

Fremont Realty Capital, L.P.  
Part 2A of Form ADV  
The Brochure

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## **Fremont Realty Capital, L.P.**

This brochure provides information about the qualifications and business practices of Fremont Realty Capital, L.P. (the "Adviser" or "FRC"). If you have any questions about the contents of this brochure, please contact us at (415) 284-8665. 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. FRC's registration as an investment adviser with the SEC does not imply a certain level of skill or training.

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

This Brochure is for informational purposes only and does not constitute an offer to sell or the solicitation of an offer to purchase any interest in any entity, investment, or investment vehicle. Any such offer or solicitation will be made solely to qualified investors by means of a private placement memorandum and related subscription materials.

**Item 2. Material Changes**

FRC is required to identify and discuss any material changes made to its Brochure since the last annual update. There are no material changes to report.

**Item 3. Table of Contents**

Item 1. Cover Page	1
Item 2. Material Changes	2
Item 3. Table of Contents	3
Item 4. Advisory Business	4
Item 5. Fees and Compensation	5
Item 6. Performance-Based Fees and Side-By-Side Management	5
Item 7. Types of Clients	6
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss	6
Item 9. Disciplinary Information	9
Item 10. Other Financial Industry Activities and Affiliations	9
Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	10
Item 12. Brokerage Practices	11
Item 13. Review of Accounts	11
Item 14. Client Referrals and Other Compensation	11
Item 15. Custody	12
Item 16. Investment Discretion	12
Item 17. Voting Client Securities	12
Item 18. Financial Information	12
Item 19. Requirements for State-Registered Advisers	12

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

FRC is a California limited partnership and an investment adviser registered with and regulated by the SEC under the Investment Advisers Act of 1940. FRC provides investment advisory services exclusively to private real estate investment companies, structured as limited partnerships, that are exempt from registration as investment companies under U.S. law by virtue of Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act of 1940.

FRC currently provides investment advisory services to two limited partnerships: Fremont Strategic Property Partners, L.P., and Fremont Strategic Property Partners II, L.P. (collectively "the Funds"), although additional entities and persons may be provided investment advisory services by FRC in the future. An affiliate of FRC serves as the General Partner to each of the Funds. The Funds are institutional vehicles whose investor base consists of institutional investors such as pension plans, trusts, endowments, foundations and other highly sophisticated, high net worth participants. These investors must meet certain minimum financial requirements in order to participate in the Funds. The Funds are closed to new investor commitments.

FRC was formed in 1997 by Fremont Group ("Fremont"), a San Francisco-based private investment firm. Fremont established FRC to leverage Fremont's investment management and real estate expertise to build a premier real estate merchant banking program. FRC is majority-owned and controlled by Fremont. FRC is managed by its Managing Partner, Claude J. Zinngabe, Jr., and its Senior Managing Director, Portfolio/Asset Management, Matthew J. Reidy (collectively, the "Senior Principals"). The Senior Principals have responsibility for the day-to-day investment activities of the Funds. FRC maintains its office in San Francisco.

FRC and its affiliates serve as advisers, sponsors, general partners and/or managers to the Funds. The Funds seek to partner with operating partners generally possessing a successful track record of investments and whose interests are aligned with the Funds. The Funds primarily invest in domestic real estate markets, but FRC managed or advised entities may also invest in attractive markets and investments outside the United States and its territories. FRC's investment advice is limited to real estate investments.

FRC bases its investment advice on the strategy and restrictions (if any) set forth in the applicable Fund offering memorandum, organizational documents and subscription agreements, as the case may be. Investment advice is provided directly to the Funds by FRC and not individually to the Funds' investors. FRC may add to or change investing strategies over time at its sole discretion, within the parameters of the pertinent Fund documents.

FRC manages approximately \$948 million in assets on behalf of the Funds on a discretionary basis, calculated based on the gross asset cost basis of such assets, as of December 31, 2012. FRC does not manage any assets on a non-discretionary basis.

## **Item 5: Fees and Compensation**

### *Management and Performance Fees*

Per written agreements between FRC and the Funds, FRC is entitled to management fees from each of the Funds, paid on a quarterly basis in advance. Management fees are generally 1.5% per annum of the Funds' capital commitments until the commitment period for the pertinent Fund has terminated, at which point the management fee equals 1.5% per annum of invested capital. At the discretion of each Fund's general partner, the management fee may be reduced for certain limited partners. The management fee is paid out of current income and disposition proceeds and, to the extent necessary, from capital calls from limited partners which do not reduce unfunded commitments. Prorated refunds would be provided for partial quarters, if any. Generally, as set forth in Item 6 below, the general partners of the Funds are each eligible to receive carried interest up to 20% of the net profits of the Funds.

### *Fees, Costs and Expenses*

The management fees due from the Funds are reduced by certain fees paid to FRC in connection with the Funds' investments. Generally, the management fee is offset by an amount (1) equal to 50-100% of all transaction, acquisition, closing, disposition and similar fees paid to FRC or certain of its affiliates in connection with the Funds' investments, net of related third-party expenses, and (2) equal to 100% of all directors fees, consulting fees, advisory fees and similar fees paid to FRC and certain of its affiliates in connection with the Funds' investments, net of related third party expenses.

FRC's management fees are not inclusive of all the fees which investors may bear. The Funds are responsible for legal fees, accounting fees, other out-of-pocket fees and expenses, including for services provided by FRC or its affiliates at not more than market rates, incurred in connection with the Fund's operations and in connection with organizing and raising capital for the Funds up to a certain limit, including, should the Funds engage the services of a broker, broker/dealer fees (see Item 12. Brokerage Practices). This list is not intended to be exhaustive; prospective and existing investors in the Funds are advised to review the applicable Fund offering materials and organization agreements for a more extensive description of the fees and expenses associated with investments in the Funds.

## **Item 6: Performance-Based Fees and Side-by-Side Management**

FRC affiliates receive carried interest equal to 20% of the net profits of the Funds. Such allocation of profits is only allocated to the general partners of the Funds when specific conditions are met, including the return of all capital contributed to the Funds by investors or all the capital contributed by the investors to that investment, as well as allocable fees and expenses, and the receipt of a preferred return on such amounts.

FRC generally makes new investments from a single Fund and does not offer a successor Fund until the predecessor Fund is at least 75%-80% invested. A follow-on investment in a property or joint venture is generally reserved to the Fund that originally invested in the property or joint venture, subject to the guidelines and restrictions of a Fund's organizational documents. During the interim period before a predecessor Fund is substantially but not fully invested and a successor Fund commences investing, the predecessor Fund's pipeline of potential investment opportunities that fall within the guidelines and restrictions of the predecessor Fund's organizational documents are reserved for the predecessor Fund.

#### **Item 7: Types of Clients**

FRC's only clients are the Funds, which are structured as private investment companies that are not registered or required to be registered under the Investment Company Act of 1940. Each investor in the Funds is required to be an "accredited investor" as defined in Regulation D under the U.S. Securities Act of 1933, as amended. A minimum dollar value of assets and other conditions are typically imposed on investors (i.e., limited partners) in the Funds.

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

FRC offers investment advice to the Funds seeking to take advantage of secular changes, cyclical trends and special opportunities in assets that are in "non-traditional" real estate sectors as well as growth-oriented or value-enhancement investments in "traditional" real estate sectors.

##### **Traditional Sectors**

The traditional real estate universe generally includes office, industrial, retail, multifamily and hotel properties. Attributes of an investment in a traditional sector likely includes one or more of the following: opportunity for growth and/or value enhancement, located in an underserved and/or supply-constrained market, exclusive opportunity sourced from an existing relationship, and/or a complex investment requiring special expertise.

##### **Non-Traditional Sectors**

The non-traditional real estate universe includes assets that have fundamental real estate attributes but fall within sectors outside of traditional real estate. Historically, these non-traditional sectors have experienced shortages of institutional capital, providing attractive buying opportunities. The Funds have invested in non-traditional subsectors, including self storage, cold storage, for-sale housing, and senior housing. Investments in non-traditional sectors exhibit several advantages, including: an ability to capitalize on the inefficient markets for both debt and equity in these sectors and secure favorable investment terms as a result of the relative shortage of investment capital, and an opportunity for Fund investors to diversify their portfolios through investments in non-traditional sectors that are not emphasized by other real estate investors. The investment professionals of the Fund identify opportunities that arise from the following catalysts: secular changes, cyclical trends, and special opportunities.

### Secular Changes

Secular changes are created by changing variables and/or the introduction of new concepts in a given sector. Examples of these changes include shifting demographics, new technologies and changes in government regulation that provide investment opportunities. FRC conducts research to identify secular changes that will affect the general real estate industry, as well as specific property types, in order to source and execute successful investments that capitalize upon these changes.

### Cyclical Trends

Cyclical trends result from changing capital markets, trends within real estate markets and property sectors such as cyclical oversupply or undersupply of space, or industry consolidation. Specific property types emerge from these cycles to become widely favored by investors, and FRC seeks to leverage its experience and research capabilities to recognize and invest ahead of these trends.

### Special Opportunities

Special opportunities arise from relationships with operating partners with proprietary knowledge of an attractive investment opportunity with one or more unique features, including those related to zoning or location, one-of-a-kind product, undermanaged assets and/or companies, or motivation of the seller to create liquidity.

### Investment Process

FRC's investment process is based on a strategy of identifying real estate investments based on thorough economic analysis and a substantial network of professional relationships. The Funds employ a strategy of investing only in situations where FRC believes the investment thesis is supported by sound economic research and real estate market analysis. This analysis can involve the preparation of a "white paper" detailing a capital markets assessment, macro supply/demand analyses, competitor analyses, extensive management interviews with the major sector players to identify leading operating partners, and an assessment of exit strategies.

### Due Diligence

A major tenet of FRC's investment philosophy is the identification of leading operators through its research of a property sector. Through successful partnering with experienced, high-quality operating partners, FRC can have preferred access to investment opportunities. FRC investment professionals utilize their own industry contacts, source opportunities through senior participation in industry professional associations, and receive investment opportunities from Fremont partners and senior executives of Fremont portfolio companies. FRC maintains excellent relationships with major real estate consulting groups, mortgage brokers and banks, commercial banks and insurance companies, all of whom represent deal sourcing resources.

FRC's due diligence methodology, which is an extension of its investment philosophy, focuses on verifying its preliminary conclusions regarding a prospective investment partner, properties, and structure of a transaction. The key elements of FRC's due diligence process are: (a) investment partner due diligence, including (i) litigation history reviews, (ii) conversations with past and present business relationships, and (iii) the preparation of a comprehensive report by an outside investigation firm; (b) property due diligence, including (i) property condition, (ii) legal, (iii) financial, and (iv) market reviews; and (c) transaction structuring analysis, including a consideration of the capital structure (debt and equity) and any other features of the transaction (such as operating partner subordination of capital). While FRC may engage third party consultants and service firms where specific expertise is required (such as appraisers, engineering and environmental, legal and accounting professionals), it is the overall responsibility of FRC investment professionals to review, analyze and make recommendations based on their own diligence and evaluation of third party information.

#### Asset Management and Investment Monitoring

FRC has an in-house asset management group responsible for the day-to-day administration and management of Funds' investments. At least one of the principals involved in investment origination is responsible for the ongoing management of each individual investment after it has closed. Each investment has its own management structure and characteristics, but in every instance, FRC seeks to give a Fund direct participation in the management of the investment, either through majority control, or, as is the case in the instances where a Fund has a minority position, as an active, influential board member alongside like-minded investors who collectively control the investment. FRC requires a Fund's operating partner to generate monthly operating reports, transmit information via conference call discussions and direct visits, and participate in quarterly or more frequent meetings with Fund representatives. Additionally, where appropriate, FRC provides services to the investment, such as systems and organizational consulting, identification and evaluation of replacement management, debt and equity origination, and assistance involving disposition of assets or the company.

#### Investment Liquidation

FRC periodically evaluates investment liquidity as part of its overall investment management process. This analysis may be formal or informal, but it encompasses an evaluation of the potential return and risk associated with continuing to hold the asset versus the price and related return achievable by selling the asset under current market conditions. Generally speaking, a Fund will seek to hold its investments over a three to five year holding period. FRC typically evaluates the following factors when performing sell/hold analysis:

- Market cycle analysis;
- Capital market conditions;
- Estimates of the investment's net asset value; and
- Local real estate market conditions.



### Risk of Loss

Investments in real estate are subject to various potential risks, including (i) adverse changes in national or international economic conditions, (ii) adverse local market conditions, (iii) the financial condition of tenants, buyers and sellers of properties, (iv) environmental laws and regulations, (v) zoning laws and other governmental rules, (vi) environmental claims arising in respect of real estate acquired with undisclosed or unknown environmental problems or as to which inadequate reserves had been established, (vii) uninsurable losses, (viii) natural disasters, and (ix) other factors beyond the control of FRC.

An investment in a Fund involves substantial risks that should be carefully considered by investors. Investment in a Fund is suitable only for sophisticated investors and requires the financial ability and willingness to accept the high risks and lack of liquidity inherent in such investment. Investors in a Fund must be prepared to bear such risks for an indefinite period of time. Prospective investors are also encouraged to consult their own legal, investment, tax, and other advisers, and the applicable offering documents, as to whether an investment in a Fund or other entity advised by FRC is appropriate for them. The risks inherent to the strategies employed by FRC are described in further detail in the respective Fund's offering documents. Set forth below is a non-exhaustive list of such risks:

- Dependence on key management personnel
- Investment in troubled assets
- Reliance on third parties
- Illiquidity of investments and interests
- Risk of leverage
- Foreign investments
- Possible lack of diversification
- Regulatory constraints
- Potential environmental liabilities

FRC may cause the Funds to hold investments in general and limited partnerships, limited liability companies, corporations, real estate operating companies, real estate investment trusts, joint ventures, or other real estate investment vehicles or entities. Because the interests of the managers and/or other partners of such firms may not be aligned with those of a Fund, the investor may be adversely affected by decisions made by those other parties.

### **Item 9: Disciplinary Information**

We do not believe that there have been any legal or disciplinary events that are material to an existing or prospective client's evaluation of FRC's advisory business or the integrity of FRC management.

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

FRC's sole business is providing investment advisory services to the Funds. FRC professionals devote substantially all of their time and attention to Funds until termination of the Fund

commitment period and thereafter such time and attention as the Fund general partner shall deem appropriate for proper management of the Fund.

FRC shares office space, facilities and systems with the general partners of the Funds and Fremont. FRC is a related person to the general partners of the Funds and to Fremont.

Conflicts of interest may arise between FRC, the Funds and Fremont under some circumstances, notwithstanding the fact that Fremont has a substantial investment in the Funds and controls the Funds general partners. Investors are advised to review the applicable Fund offering materials for a more extensive description of the risks of investing in the Funds.

FRC, the Funds and the general partners of the Funds are represented by the same legal counsel, Schulte Roth & Zabel LLP. In connection with the offering of the Funds and subsequent advice to the Funds, the general partners and their affiliates, Schulte Roth & Zabel LLP does not represent the limited partners of the Funds.

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

##### **Code of Ethics and Personal Trading**

FRC has adopted a Code of Ethics pursuant to Advisers Act Rule 204A-1 (the "Code") which sets forth fiduciary principles and certain standards of business conduct that must be followed by, among others, all principals, partners, officers and employees of FRC (collectively "Supervised Persons"). The Code incorporates the following general principles, which all Supervised Persons are expected to uphold: act in the best interests of clients; to avoid personal conflicts of interest, including conflicts that arise in relation to personal securities transactions; protect and prevent the misuse or distribution of material non-public information that FRC possesses; and maintain confidentiality of clients' information.

The Code also provides guidelines for Supervised Persons regarding adherence to securities laws generally, the giving and receiving business-related gifts, transactions in personal accounts involving public and private securities and commodities, proper use and monitoring of electronic communications, and the maintenance and memorialization of certain family and/or close personal relationships. For example, the Code requires that all Supervised Persons deemed Access Persons report all securities transactions in a personal or related accounts for which the employee exercises control so that potential conflicts can be addressed. In addition, the Code requires that all Supervised Persons report Code violations and provides the potential for sanctions for such violations. FRC's Chief Compliance Officer is responsible for various aspects of the Code's administration, including without limitation the monitoring and review of personal securities transactions of Supervised Persons deemed Access Persons, and is available for any questions Supervised Persons have regarding the Code. FRC will provide a copy of the Code to any client or prospective client upon request and may elect to provide a copy of the Code to investors in the Funds.

### Participation in Client Transactions

Certain Supervised Persons of FRC are active investors in the Funds and have committed significant amounts of their own capital to invest in the Funds through their investments in the Funds' general partners. Generally, Supervised Persons are not permitted to make personal investments in properties or joint ventures in which the Funds invest other than through their personal investment in those Funds.

It is common that the Funds will have direct participation in the management of investments, either through majority control, or, as is the case in the instances where a Fund has a minority position, as an active, influential board member alongside likeminded investors who collectively control the position. FRC does not charge transaction, acquisition, closing, disposition or similar fees, in connection with Funds' investments, and any such fees that are received by FRC are applied to offset management fees paid to FRC.

### **Item 12: Brokerage Practices**

FRC does not currently have a contractual relationship with or utilize the services of any broker-dealers in connection with the real estate transactions in which it engages on behalf of the Funds. FRC does not recommend, request or require that a client direct FRC to execute transactions through a specified broker-dealer. Nor does FRC permit a client to direct brokerage. Broker-dealers are not utilized by FRC in connection with its advisory business.

FRC generally engages a real estate broker in connection with the disposition or leasing of a real estate asset held on behalf of the Funds. FRC selects the brokerage company and the particular real estate broker that FRC believes will best represent the interests of the Funds. Factors such as years of experience, familiarity with the market, success in like transactions, connections with potential purchasers/lessees, excellent reputation in the marketplace and other considerations are considered in the selection of a real estate broker.

### **Item 13: Review of Accounts**

Currently, the only accounts under the supervision of FRC are the Funds. FRC investment professionals generally prepare both formal annual and quarterly assessments of each investment in the Funds. Monthly performance data that is supplied by the Funds' operating partners is also reviewed for significant variances or deviations from approved business plans.

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

Capital commitments for the Funds are primarily sourced through unaffiliated broker-dealers or solicitors, acting as placement agents, as described in the offering documents of the Funds. FRC has entered into, and in the future may enter into, contractual agreements with organizations (hereafter referred to as "placement agents") who solicit limited partners for the Funds advised by FRC. While the specific terms of each arrangement may differ, generally, a placement agent's compensation is based upon the referred limited partner(s) investment in the Funds. The placement agent's compensation does not increase the limited partner's fees; however, a portion of these costs may be borne by the Fund as organization expenses.

**Item 15: Custody**

FRC is deemed to have custody of client funds and securities. Each of the Funds is subject to audit by independent accountants. Each Fund furnishes: (a) audited financial statements to the limited partners annually, (b) unaudited financial statements quarterly, and (c) annual tax information necessary for each limited partner's tax returns. The audited financial statements are prepared in accordance with U.S. generally accepted accounting principles and generally distributed within 90 days of the Funds' fiscal year-end. Funds and securities of the Funds, other than certain privately offered, non-certificated investments, are held by qualified custodians within the meaning of the applicable rules under the Investment Advisers Act.

**Item 16: Investment Discretion**

FRC maintains the authority to manage the Funds on a discretionary basis, subject to the overall supervision of the applicable general partner, in accordance with the investment guidelines, limitations, other provisions and terms set forth in the Funds' offering memorandum and organizational documents.

**Item 17: Voting Client Securities**

FRC invests solely in real estate and does not have, nor will accept, the authority to vote client securities. Accordingly, as FRC does not hold any publicly-traded securities which possess voting rights on behalf of the Funds, it has not been necessary for FRC to establish policies related to delivery of proxies and other solicitation materials related to securities.

**Item 18: Financial Information**

FRC has not been the subject of a bankruptcy petition at any time during the past ten years.

FRC does not believe there are any financial conditions that are reasonably likely to impair its ability to meet contractual commitments to its clients.

**Item 19: Requirements for State-Registered Advisers**

FRC is registered with the SEC and is not required to be registered at the State level.

## **Part 2B of Form ADV: Brochure Supplement**

Fremont Realty Capital  
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Date Prepared: March 18, 2013  
Contact: Victor Kwok  
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### Supervised Persons

- Claude J. Zinngrabe, Jr.
- Matthew J. Reidy

This brochure supplement provides information about Claude J. Zinngrabe, Jr. and Matthew J. Reidy that supplements the Fremont Realty Capital brochure. You should have received a copy of that brochure. Please contact Victor Kwok, Principal, if you did not receive Fremont Realty Capital's brochure or if you have any questions about the contents of this supplement.

Additional information about Fremont Realty Capital ("FRC") is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Claude J. Zinngrabe, Jr.

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March 18, 2013

#### Educational Background and Business Experience

Claude J. Zinngrabe, Jr., President and Managing Partner, was born in 1946. Mr. Zinngrabe has a B.S. and M.A. from Xavier University, an M.B.A. from Cleveland State University, and has completed the Harvard Business School Advanced Management Program.

Mr. Zinngrabe, who founded Fremont Realty Capital in 1997, has served as President and one of its Managing Partners since that time.

#### Disciplinary Information

There is no disciplinary information to report.

#### Other Business Activities

There are no outside business activities to report.

#### Additional Compensation

There is no additional compensation to report.

#### Supervision

Adviser reviews and monitors the investment activities of every investment professional responsible for funds advised by FRC. In addition, each fund is reviewed regularly by the firm's Chief Financial Officer and Chief Investment Officer. The Compliance Department also reviews the operations of the funds and investment personnel to provide additional oversight. Supervision of Mr. Zinngrabe is overseen by Victor Kwok (415) 284-8665.

Matthew J. Reidy

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(415) 284-8665

March 18, 2013

#### Educational Background and Business Experience

Matthew J. Reidy, Senior Managing Director was born in 1961. Mr. Reidy received a B.S. in Finance from California State University Sacramento and completed advanced studies in International Business and Economics at the University of Kent, Canterbury, England.

Mr. Reidy joined Fremont Realty Capital at its founding in 1997. In the last five years, Mr. Reidy has led the asset management group within Fremont Realty Capital, holding the title of Senior Managing Director, Portfolio/Asset Management.

#### Disciplinary Information

There is no disciplinary information to report.

#### Other Business Activities

There are no outside business activities to report.

#### Additional Compensation

There is no additional compensation to report.

#### Supervision

Adviser reviews and monitors the investment activities of every investment professional responsible for funds advised by FRC. In addition, each fund is reviewed regularly by the firm's Chief Financial Officer and Chief Investment Officer. The Compliance Department also reviews the operations of the funds and investment personnel to provide additional oversight. Supervision of Mr. Reidy is overseen by Victor Kwok (415) 284-8665.