

Carpathia Real Estate Advisors LLC

Four International Drive, Suite 230

Rye Brook, New York 10573

(914) 701-4400

[www.carpathiarea.com](http://www.carpathiarea.com)

March 30, 2012

This brochure (the “Brochure”) provides information about the qualifications and business practices of Carpathia Real Estate Advisors LLC (“Carpathia” or, the “Adviser”). If you have any questions about the contents of this Brochure, please contact us at (914) 701-4400. 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.

Carpathia is a registered investment adviser. Registration of as an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

Additional information about Carpathia also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

Carpathia's last annual update of its Brochure was March 30, 2011. There have been no material changes to the Brochure since the last annual update.

### Item 3 -Table of Contents

Item 1 – Cover Page.....	i
Item 2 – Material Changes .....	ii
Item 3 -Table of Contents .....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	2
Item 6 – Performance-Based Fees and Side-By-Side Management .....	3
Item 7 – Types of Clients .....	3
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	3
Item 9 – Disciplinary Information .....	3
Item 10 – Other Financial Industry Activities and Affiliations .....	4
Item 11 – Code of Ethics .....	4
Item 12 – Brokerage Practices .....	5
Item 13 – Review of Accounts.....	5
Item 14 – Client Referrals and Other Compensation .....	5
Item 15 – Custody .....	6
Item 16 – Investment Discretion .....	6
Item 17 – Voting Client Securities.....	6
Item 18 – Financial Information .....	6

#### Item 4 – Advisory Business

Carpathia's non-discretionary assets under management are \$706,316,859 as of February 28, 2012. Carpathia has no discretionary assets under management.

Carpathia is owned by the Tuckerman Group LLC ("Tuckerman") and Trilyn LLC. Tuckerman is an independently managed subsidiary of State Street Global Alliance, LLC ("Global Alliance"). Global Alliance is a joint venture between State Street Global Advisors, Inc., a subsidiary of State Street Corporation ("State Street"), a publicly traded financial services company, and Algemeen Burgerlijk Pensioenfonds ("ABP"), a Dutch pension fund. Carpathia has been in operation since January, 2010.

Consulting Clients (as defined herein) select any funds in which they invest and select and retain any investment manager, bank, custodian and/or other vendors to provide services independently of Carpathia.

##### *Investment Consulting Services:*

Carpathia offers investment consulting services to clients (referred to as our "**Consulting Clients**") to assist in the management of distressed real estate equity and debt portfolios. As a consultant, Carpathia does not exercise discretion over client assets. The services are described in more detail below.

1. Carpathia can assist Consulting Clients with:
  - Critical assessment of existing real estate positions including add-on funding evaluation and implementation;
  - Limited partner advocacy and partnership resolution;
  - Workout or restructuring of non-performing or under-performing investments;
  - Sponsor/borrower evaluation and oversight;
  - Forbearance, foreclosure or deed-in-lieu decision-making and execution; and
  - Development and direction implementation of asset-level business plans and exit strategies.
2. At the beginning of the client relationship, Carpathia works with its Consulting Clients to identify appropriate objectives for the Consulting Client.
3. Carpathia conducts due diligence on, and makes recommendations to, Consulting Clients on the selection of information from proprietary sources as well as other public sources, utilizing various criteria in its search process.
4. For those Consulting Clients for whom Carpathia evaluates performance, Carpathia measures and evaluates each such Consulting Client's performance in written reports.
5. Carpathia may provide additional financial and consulting services as may be requested by a particular client.

Carpathia shall have no authority or discretion to hire or terminate advisers for a Consulting Client's portfolio without client consent.

*Asset monitoring, Reporting and Research Services:*

Clients may also engage Carpathia to monitor the clients' portfolios and prepare reports designed to meet the client's specific needs.

Carpathia can also be engaged to research a specific real estate investment or investment manager and prepare a report for the client. Our asset monitoring services fee is negotiable, and is dependent upon the number of portfolio holdings and the complexity of such holdings.

## **Item 5 – Fees and Compensation**

Carpathia does not have a standard fee schedule. Accounts are subject to individual negotiations between clients and Carpathia. Clients may retain Carpathia on a project or annual retainer basis or other agreed upon basis. Account fees and minimum requirements may be waived or lowered in Carpathia's discretion. Negotiated fees depend on the nature and complexity of the services provided, and are agreed upon in advance with clients. Fees may be based on the size of the portfolio, the nature of the services to be rendered, and the amount of time, including travel, involved. Fees are typically payable quarterly in advance unless otherwise agreed in writing. Carpathia may also enter into entirely new investment management agreements in the future if Carpathia and the future client deem it appropriate to do so. Carpathia bills clients for fees incurred.

Both Carpathia and its clients have the right to terminate service with notice. Typically, subject to applicable provisions of the federal securities laws, either party may unilaterally terminate the investment management, consulting, sub-advisory or other agreement after giving written notice (usually 60 days). If the agreement is terminated other than at a quarter's (or other specified period's) end, fees will be prorated to the termination of the agreement. If a client terminates its contract with Carpathia during a month in which the client has paid fees in advance, the client will obtain a pro rata refund of the fees paid for that period according to the terms of its contract.

Carpathia does not share in any fees, commissions or other charges levied, either directly or indirectly, by other institutions. Additionally, related persons of Carpathia may provide other services to consulting clients (e.g. custody) for which such related persons shall be compensated by the consulting clients. Carpathia's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Such charges, fees and commissions are exclusive of and in addition to Carpathia's fee, and Carpathia shall not receive any portion of these commissions, fees, and costs.

The fee table below is representative of the fees Carpathia may charge clients. Fees are determined on a client-by-client basis and may differ from the fees below:

- \$50,000 to \$75,000 annual fee per fund advised by Carpathia;
- Reimbursement for all approved out of pocket costs (legal, consultant, etc.); and

- Minimum annual fees, as negotiated between each client and Carpathia.

Minimum annual fees are determined based on the service level selected by the client, as well as the number of holdings and/or funds for which Carpathia's services are provided.

Item 12 further describes the factors that Carpathia considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

Carpathia does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7 – Types of Clients**

Carpathia provides portfolio management services to institutional investors, which could include banks, thrift institutions, pension plans, profit sharing plans, trusts, estates, other charitable organizations, corporations and other types of business entities.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear.

Carpathia offers advice primarily on investments in exchange-listed equity securities and interests in partnerships and other pooled vehicles investing in real estate.

The method of analysis used by Carpathia is driven by fundamental research derived from both internal and external sources. These sources include, but are not limited to, research provided by institutions and the financial community, internally-generated analysis of potential investment opportunities, industry and trade publications and inspections of corporate activities, as well as internal reviews of annual reports, prospectuses and other filings with the SEC. Other sources of information utilized by Carpathia in its analysis of real estate securities may include: FACTSET, Bloomberg, Northfield Optimizer and SNL Financial LC.

The investment strategies used to implement the investment advice given by Carpathia to clients include information to assist the clients in determining an appropriate time of disposition of the client's securities. As Carpathia advises clients with respect to existing holdings and focuses on value and disposition of securities, there is a risk that Carpathia's views on value and disposition time may be inaccurate.

## **Item 9 – Disciplinary Information**

We do not believe that there are any legal or disciplinary events with respect to Carpathia that would be material to a client's evaluation of Carpathia or the integrity of Carpathia's management.

As stated below, Carpathia is affiliated with State Street Bank and Trust Company ("SSB&T"), a large multination financial services corporation. As such, in the ordinary course of business, SSB&T and certain of its affiliates are involved in disputes, litigation and regulatory inquiries and investigations, both pending and threatened. These matters, if resolved adversely against SSB&T or such affiliate, may result in monetary damages, fines and penalties or require changes in their business practices. The resolution of

these proceedings is inherently difficult to predict. However, we do not believe that the amount of any judgment, settlement or other action arising from any pending proceeding will have a material adverse effect on Carpathia's financial condition, although the outcome of certain matters could have a material adverse effect on the consolidated results of operations for SSB&T for the period in which such matter is resolved or a reserve is determined to be required. For additional information, please refer to State Street's current quarterly report on Form 10-Q, on file with the SEC.

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

Carpathia is a Delaware limited liability company and an investment adviser registered with the U.S. SEC. Carpathia is a joint venture between Tuckerman, an independently managed subsidiary of Global Alliance, that provides advice on real estate investment opportunities and asset management services to institutional investors, and Trilyn LLC, a Greenwich, CT based investment adviser specializing in real estate debt investments. Global Alliance is a joint venture between State Street Global Advisors, Inc., a subsidiary of State Street, and ABP, a Dutch pension fund.

Carpathia is also affiliated with SSB&T, a state chartered trust company, which, in accordance with applicable law, may provide custody, accounting, securities lending, administrative or other services to a client of Carpathia. SSB&T also provides investment advisory services to its clients, through its global investment arm SSgA. Carpathia utilizes the services of certain employees who are also employees of SSgA.

If Carpathia determines that it is in the best interest of its clients, Carpathia may delegate certain of its duties to SSgA as mutually agreed. From time to time or on a continuous basis, SSgA provides various services to Carpathia, which may include marketing, administrative, trading, and back-office supports.

Carpathia is fully responsible for the performance of duties delegated to SSgA, including compliance with all applicable rules and regulations. Carpathia would not delegate its investment management duties to SSgA or another affiliate without the explicit written consent of clients.

Carpathia is also affiliated with a number of investment advisers that are registered with the SEC or are exempt from SEC registration.

To the extent Carpathia provides investment advice that would lead a client to dispose of a security, and to the extent that an affiliated account managed by a related person was simultaneously attempting to dispose of the same security, a conflict of interest may arise. Carpathia addresses this conflict of interest by keeping its decision making processes entirely separate from the decision making processes of its affiliated advisers.

## **Item 11 – Code of Ethics**

*Code of Ethics.* To help prevent conflicts of interest, all employees must comply with Carpathia's Code of Ethics, which imposes restrictions on the purchase or sale of securities for their own accounts and the accounts of certain affiliated persons. Among other things, the Code of Ethics requires pre-clearance and regular reporting of any investment in IPOs, private placements, State Street stock, or investment funds advised and sub-advised by State Street. Carpathia's Code of Ethics permits Carpathia's Chief Compliance Officer to rely on information contained in any pre-clearance, holding report or any other type of report that may be provided to Carpathia through its affiliation with Tuckerman. In addition, Carpathia has adopted certain policies and procedures concerning the misuse of material non-public

information that are designed to prevent insider trading by its officers or employees. A copy of Carpathia's Code of Ethics shall be provided to any client or prospective client upon request.

*Participation or Interest in Client Transactions.* Carpathia does not purchase or sell securities for itself that it also recommends to clients. From time to time, a client account may purchase a security in which a related person of Carpathia may have an ownership position or a related person may purchase a security that is held in a client account. Carpathia addresses the conflicts of interest this may create by maintaining its decision making processes entirely separate from the decision making processes of its related persons.

*Personal Trading.* Employees of Carpathia may purchase and sell securities for their own accounts that are also recommended to clients, subject to Carpathia's Code of Ethics. Carpathia's Code of Ethics prohibits employees from placing their own personal interests ahead of a client's interests. The Code of Ethics requires all employees to comply with applicable securities laws and regulations, including the misuse of material nonpublic information. The Code of Ethics requires certain employees to pre-clear trades in certain securities (other than certain exempt securities).

*Privacy Policy (Regulation S-P):*

Carpathia holds both our firm and our employees to the highest standards of trust and fiduciary duty in the safekeeping and use of our clients' personal and financial data. To that end, we remain committed to maintaining the confidentiality of information we collect regarding our clients (includes current, former and potential clients).

*Participation or Interest in Client Transactions*

In addition, employees of Carpathia and its related persons are required to pre-clear and report transactions and holdings in mutual funds advised or sub-advised by Carpathia, its related persons and their affiliates.

## **Item 12 – Brokerage Practices**

Carpathia does not recommend brokers to clients, nor does it place trades on its clients' behalf. Moreover, Carpathia does not participate in any soft dollar arrangements of any kind.

## **Item 13 – Review of Accounts**

Client accounts are typically reviewed monthly. The monthly reports for each client are generated and reviewed first by an Investment Officer or Asset Manager (or similar staff position). The reports are then reviewed by either the Managing Director.

Clients typically receive monthly reports. Most consulting clients are also provided quarterly reports, which provide an analysis of each investment, the client's investment strategy, and any investment recommendations to the client.

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

Carpathia does not currently participate in any revenue or profit sharing or referral fee arrangements.



**Item 15 – Custody**

Carpathia does not have custody of client funds or securities.

**Item 16 – Investment Discretion**

Carpathia does not have discretionary authority from the client to select the identity and amount of securities to be bought or sold on behalf of its clients.

**Item 17 – Voting Client Securities**

As a matter of firm policy and practice, Carpathia does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Carpathia may provide advice to clients regarding the clients' voting of proxies.

**Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Carpathia's financial condition. Carpathia has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.