit strategies because of limitations on our control of the property under applicable agreements with joint venture partners, the risk that a joint venture partner may experience financial difficulties or may at any time have economic or business interests or goals which are inconsistent with ours, the risk that joint venture partners may be in a position to take action contrary to our objectives, the risk of liability based upon the actions of a joint venture partner and the risk of disputes or litigation with such partners.

Leverage: Our Funds and SMAs may leverage their investments with debt financing in amounts which are significant relative to the costs of the investments. Incurring mortgage debt increases the risk of loss because defaults on indebtedness secured by properties may result in foreclosure actions initiated by lenders and ultimately a Fund or SMA's loss of properties securing any loans for which it is in default. A foreclosure could also cause a Fund or SMA to recognize taxable income, even in the absence of any cash proceeds. In certain circumstances, financing may be recourse to the underlying Fund or SMA, which may expose the Fund or SMA to the loss of other assets not directly securing the loan. Funds and SMAs pursuing value-added and opportunistic investment strategies will tend to use progressively higher levels of leverage. Though this may enhance returns and increase the number of investments that can be made, it may also substantially increase the risk of loss and exposure to adverse economic factors such as rising interest rates.

Interest Rate Risks: Changes in interest rates may adversely affect the investments of our Funds and SMAs. For example, a Fund or SMA may finance one or more investments with "floating rate" indebtedness, where interest charges rise with increases in interest rates. Increased interest charges could reduce or eliminate the income the Fund or SMA realizes from its investments and/or result in default on outstanding indebtedness. Even if a Fund or SMA is not exposed to "floating rate" indebtedness, increases in interest rates may reduce the value of its investments and its ability to realize gains from their sale. Interest rates are highly sensitive to many factors, including governmental, monetary and tax policies, domestic and international economic

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and political considerations, fiscal deficits, trade surpluses or deficits, regulatory requirements and other factors.

Government Regulation: The real estate industry is extensively regulated and subject to frequent regulatory change. The adoption of new legislation or changes in existing laws or new interpretations of existing laws can have a significant impact on methods of doing business, costs of doing business and amounts of reimbursement from governmental and other agencies.

Investments in Real Estate Debt: While we expect that most of the investment in our Funds and SMAs will be equity investments in real estate assets, our Funds and SMAs may also invest in real estate and real-estate debt instruments. Direct or indirect investment in real estate or real estate-related debt instruments involves the risk of borrower default, risks associated with real estate investments generally, illiquidity, lack of control, mismanagement or decline in value of the underlying collateral, contested foreclosures, bankruptcy of the debtor, claims for lender liability, violations of usury laws and the imposition of common law or statutory restrictions on the exercise of contractual remedies for defaults of such investments.

Non-Performing Loans; Foreclosure Process: Real estate or real estate-related loans may be or become non-performing for a variety of reasons. Non-performing loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and a substantial write-down of the principal amount of such loans. Further, it may be necessary or desirable to foreclose on collateral securing one or more real estate loans. The foreclosure process can be lengthy and expensive and borrowers often resist foreclosure actions by asserting numerous claims, counterclaims and defenses (including lender liability claims and defenses) and/or by filing for bankruptcy, which may delay or stay the foreclosure process. Foreclosure litigation also tends to create a negative public image of the collateral property, which may disrupt ongoing leasing and management.

ITEM 9 – DISCIPLINARY PROCEEDINGS

SCG and its senior investment professionals have no reportable disciplinary events to disclose.

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ITEM 10 – OTHER FINANCIAL ACTIVITIES AND AFFILIATIONS

In 2010, we formed CVA to expand the core and value-added segments of our business. With the consent of the clients involved, CVA has assumed management of substantially all of the SMAs previously managed by us, all of which invest in the core or value-added segments of our business. CVA is 50% owned by SCG, with the remaining 50% owned by certain of our (and CVA's) senior investment professionals. We may recommend CVA's services to our clients as appropriate.

ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

CODE OF ETHICS

We have adopted a Code of Ethics expressing the firm's commitment to ethical conduct. Our Code of Ethics requires high standards of business conduct and compliance with applicable federal and state securities laws. Our Code of Ethics stresses that no person employed by us shall prefer his/her own interests to those of our investment advisory clients, and prohibits the use of material non-public information. To supervise compliance with our Code of Ethics, we require that anyone associated with our firm who may have access to advisory recommendations, client holdings or other specified information provide annual securities holdings reports and quarterly transaction reports of all reportable transactions to our Chief Compliance Officer. We also require prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our Code of Ethics provides for sanctions when appropriate. Clients and prospective clients may obtain a copy of our Code of Ethics upon request by contacting our Chief Compliance Officer.

PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

The Opportunity Funds: We manage each of the Opportunity Funds. Our sole member and 100% owner is Terrence E. Fancher. Mr. Fancher is also the Managing Member of each of the Fund I GP, the Fund II GP and the Fund III GP. The Fund I GP has committed approximately 4.6% of the total capital commitments of Fund I (5.1% with respect to the "Bay Meadows" portion of Fund I), the Fund II GP has committed 2.5% of the total capital commitments of Fund II and the Fund III GP has committed 1.0% of the total capital commitments of Fund III (collectively, the "Fund GP Commitments"). The Fund GP Commitments that have been called for investment have been funded by Mr. Fancher and certain other investors, either directly or through

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borrowings. Additionally, certain of our senior professionals are entitled to receive distributions from the Fund I GP in respect of contributions made by Mr. Fancher.

In addition to distributions associated with their capital commitments, the Fund I GP, the Fund II GP and the Fund III GP are entitled to receive Carried Interest distributions from Fund I, Fund II and Fund III, respectively. In addition to Mr. Fancher, other professionals of SCG have participated in the Carried Interest distributions paid to the Fund I GP and may participate in the Carried Interest distributions (if any) paid to the Fund II GP and the Fund III GP.

The Fund II GP has committed to purchase 1.0% of the total principal amount of Senior Partnership Notes issued by Fund II. This commitment has been and will be funded by Mr. Fancher, either directly or through borrowings.

HP Co-Invest: We manage HP Co-Invest. The Fund II GP is the General Partner of HP Co-Invest, and is entitled to receive Carried Interest distributions from HP Co-Invest. Mr. Fancher is the Managing Member of the Fund II GP. In addition to Mr. Fancher, other senior professionals of SCG may participate in the Carried Interest distributions (if any) paid to the Fund II GP. However, neither SCG nor any of our professionals or other employees have made, or are expected to make, capital contributions to the Co-Investment Partnerships.

Separately Managed Accounts: Certain of our investment professionals have invested their own capital as members of two limited liability companies (the "Logistics LLCs"), which have invested in two limited partnerships (the "Logistics LPs") in which an SMA Client of CVA is the largest investor. CVA provides investment management services to the Logistics LP and controls its General Partner. The Logistics LLCs (and, through them, the investment professionals who have invested therein) are entitled to receive distributions from the Logistics LPs in the same manner as the SMA Client. In addition, the limited partnership agreements for the Logistics LPs contain certain buy/sell provisions giving the SMA Client the right to purchase each Logistics LLC's interest in the applicable Logistics LP and the Logistics LLC the right to sell such interest to the SMA Client in certain circumstances, including if the general partner of the Logistics LP is removed or CVA is removed as Investment Manager. In the future, we and/or our investment professionals may make similar arrangements to invest alongside our SMA Clients (and/or SMA Clients of CVA) in the investments of SMAs.

As we receive compensation for providing managerial services to our Funds, we may have a conflict of interest in soliciting our SMA Clients (or those of CVA) to invest in our Funds. However, SMA Clients are under no obligation to participate in such investments and we will disclose our affiliation with the Funds to those SMA Clients who are solicited to invest. While we endeavor at all times to put the interest of SMA Clients

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first as part of our fiduciary duty, SMA Clients should be aware that the receipt of additional compensation may itself create a conflict of interest, and may affect our judgment when making such solicitations.

Korea Land LLC: One of our senior investment professionals is the majority owner and manager of a limited liability company (the "Korea Land LLC") that invests in and manages land development projects in the Republic of Korea (South Korea). We and certain of our senior investment professionals, including Mr. Fancher, are lenders to, and/or equity investors in, the Korea Land LLC. We may solicit our clients and/or investors in our Funds (and/or clients and investors of CVA) to invest in the Korea Land LLC or in projects undertaken, or to be undertaken, by it. The Korea Land LLC may receive equity interests in, and management, development and performance-based fees from, projects it undertakes and the value of the Korea Land LLC may increase as a result of undertaking and completing such projects.

In the event that any of our clients or investors in our Funds (and/or clients and investors of CVA) are solicited to invest in the Korea Land LLC or in projects undertaken, or to be undertaken, by it, we will make appropriate disclosures regarding the affiliation our firm and certain of our senior investment professionals have to the Korea Land LLC and follow our applicable conflicts of interests policies.

ITEM 12 – BROKERAGE PRACTICES

As our Funds and SMAs invest principally in real estate assets, we are rarely required to select or recommend broker-dealers for client securities transactions. In circumstances where securities brokers or dealers are required, we will endeavor to select those brokers or dealers that will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on the broker's ability to provide professional services, competitive commission rates, research and other services that will help us in providing investment management services to clients. We may therefore use the broker who provides useful research and securities transaction services even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance. Research services may be useful in servicing all of our clients, and not all of such research may be useful for the account for which the particular transaction was effected.

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ITEM 13 – REVIEW OF ACCOUNTS

THE OPPORTUNITY FUNDS AND THE CO-INVESTMENT PARTNERSHIPS

Reviews: The underlying investments of the Opportunity Funds and the Co-Investment Partnerships are regularly monitored and reviewed by Managing Directors of our firm in the context of their investment objectives and guidelines. All investments are subject to an annual capital and operating budget process and financial results for investments are reviewed generally on a monthly, quarterly and annual basis. Further, asset valuations are reviewed regularly, with write-ups or write-downs taken pursuant to GAAP accounting procedures. Our investment professionals visit properties (or, in the case of portfolios containing a large number of smaller properties, a selection thereof) generally at least once each calendar year. Larger properties, as well as those undergoing renovation, development or redevelopment, are typically visited on a more frequent basis.

Reports: We furnish quarterly unaudited and annual audited financial statements (including a balance sheet, income statement, and statement of Partners' cash flow) to all LPs of the Opportunity Funds and the Co-Investment Partnerships. On a quarterly basis, LPs of the Opportunity Funds are also provided with a management letter, including a summary of the activities of the applicable Opportunity Fund and all acquisitions and dispositions. On an annual basis, LPs receive the following: (1) a summary of all investments acquired and a written description of each investment; (2) a list containing our estimate of the fair market value of each investment; (3) a summary of all material regulatory and legal proceedings to which the Opportunity Fund, its General Partner or any affiliate of its General Partner is a party; and (4) a list of material contracts entered into by the Opportunity Fund and the General Partner or its affiliates, including a summary of the fees paid. All of the reports described above are provided in written form.

SEPARATELY MANAGED ACCOUNTS

Reviews: The underlying investments within SMAs are regularly monitored and reviewed by one or more Managing Directors of our firm in the context of their investment objectives and guidelines. All investments are subject to an annual capital and operating budget process and financial results for investments are reviewed generally on a monthly, quarterly and annual basis. Further, asset valuations are periodically reviewed, with write-ups or write-downs taken pursuant to GAAP accounting procedures (or otherwise, as agreed with an SMA Client). Our investment professionals visit properties (or, in the case of portfolios containing a large number of smaller

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properties, a selection thereof) generally at least once each calendar year. Larger properties, as well as those undergoing renovation, development or redevelopment will typically be visited on a more frequent basis.

Reports: We provide SMA Clients with written quarterly and annual reports summarizing account performance, balances and holdings and any additional reports as contracted for with an SMA Client in the applicable SMA advisory agreement.

CONSULTING AND ADMINISTRATIVE SERVICES

Reviews: Reviews with respect to consulting and administrative services clients will be undertaken as contracted for in the applicable consulting or administrative services agreement.

Reports: Consulting and administrative services clients receive reports in oral or written form as contracted for in the applicable consulting or administrative services agreement.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

We or our affiliates may from time to time compensate, either directly or indirectly, any affiliate or non-affiliate for client referrals in accordance with Rule 206(4)-3 under the Investment Advisers Act of 1940 and similar state regulations. As such, appropriate disclosure shall be made, all written instruments will be maintained by us and all applicable federal and/or state laws will be observed.

We or our affiliates may also employ the services of placement agents (*i.e.*, external consultants who specialize in finding institutional investors to invest in private placements or companies issuing securities). These placement agents will approach prospective investors in our Funds and/or prospective SMA Clients on our behalf and will typically charge a fee of up to 2.0% of the funds they raise plus reimbursement of certain out-of-pocket expenses. With respect to prospective investors in our Funds, placement fees and expenses will typically be paid by the applicable Fund and then deducted from Management Fees payable by the Fund to us. With respect to SMA Clients, placement fees will typically be paid by us directly, unless otherwise negotiated between the SMA Client and us. In the event that placement agents are employed by us or our affiliates, appropriate disclosure shall be made, all written instruments will be maintained and all applicable federal and/or state laws will be observed.

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ITEM 15 – CUSTODY

As described under “Item 13 – Review of Accounts,” we provide quarterly unaudited and annual audited financial statements both to SMA Clients and to LPs in our Opportunity Funds and Co-Investment Partnerships. Additionally, client cash balances and working capital may be invested in bank deposits, money market funds or similar cash-equivalent instruments with qualified custodians and such qualified custodians may send periodic statements directly to our clients (including, in the case of SMA Clients, to the specific legal entities created to hold the investments in the SMA). Clients are urged to carefully review and compare the statements they receive from qualified custodians, as applicable, with those they receive from us.

ITEM 16 – INVESTMENT DISCRETION

THE OPPORTUNITY FUNDS AND THE CO-INVESTMENT PARTNERSHIPS

The General Partners of the Opportunity Funds and the Co-Investment Partnerships have discretion to determine the portfolio composition of such Opportunity Funds and Co-Investment Partnerships and which investments are to be bought or sold. The investment discretion of the General Partners is provided in and subject to the terms and conditions contained in the relevant organizational documents of these entities.

SEPARATELY MANAGED ACCOUNTS

Certain SMA advisory agreements may provide investment discretion to us to determine the portfolio composition of such SMA and which investments are to be bought or sold. Such discretion may include various limitations, including the size of the assets to be acquired or sold, the property type, location or other features of such assets and/or the amount and terms of indebtedness that may be placed on such assets.

In all cases, we will request that SMA Clients granting us discretionary authority do so in writing. Further, to the extent that any SMA Client wishes to impose limitations on our discretionary authority, we will request that such limitations be included in the written authority statement. If the SMA Client wishes to amend or change our discretionary authority, we will request that such amendment or change also be in writing.

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ITEM 17 – VOTING CLIENT SECURITIES

As our Funds and SMAs invest principally in real estate assets, we are rarely required to vote client securities in a proxy process. However, if we are required to vote proxies for any of our Funds, we will do so in the interest of maximizing value for its investors. To that end, we will endeavor to vote proxies in the manner that we determine in good faith will be the most likely to cause the investments of the applicable Fund to increase the most or decline the least in value. Consideration will be given to both the short and long-term implications of the proposal to be voted on when considering the optimal vote. We will also be responsible for voting the proxies in the best interest of the applicable Fund and its investors, and submitting the proxies promptly and properly. Our proxy voting policy and procedures, as well as information as to how any such proxies were voted are available for review by investors in our Funds upon written request to our Chief Compliance Officer.

SMA Clients may elect to delegate their proxy voting authority to us. Alternatively, SMA Clients may choose to receive proxies related to their SMAs, in which case we will consult with clients with respect to such proxies as requested. When we have discretion to vote proxies of an SMA Client, we will vote those proxies in the manner we believe to be in the best interests of such SMA Client and in accordance with our established policies and procedures. With respect to ERISA accounts of SMA Clients, we will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies. SMA Clients may obtain a copy of our complete proxy voting policies and procedures by contacting our Chief Compliance Officer. SMA Clients may also request, in writing, information on how proxies were voted.

ITEM 18 – FINANCIAL INFORMATION

We are not aware of any financial condition that is reasonably likely to impair our firm's ability to meet its contractual commitments to clients. Our firm is not, and has not been, subject to any bankruptcy petition.