



**Mesirow Financial Alternative Investments, LLC**  
**Institutional Real Estate, Multi-Manager**  
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**March 31, 2015**

This brochure provides information about the qualifications and business practices of the Institutional Real Estate, Multi-Manager division of Mesirow Financial Alternative Investments, LLC ("MFAI"). If you have any questions about the contents of this brochure, please contact us at 312.595.6925 or [jmorris@mesirowfinancial.com](mailto:jmorris@mesirowfinancial.com). 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 Mesirow Financial Alternative Investments, LLC, is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The site may be searched by a unique identifying number known as a "CRD number." MFAI's CRD number is 158314.

**ITEM 2 | Material Changes**

Mesirow Financial Institutional Real Estate's ("MFIRE") Form ADV Part 2A, currently dated March 31, 2015 and as may be amended from time to time, is MFIRE's disclosure document prepared based on the Security and Exchange Commission's regulatory requirements. MFIRE is required to update this document at least annually, or when an event occurs that may be deemed to have a material impact on MFIRE's investment management business and/or on its clients, or when a disciplinary event occurs.

Joshua K. Daitch departed MFIRE, MM in March 2015. His departure will not impact the investment management business of MFIRE, MM.

MFIRE has no material or disciplinary events to report or disclose.

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 .....	4
Item 6	Performance-Based Fees and Side-By-Side Management .....	5
Item 7	Types of Clients .....	5
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss .....	6
Item 9	Disciplinary Information.....	6
Item 10	Other Financial Industry Activities and Affiliations .....	6
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	7
Item 12	Brokerage Practices .....	9
Item 13	Review of Accounts.....	9
Item 14	Client Referrals and Other Compensation.....	10
Item 15	Custody .....	10
Item 16	Investment Discretion .....	10
Item 17	Voting Client Securities.....	10
Item 18	Financial Information .....	10

## ITEM 4 | **Advisory Business**

Mesirow Financial Alternative Investments, LLC ("MFAI"), a Delaware corporation formed in 2011, is an investment advisor registered with the SEC with its principal place of business located in Illinois. Mesirow Financial Institutional Real Estate, Multi-Manager ("MFIRE"), is a division of MFAI. MFAI does not provide tax or legal advice. Clients should consult with an expert on matters pertaining to tax or legal issues.

MFAI's sole shareholder is Mesirow Financial Services, Inc., which is a wholly-owned subsidiary of Mesirow Financial Holdings, Inc.

MFAI's MFIRE division offers investment advisory services and products to clients relating to Institutional Real Estate Multi-Manager investments on a discretionary and non-discretionary basis. MFIRE provides institutional investors access to investment opportunities in the real estate market structured through limited partnerships. An affiliate of MFAI will serve as the general partner to a real estate fund of funds, which is structured as a limited partnership. MFAI serves as the investment advisor to the partnerships. MFIRE may, at times, provide advisory services to institutional investors. MFAI has engaged Courtland Partners as a sub-advisor for the MFIRE funds.

MFAI's other business units offer investment management services in various products through both separately managed accounts and limited partnerships. MFAI, or an affiliate, typically serves as the general partner to the limited partnerships.

As of March 31, 2014, MFIRE managed approximately \$388 million in client assets on a discretionary basis and \$0 on a non-discretionary basis.

## ITEM 5 | **Fees and Compensation**

All funds for which MFIRE serves as the investment advisor are closed and are not accepting new investors. These funds are charged an annual management fee of 1% of the committed capital paid quarterly in advance.

In the event that an account terminates, fees will be prorated for the number of days the account was under management. Fees are typically deducted from the custodied account and paid directly to MFAI.

As general partner to such private funds, MFAI, or an affiliate thereof, reserves the authority to reduce the management fee charged to those who invest in a MFAI-sponsored partnership on a direct basis with the general partner and/or to reduce, rebate, or waive altogether the management fee. A limited partner's minimum investment in the partnerships varies based on the limited partnership, which may be modified in certain circumstances by the general partner of the partnership.

MFIRE's fees for any advisory assignment are based on the nature and scope of the engagement.

**Limited Negotiability of Advisory Fees** Although MFIRE has established the aforementioned fee schedule(s), it retains the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs will be considered in determining the fee schedule. These facts, circumstances and needs may include, among other factors, the complexity of the client; assets to be placed under management; anticipated future additional assets; related accounts; portfolio style; account composition; and reporting requirements. The specific annual fee schedule will be identified in the contract between the advisor and each client.

Discounts, not generally available to our advisory clients, may be offered to employees, family members and friends of associated persons of MFAI.

**Termination of the Advisory Relationship** Clients that invest in separately managed accounts typically may terminate their investment management agreement upon providing 30 days' prior written notice. Certain fees may be paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees are generally refunded. In calculating a client's reimbursement of fees, MFAI may prorate the reimbursement according to the number of days remaining in the billing period. Currently MFIRE has

no separate accounts.

**Additional Fees and Expenses** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker/dealers, including, but not limited to, any transaction charges imposed by a broker/dealer with which an independent investment manager effects transactions for the client's account(s). Clients that invest in MFAI's private investment vehicles structured as limited partnerships are typically responsible for certain expenses relating to the partnership including, but not limited to, the cost of audits, reporting and certain legal expenses.

MFAI may from time to time accrue revenue based on commissions paid to its affiliated broker/dealer, MFI, for brokerage services rendered on behalf of MFAI clients. This revenue, or a portion thereof, may be paid to MFAI investment representatives (who are employees of MFI) as part of a discretionary bonus at fiscal year-end.

**Grandfathering of Minimum Account Requirements** Pre-existing advisory clients are subject to MFAI's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, minimum account requirements may differ among clients.

**ERISA Accounts** In certain circumstances, MFAI is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"). As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include, among other things, restrictions concerning certain forms of compensation.

**Commissions or Markups** In the event that MFAI receives commissions or markups, advisory fees will be reduced to offset the commissions or markups.

**Advisory Fees in General** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisors for similar or lower fees.

**Limited Prepayment of Fees** Under no circumstances do we require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

**Educational Events** MFAI employees may benefit from educational events sponsored by service providers to MFAI, such as law firms, audit firms and other professional service firms.

## ITEM 6 | Performance-Based Fees and Side-By-Side Management

MFIRE may accept a performance-based fee from the client. Such performance-based fee is calculated based on a share of gains on or capital appreciation of the assets of the client. To qualify for a performance-based fee arrangement, a client (or Fund investor, as applicable) must either demonstrate a net worth of more than \$2,000,000 or must have at least \$1,000,000 under management at the time of entering into a management agreement with MFIRE.

Clients should be aware that a performance-based fee arrangement may create an incentive for us to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement.

## ITEM 7 | Types of Clients

MFIRE provides advisory services to accredited investors and qualified purchasers, including, but not limited to, the following types of clients:

- Pension and profit-sharing plans
- Charitable organizations
- Corporations or other businesses
- State or municipal government entities

## ITEM 8 | **Methods of Analysis, Investment Strategies and Risk of Loss**

### METHODS OF ANALYSIS

The following methods of analysis are used in formulating investment advice and/or managing client assets:

### INVESTMENT STRATEGIES

The Funds managed by MFIRE will endeavor to create a diversified, risk-controlled, value-added and opportunistic, multi-manager investment portfolio by investing in real estate private equity funds that will generate attractive, long-term, risk-adjusted returns by undertaking the following steps:

- Identify target markets that are best positioned to offer attractive, value-added opportunistic returns over the investment period;
- Source top performing, institutional-quality, global real estate opportunities whereby the sponsors add value through capital improvements, intensive property management, strategic leasing or redevelopment;
- Diligence through intensive quantitative and qualitative analysis including on-site visits, underwriting historic track records on a deal-by-deal basis and benchmarking against peers;
- Select Underlying Investments with the greatest potential to outperform industry returns; and
- Diversify the portfolio across a range of factors by:
  - ▲ Geography – globally across countries and regions
  - ▲ Manager – seeking to mitigate risk by acquiring multiple Underlying Investments within each Fund
  - ▲ Investment Strategy – targeting exposure to value-added and opportunistic managers and investments
  - ▲ Property Type – investing across traditional property types (office, industrial, retail, multi-family) and alternative property types (hospitality, senior living, self-storage, etc.)
  - ▲ Product Life-Cycle – gaining exposure to both new construction (mostly in the emerging markets) and existing properties
  - ▲ Investment Type – accessing underlying properties through investments in Underlying Funds (including through the secondary market) as well as select Co-Investments
  - ▲ Capital Structure – investing in both debt and equity
  - ▲ Time – committing to Underlying Investments over two-to-three vintage years, thereby expanding the universe of opportunities and limiting volatility by investing over time

**Risks for All Forms of Analysis** MFIRE's analysis methods rely on the assumption that sources of information about investments have provided accurate and unbiased data. While MFIRE is alert to indications that data may be incorrect, there is always a risk that the analysis may be compromised by limited, inaccurate or misleading information.

**Risk of Loss** Securities investments are not guaranteed and clients may lose all invested funds.

## ITEM 9 | **Disciplinary Information**

MFAI and its management personnel have no reportable disciplinary events to disclose.

## ITEM 10 | **Other Financial Industry Activities and Affiliations**

Certain employees of MFAI may be separately licensed as registered representatives of MFI. These individuals, in their separate capacity, can effect securities transactions for which they will receive separate, yet customary compensation, although they have not done so.

While MFAI and these individuals endeavor at all times to fulfill their fiduciary responsibilities to clients, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

Certain employees, in their individual capacities, may be agents for various insurance companies. As such, these individuals are able to receive separate, yet customary commission compensation resulting from implementing product transactions on behalf of advisory clients. Clients, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

The principals of MFAI are also the principals of the general partner of the funds named above. The general partner has designated MFAI as having primary responsibility for investment management and administrative matters, such as accounting tax and periodic reporting, pertaining to the Fund. MFAI and its members, officers and employees will devote to the funds as much time as it deems necessary and appropriate to manage the business. MFAI and its affiliates are not restricted from forming additional investment funds, entering into other investment advisory relationships, or engaging in other business activities, even though such activities may be in competition with the funds. Potentially, such activities could be viewed as creating a conflict of interest in that the time and effort of MFAI management personnel and employees will not be devoted exclusively to the business of the funds, but could be allocated between the business of the funds and other business activities.

As noted in Items 4 and 5, MFAI or its affiliates may act as a general partner or sponsor of various private investment vehicles that MFAI may recommend or sell to its advisory clients. Prior to the sale of any such investments, MFAI will have disclosed any potential conflicts of interest and will recommend the investment only if it appears suitable for the client.

Clients should be aware that the receipt of additional compensation by MFAI and its management persons or employees creates a conflict of interest that may impair the objectivity of MFAI and these individuals when making advisory recommendations. MFAI endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment advisor. MFAI typically takes the following steps to address any potential conflict:

- MFAI discloses to clients the existence of all material conflicts of interest;
- MFAI collects, maintains and documents accurate, complete and relevant client background information, including the client's investment mandates, financial goals, objectives and risk tolerance;
- MFAI's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable for the client's needs and circumstances;
- MFAI requires that our employees seek prior approval of any outside employment activity to ensure that any conflicts of interests in such activities are properly addressed;
- MFAI periodically monitors outside employment activities of its employees to verify that any conflicts of interest continue to be properly addressed; and
- MFAI educates its employees regarding the responsibilities of a fiduciary, including the need to have a reasonable and independent basis for the investment advice provided to clients.

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

MFAI has adopted a Code of Ethics that sets forth the ethical standards of business conduct that MFAI requires of its employees, including compliance with applicable federal securities laws.

MFAI and its personnel owe a duty of loyalty, fairness and good faith towards clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code of Ethics.

MFAI's Code of Ethics includes policies and procedures for the quarterly review of securities transactions reports as well as initial and annual securities holdings reports that must be submitted by MFAI's access persons. MFAI also has additional policies and procedures relating to the preclearance of all employee trades (other than securities deemed exempt from this obligation). MFAI's Code of Ethics also provides for oversight, enforcement and recordkeeping provisions.

MFAI's Code of Ethics further includes policies and procedures governing gifts and entertainment, outside business activities, confidentiality of information and information barriers, and charitable and political contributions. The Code of Ethics also prohibits the misuse of material non-public information and emphasizes the avoidance of conflicts of interest with investors. Each employee must acknowledge the terms of the Code of Ethics on an annual basis. Any employee who violates the Code of Ethics may be subject to possible actions, which may include enhanced supervision, censure, suspension or termination.

A copy of the Code of Ethics is available to advisory clients and prospective clients. To request a copy, e-mail [jlevine@mesirowfinancial.com](mailto:jlevine@mesirowfinancial.com), or call 312.595.6072.

MFAI is part of a group of affiliated financial services companies that perform a number of different services for a client. MFAI is mindful of the conflicts, or potential conflicts that such relationships may create. Consequently, MFAI has adopted a Code of Conduct, which prescribes standards of conduct required of all employees, regardless of their position or affiliation in the group. The Code prohibits self-dealing and other improper activities, the misuse of material non-public information, and it emphasizes the avoidance of conflicts of interest with clients. Some specific areas of potential conflict are discussed below.

MFAI and/or individuals associated with it may buy or sell for their personal accounts, securities identical to or different from those recommended to clients. In addition, any related person(s) may have an interest or position in a certain security which may also be recommended to a client. However, it is the expressed policy of MFAI that no person employed by MFAI may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

MFAI does not aggregate employee trades with client transactions.

MFAI, through MFI, may direct the purchase or sale in securities on a principal basis in accordance with Section 206 (3) under the Investment Advisers Act of 1940, as amended.

As these situations represent actual or potential conflicts of interest to clients, MFAI has established the following policies and procedures for implementing its Code of Ethics, to ensure our firm complies with its regulatory obligations and provides clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of MFAI may put his or her own interest above the interest of an advisory client.
2. No principal or employee of MFAI may buy or sell securities for their personal portfolio(s) where their decision is due to information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of MFAI that no person employed by it may purchase or sell any security prior to a transaction(s) being implemented for an advisory account.
4. MFAI requires prior approval for any IPO or private placement investments.
5. MFAI maintains a list of all reportable securities holdings for the firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by the appropriate designated supervisor.
6. MFAI has established procedures for the maintenance of all required books and records.
7. For accounts custodied at MFI, clients are fully informed that related persons may receive separate commission compensation when effecting transactions during the implementation process.
8. Clients can decline to implement any advice rendered, except in situations where MFAI is granted discretionary authority.
9. All of MFAI's principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
10. MFAI requires delivery and acknowledgement of the Code of Ethics by each access person.



11. MFAI has established policies requiring the reporting of Code of Ethics violations to senior management.

Any individual who violates any of the above restrictions may be subject to possible actions, which may include enhanced supervision, censure, suspension or termination.

## ITEM 12 | Brokerage Trading Practices

Due to the nature of MFIRE's business, it has limited interaction, if any, with broker/dealers. Furthermore, MFIRE does not trade securities.

With respect to MFAI, the Firm generally does not engage in agency cross transactions whereby it, or MFI, acts simultaneously as a broker for one account (which may be an advisory or brokerage account) and buys from or sells to another account. However, under certain circumstances, MFAI may determine that it is beneficial to both accounts to transact in the same security with each other. Depending on the size of the transaction and the volume and liquidity of the market, MFAI may decide that crossing the two orders will bring a better price or facilitate the time of an execution, as where, for example, one account may be selling to fulfill a withdrawal request and, simultaneously, another account buying to invest a contribution of funds.

A cross transaction will be made only with the prior and informed consent of MFAI's advisory clients or interpretations of the SEC permitting such transactions without client consent. Agency cross transactions will not be permitted for ERISA clients.

MFAI will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a prorated basis between all accounts included in any such block. Clients should be aware that when MFAI places a blocked order, or an order aggregating the trades for a number of advisory accounts, if multiple fills are obtained, such orders are executed at an average daily price calculated by the broker/dealer. Likewise, in the event that a blocked order results in a partial execution, MFAI will allocate the securities bought or sold on a prorata basis.

For qualified retirement plans, IRAs and Keogh accounts, which are subject to Title I of the Employee Retirement Income Security Act of 1974 ("ERISA") or Section 4975 of the Internal Revenue Code, MFAI operates pursuant to Prohibited Transaction Class Exemption 86-128, promulgated by the Department of Labor, whenever it selects MFI as broker. This exemption permits MFAI to use its authority as investment manager to cause its advisory accounts to pay a fee to its affiliate, MFI, for brokerage transactions. A qualified plan or IRA is asked to make certain acknowledgements in the advisory agreement.

## ITEM 13 | Review of Accounts

### INVESTMENT SUPERVISORY SERVICES PORTFOLIO MANAGEMENT

MFIRE ensures that each investor is appropriate for the type of investment. MFIRE does substantial due diligence on each investment opportunity and each investment is approved by an investment committee that consists of employees assigned to MFIRE and other affiliate's employees.

**Reports** Quarterly reports are sent to clients indicating the holdings and current valuations of the portfolios.

**ITEM 14 | Client Referrals and Other Compensation****CLIENT REFERRALS**

MFAI may periodically enter into solicitor's arrangements with unrelated third parties ("Solicitor") where MFAI agrees to pay a portion of the fees derived from an account to the individual or entity that referred the account. Unless otherwise disclosed, the client is not charged any amount in addition to the customary advisory fee charged by MFAI. There is no differential between the amount or level of advisory fee charged by MFAI to the client, attributable to the existence of any Solicitor's arrangement and that charged to other clients of MFAI. MFAI may also pay referral compensation to its affiliates and/or their employees. Whenever MFAI pays a referral fee, the Solicitor is required to provide the prospective client with a copy of this document (Firm Brochure) and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with MFAI;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee; and
- whether the fee paid to MFAI by the client will be increased above the normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to MFAI by clients referred by solicitors, or by affiliates of MFAI and/or their employees, are not increased as a result of any referral fee.

MFAI may act as a sub-advisor or provide other services to other investment advisors or mutual funds and, as such, will be paid a fee based on a percentage of the assets of the fund. MFAI, or an affiliate, may also sell the fund to its clients and will receive compensation from the investment advisor or fund family.

It is MFAI's policy not to accept or allow related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services provided to clients.

MFAI may pay its employees, or employees of affiliated entities, a referral fee.

**ITEM 15 | Custody**

MFIRE is deemed to have custody of client assets under the SEC's Custody Rule, 206(4)-2, due to the fact that a related person, as defined by the rule, serves as the general partner for MFIRE funds. MFIRE complies with the Custody Rule requirements by annually sending audited financial statements to its investors.

**ITEM 16 | Investment Discretion**

Clients may engage MFAI to provide discretionary and non-discretionary asset management services. Clients may, in certain circumstances, limit such authority by giving MFAI written instructions. Clients give MFAI discretionary authority when they sign an investment management agreement with MFAI or complete the subscription documents for a fund.

**ITEM 17 | Voting Client Securities****PROXY VOTING POLICIES AND PROCEDURES:**

MFIRE does not hold shares of common stock on behalf of its clients. Therefore, Proxy Voting Policies and Procedures are not applicable for MFIRE.

**ITEM 18 | Financial Information**

MFAI has no additional no financial circumstances to report.

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