

Part 2A of Form ADV: Firm Brochure

Item 1: Cover Page

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This brochure provides information about the qualifications and business practices of Menlo Equities LLC (“MELLC”). If you have any questions about the contents of this brochure, please contact us at (650) 326-9300 (phone) or snook@menloequities.com (e-mail). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Menlo Equities LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Registration as an investment adviser does not imply a certain level of skill or training.

Item 2: Material Changes

MELLC, a California limited liability company, is a newly registered investment adviser and has not previously delivered a Firm Brochure.

MELLC will deliver an updated Firm Brochure annually to clients, together with a summary of material changes, within 120 days of the close of our fiscal year. MELLC may provide other ongoing disclosure information about material changes as necessary.

Based on changes in our operations or new information, MELLC will deliver a revised Firm Brochure as necessary, at any time, without charge.

You may request a copy of our Firm Brochure by contacting the Chief Compliance Officer, Robert Snook, at 650-326-9300 or by email at snook@menloequities.com.

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Item 4: Advisory Business

Menlo Equities LLC (“MELLC”), a California limited liability company, was established in 1994. MELLC, a privately-held, vertically integrated owner-operator and developer of commercial real estate, is engaged in the acquisition, development and operation of properties in select office markets in the Western United States, primarily in California. Menlo Equities Inc., a California corporation (100% owned by affiliates of Henry Bullock) is a 65% owner and Diamant Investments LLC, a Delaware limited liability company (100% owned by Richard Holmstrom) is a 35% owner of MELLC. Mr. Bullock and Mr. Holmstrom are the Managing Principals of MELLC.

MELLC provides advice regarding, and manages, real estate investments and special purpose entities organized to hold real estate investments for private funds and special purpose entities in the form of limited liability companies or limited partnerships (collectively, the “Funds”). MELLC performs these services for the Funds directly or indirectly through limited partnerships, limited liability companies, title holding corporations and other special purpose vehicles organized to hold clients’ real estate investments. In connection with the foregoing, MELLC may also provide administrative services relating to the selection and disposition of real estate properties and their ongoing management.

MELLC focuses on high quality investments in commercial real estate in prime locations capitalized through a prudent use of leverage.

MELLC has organized and controls the managers and managing or general partners, which serve as the administrative managers, managing members or general partners (collectively, the “MELLC Managers”) to the Funds that are listed on Section 1.B. and 7.A. of Schedule D to Part 1A of Form ADV.

As supervised persons of MELLC, the MELLC Managers intend to conduct their activities in accordance with the Investment Advisers Act of 1940, as amended, and the rules thereunder (the “Advisers Act”). Any employees of MELLC Managers, and any other person acting on their behalf, are subject to the supervision and control of MELLC. The MELLC Managers are relying on MELLC’s registration under the Advisers Act and are not registering themselves. The MELLC Managers shall be included in all references “MELLC” herein.

MELLC may, from time to time, sponsor and manage investment vehicles on a transaction-by-transaction basis to allow certain persons to invest alongside one or more Funds in specific portfolio companies and other assets of the Funds (each such vehicle, a “Co-Investment Fund”). Co-Investment Funds are typically limited to investing in investments or assets relating to the transaction or transactions with respect to which they were organized.

The Funds are organized as US pooled investment vehicles, and an affiliate serves as general partner or managing member of the Funds. Subscriptions for interests in the

Funds will generally be accepted only from investors who meet the definitions of “Accredited Investor” under Regulation D promulgated under the Securities Act of 1933, as amended (“Securities Act”), and “Qualified Purchaser” under the Investment Company Act.

As of December 31, 2011, the Firm managed \$ 420,068,680 of assets on a discretionary basis.

Item 5: Fees & Compensation

MELLC receives its management fees and other compensation generally as follows:

1. As investment adviser to each of the Funds it manages, MELLC generally receives an annual management fee (“Management Fee”).

The Management Fee is equal to a specified percentage of the capital outstanding of each Fund investor from the initial closing of the Fund through the end of the Fund’s investment period. The Management Fee generally will be paid to MELLC by the Fund monthly in arrears. Management fees are deducted from the assets of each Fund and are generally payable out of current cash flow, disposition proceeds or from drawdowns of investors’ capital commitments to the Fund. The investment management agreement of a Fund may be terminated upon the winding up of the Fund or in the event a specified percentage of the investors vote to (i) remove the general partner for cause after the occurrence of certain specified events (e.g., willfully violated the anti-fraud provisions of the federal securities laws in connection with the activities of the Fund) or (ii) dissolve the Fund.

2. A promoted payout if the Funds earn above a priority return.

MELLC must achieve returns in excess of the priority return in order to receive the promoted payout.

3. Through MELLC’s position as an equity investor in the Funds.

MELLC together with related persons commonly invests approximately 5% of the equity required for any given investment. As a result, MELLC participates in all distributions and proceeds that are available to equity partners, earning a pro rata percentage of the priority return and the equity portion of the proceeds subject to a promoted payout.

This compensation structure is basically the same for all Funds with some exceptions. A complete description of the payment of fees is included within the respective Fund’s private placement memorandum (the “PPM”).

MELLC, and/or its related entities, receive other compensation for investments during acquisition, operations and at disposition of the Fund. This compensation can vary by property and by investment structure. It may include, but is not limited to:

1. Acquisition and structuring fees paid at the beginning of an investment;
2. Guaranty fees paid if MELLC or a related person acts as a guarantor on underlying entity debt;
3. Asset and property management fees;
4. Construction management fees for properties involving significant construction/renovations managed by MELLC or an affiliate;
5. Leasing commission fees for executing leases;
6. Development fees for development projects;
7. Refinancing fees paid when a property undergoes a refinancing; and
8. Disposition fees paid at the sale of an investment.

Typically, MELLC's fees are exclusive of third party transaction fees and other related costs and expenses which shall be incurred by the Funds; under some circumstances outlined in the PPMs, MELLC may share certain fees with third parties. The Funds may incur certain other expenses separate and apart from MELLC's management and other fees. These expenses typically include custody fees, brokerage services and other transaction fees, and/or expenses associated with the investment vehicle in which their assets are invested (i.e., break-up and topping fees, monitoring and directors' fees, set-up fees, investment banking fees, closing and transaction fees, and/or other similar fees).

For more specific information about "fees and compensation," please refer to the respective Fund's PPM.

Item 6: Performance-Based Fees and Side-By-Side Management

As discussed in Item 5, MELLC earns a promoted payout, which is a form of performance-based fee, from the Funds after a priority return to capital invested by the investors is reached on the investment. Typically, the promoted payout is fully vested at the time of its distribution. The priority return is paid to all equity investors, pro rata, after which MELLC takes a disproportionate percentage of additional profits. The priority return rate and promoted payout percentage differ by investment and each Fund.

MELLC does not manage side-by-side with the Funds any Fund that does not pay a performance-based fee.

Item 7: Types of Clients

MELLC provides investment advisory services only to the Funds. Please also refer to Item 4 “Advisory Business” within this Brochure for a description of our clients.

The minimum investment required by an investor varies depending on the Fund and in each case is subject to waiver by MELLC. In general, the Funds require a minimum investment of \$1,000,000. Investors should review the PPM for each relevant Fund for further information with respect to minimum requirements for investment.

Item 8: Method of Analysis, Investment Strategies and Risk of Loss

Method of Analysis

With respect to the Funds, MELLC evaluates investments based on a variety of factors that are described in each Fund’s PPM.

Investments for each Fund are identified and selected by MELLC or a related party. In evaluating a potential investment, extensive due diligence is conducted to analyze, among other things, the underlying investment fundamentals (e.g., financial statements, profitability and cash flow), market and competitive position within relevant real estate markets, cost, structures, tenant profiles, unique attributes, property management requirements, contingent liabilities (environmental, regulatory, accounting or otherwise) and potential growth opportunities and potential exit strategies. Financial projections are evaluated using risk-adjusted discounted cash flows.

Investment Strategies

The principal investment strategy for each Fund is described within the Fund’s PPM. The material risks associated with each of these strategies is described within each Fund’s PPM.

Generally, MELLC seeks to exploit immediate, medium and longer-term opportunities emerging from the current financial market dislocation by opportunistically investing in debt, equity and hybrid commercial real estate and related assets. Investments may be made in performing and non-performing assets. When appropriate, MELLC will almost always use prudent levels of leverage to enhance the yield on its investments.

Investment Risks

Acquiring interests in a Fund is intended for sophisticated investors who can accept a high degree of risk in their portfolio, do not need regular current income from their investment in a Fund and can bear a potential loss of their entire investment. Investment risks specific to the investment strategy of each Fund are described in the Fund’s PPM.

Below are a few key risks associated with such investments.

General Risks

Investments in commercial real estate involves a high degree of risk, because it is generally considered a long-term investment and may be subject to risks not associated with investments in more liquid assets. For instance, real estate may experience fluctuations and cycles in value during any holding period. Some factors attributable to the marketability and value of real property include, but are not limited to the following:

1. changes in general or local economic conditions;
2. changes in supply or demand for the particular property type;
3. fluctuations in occupancy and rents for real property;
4. changes in interest rates;
5. government regulation related to land-use and zoning, environmental protection and occupational safety;
6. varying levels or even unavailability of mortgage funds, making acquisition, refinancing and property disposition difficult;
7. the financial condition of consumers of real property; and
8. natural disasters and threat of terrorism.

Leveraged Investments

While leveraged investments offer the opportunity for capital appreciation, such investments also involve a higher degree of risk and can increase the risk of loss during unfavorable economic conditions.

Illiquidity of Investments

Assets held by investment funds, and the interests in the investment funds themselves, can be illiquid, thus making them hard to value and liquidate, particularly in a falling market. Additionally, interests in investment funds are subject to restrictions on transfer pursuant to the Securities Act.

Geographic Concentration

Real estate investments in a limited geographic area may lack a diversified pool of assets compared to other types of investment funds that trade in publicly traded securities.

Item 9: Disciplinary Information

MELLC and its management personnel have not been involved in any legal or disciplinary events in the past 10 years.

Item 10: Other Financial Industry Activities and Affiliations

Menlo Equities V LLC, a California limited liability company, owned by Menlo Legacy Holdings LP and Diamant Investments LLC is registered as an investment adviser with the SEC under the Investment Advisers Act of 1940. More information about Menlo Equities V LLC may be found at www.adviserinfo.sec.gov.

The various Funds managed by MELLC are listed in Part 1A of Form ADV as found at www.adviserinfo.sec.gov.

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

MELLC has adopted a Code of Ethics (“Code”) and policy on Insider Trading (the “Policy”).

A copy of our Code of Ethics is available upon written request to snook@menloequities.com.

Participation in Profits of Portfolio Entities by MELLC Affiliates.

MELLC may encounter various potential and actual conflicts of interest between itself and the Funds it manages. The arrangements and activities create incentives for MELLC and/or its affiliates that may be in conflict with the interests of investors in the Funds. The participation by MELLC and/or its affiliates in a larger share of profits than their share of capital contributions, as well as the greater share of participation in profits on a Fund by Fund basis, creates an incentive to make investments that have more risk than would be the case in the absence of an incentive compensation arrangement. The participation by MELLC and/or its affiliates in cash flow prior to the return of capital contributions may create an incentive to maximize cash flow at the expense of total return in some circumstances.

Other Potential Conflicts of Interest.

Per the terms of the PPMs, MELLC and/or its principals may invest in other securities or real estate not included in the Funds. MELLC has implemented rules for acceptable investments by MELLC and/or its principals for their own accounts made outside of the Funds.

The structure of the Funds as limited liability companies or limited partnerships and the terms of the operating and partnership agreements, as the case may be, preclude the investors from active participation in investment decisions. Moreover, as discretionary funds, the investors will not be permitted to evaluate investment opportunities or relevant business, economic, financial or other information that will be used by the MELLC and/or its affiliates in making decisions. Even in situations where the investors vote on Fund matters, a small group of investors with relatively large investments could have the requisite percentage of votes to determine the outcome of such decisions (although the

concentration of voting power will not be known until the Fund conducts a closing). Such concentration of voting power, if it occurs, could have the effect of limiting the ability of investors with relatively smaller investments to have a meaningful vote on matters requiring a vote of the investors. In making decisions on behalf of the Funds, MELLC, and/or its affiliates, is controlled by the investment parameters of the Funds as stated within the respective PPMs and its fiduciary obligation to the investors in the Funds.

Item 12: Brokerage Practices

MELLC does not enter brokerage transactions on behalf of the Funds. Therefore, a broker-dealer is not required to effect transactions in the Funds.

MELLC does not utilize soft dollar agreements nor does it direct trading activity in lieu of payment of services.

Item 13: Review of Accounts

All Fund accounts are reviewed by senior investment professionals on a regular basis to determine their conformity with investment objectives and guidelines. The investment professionals involved in portfolio management of the Funds receive periodic updates of portfolio positions and transactions or otherwise periodically as appropriate to the type of investment. Senior investment professionals, with the assistance of other investment professionals, regularly review and discuss portfolio status, potential investments, performance, and related issues

Investors in the Funds receive annual reports, including audited financial statements. In addition, investors typically receive quarterly reports which include unaudited summary financial information following the end of each financial quarter.

Item 14: Client Referrals and Other Compensation

MELLC does not compensate or accept client referrals from other individuals or institutions.

Unrelated third-parties may be compensated for assistance in arranging capital commitments in the Funds when it is legally permissible to do so. Any such arrangements are conducted pursuant to written agreements. The compensation to be paid to such unrelated parties is negotiated on an individual case basis.

Item 15: Custody

MELLC does not maintain physical custody of the assets of the Funds. Such assets are held in custody by unaffiliated broker/dealers or banks that serve as qualified custodians; however as the general partner or managing member for the Funds, MELLC or its affiliates may be considered to have constructive custody of the Funds' assets. The

Funds are subject to annual audit by an independent public accountant, and investors receive a copy of the audited annual financial statements.

Item 16: Investment Discretion

MELLC has sole investment discretion with respect to the Funds. Its authority to exercise investment discretion is granted through the terms of the Limited Partnership Agreement or Operating Agreement of each of the Funds.

Item 17: Voting Client Securities

The Funds invest in real estate related assets. Due to the nature of these investments, MELLC does not anticipate having authority to vote proxies in a manner similar to investments in public securities.

As part of its policies and procedures, MELLC has adopted proxy voting policies and procedures which provide for maintaining records of all proxy votes cast on behalf of the Funds. A copy of the proxy voting policy will be provided to investors at no charge upon request to Robert Snook at 650-326-9300.

Item 18: Financial Information

There are no financial issues that are likely to impair MELLC's ability to meet its contractual commitments to the Funds.