

**Item 1 Cover Page**

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**March 26, 2015**

This Form ADV Part 2A or Brochure provides information about the qualifications and business practices of Safanad Inc. (the “Firm”). If you have any questions about the contents of this Brochure, please contact Mr. Paul Damian Gyra, our Chief Operating Officer and Chief Compliance Officer at 009 714 312 9760 or by email to [pgyra@safanad.com](mailto:pgyra@safanad.com). 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. The Firm is an investment adviser registering with the SEC. Registration of an investment adviser with the SEC or with any state securities authority does not imply a certain level of skill or training.

This Brochure does not constitute an offer to sell or solicitation of an offer to buy any securities. The securities of the Funds (as defined in Item 4) are offered and sold on a private placement basis under exemptions promulgated under the Securities Act of 1933, as amended, and other exemptions of similar import under U.S. state laws and the laws of other jurisdictions where any offering may be made.

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

**Item 2   Material Changes**

1. Safanad, since the time of the last filed ADV (August 2014) has experienced the following material changes to its operations: Added a new client that invested in real estate situated in the UK whose acronym is "SKYFALL".
2. Made a subsequent investment in its Trident Fund.
3. Updated its regulatory assets under management.
4. Updated its policies on compliance with the Custody Rule.

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## Item 4 Advisory Business

### A. General Description of Advisory Firm

**Safanad Inc.** was incorporated in Delaware on July 22, 2009 and is an indirect wholly owned subsidiary of Safanad Limited (“Safanad”). The Firm is wholly owned by Safanad Corporate Holdings Limited, which is wholly owned by Safanad Limited. Safanad Limited is controlled by Bahamdan Investment Group (approximately 39%), Abinara Limited (approximately 32%) and Mr. Kamal Abdullah Bahamdan (approximately 29%).

SAFANAD Management Limited and Safanad Goldeneye Management Limited, which are Cayman Island exempt companies and are affiliates of Safanad Inc., are not separately registering with the SEC, but will rely on our registration as a “relying adviser”. The general partners or managing members of three of the Funds, Safanad Senior Care II GP, LLC, FC Skyfall GP Limited and Safanad Senior Care V GP, LLC, are also deemed registered pursuant to Safanad Inc.’s ADV. Collectively Safanad Inc. and those affiliates relying on its SEC registration are referred herein as the “Firm” or “we”, and unless specifically noted otherwise or the context so requires, the responses to this Form ADV Part 2A combine information about Safanad Inc. and these affiliates.

The Firm is a global principal investment firm which seeks to create value for its shareholders through disciplined investing that aligns the objectives of all stakeholders. We seek to generate sound risk-adjusted returns from a portfolio of investments managed internally and by like-minded investment teams. We are a specialist team of experienced professionals who seek to apply rigorous investment and risk management disciplines in a consistent and systematic manner.

Our founding members and executive team bring many years of experience in a range of core disciplines, both traditional and alternative, and experience building organizations in the US, Europe, Middle East and Asia.

The Firm’s business model and investment philosophy follows from our belief that traditional capital allocation methods have limited ability to capture key investor concerns regarding real liquidity and actual risk.

The Firm’s primary place of business is located at 500 5<sup>th</sup> Avenue, 38<sup>th</sup> Floor, New York City, New York 10110-5099.

### B. Description of Advisory Services

The Firm currently provides investment advisory services as an investment adviser, co-adviser, sub-adviser, manager or general partner with discretionary investment authority to private pooled investment vehicles, including U.S. limited partnerships, U.S. limited liability companies, U.S. corporations and similar non-US investment vehicles (collectively the “Funds”).

The Funds are not registered investment companies under the Investment Company Act of 1940, as amended (“Investment Company Act”) and their securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”).

The Firm currently manages several Fund families whose objective is to maximize total return on capital by seeking capital appreciation and current income through the investment in, and management of senior healthcare-related real estate properties located in the United States and the United Kingdom, consisting primarily of skilled nursing facilities, assisted living facilities and Alzheimer’s care facilities and through the investment in and management of a privately held firm, out sourced diagnostic healthcare services to post-acute facilities and other customers including skilled nursing facilities, assisted living facilities, hospice providers, home health agencies and correctional facilities.

The Firm partners with Formation Capital LLC (“Formation Capital”), a private investment management firm focused on senior housing and care, post-acute and health care real estate investments, to source and structure transactions, manage the portfolio company assets and determine exit strategies. The senior managers of the Firm and Formation Capital have worked together since 2003.

Each Fund family is generally organized in a “master fund/feeder fund” structure where the feeder funds generally invest the majority of their assets in the relevant master fund. Each master fund/feeder fund structure, where relevant, will contain special purpose vehicles and other entities that have been established for legal, regulatory or similar purposes. The Fund families currently advised by the Firm and a brief description of each is as follows:

SSCIP II PT, SSCIP II CC and SSCIP V (the “SSCIP Funds”) are families of real estate funds established to invest in senior healthcare properties in the United States, which consist principally of skilled nursing facilities, assisted living facilities, Alzheimer’s care facilities and other similar healthcare related facilities.

Skyfall is a family of real estate funds established to invest in senior healthcare properties in the United Kingdom, which consist principally of skilled nursing facilities, assisted living facilities, Alzheimer’s care facilities and other similar healthcare related facilities.

Trident is a family of private equity funds that have invested in a newly formed company that acquired all of the assets of three companies whose business was and will be to provide out sourced diagnostic healthcare services to post-acute facilities and other customers including skilled nursing facilities, assisted living facilities, hospice providers, home health agencies and correctional facilities.

The Firm in the future could advise other types of Funds, including Funds with different investment strategies than those currently advised.

The Firm does not participate in wrap fee programs.

While much of this Brochure applies to all such Funds and affiliates, certain information included herein may only apply to a specific Fund or affiliate (as the context requires).

As used herein, the term “Client” generally refers to an individual Fund or a group of Funds when used in the plural.

Because the Firm generally does not provide individual advice to investors within a Fund, investors should consider whether the particular Fund meets their investment objectives and risk tolerance prior to investing. Information about a particular Fund can be found in its offering documents including its private placement memorandum and other governing documents (e.g. limited partnership agreement and other similar documents), (collectively referred herein as “PPM”).

#### **C. Client Assets Under Management**

As of December 31, 2014, the Firm had \$496,383,788 in regulatory assets under management, all managed on a fully discretionary basis.

**Item 5 Fees and Compensation****A. Adviser Fees and Compensation****Private Funds**

The specific manner in which fees are charged by the Firm is set out in each Fund's PPM.

**Asset Based Compensation**

Management fees for the Skyfall and SSCIP Funds are generally based on the net asset value or gross investment value of the Fund's portfolio of underlying investments (e.g. the total amount paid for the Fund's underlying assets inclusive of the leverage, closing costs, and CAPEX utilized in the acquisition plus any additional equity provided to the Funds with respect to an investment) and provide for an annual management fee between 65 basis points on gross investment value and 1.5% on net asset value. Management fees based on gross investment value may result in a management fee considerably higher than the fee stipulated when compared to a fee charged on net asset value, which approximates the capital an investor has in a fund (Example: if a fund has three dollars of leverage for each dollar of capital invested in the fund and the management fee stipulated in the PPM for the Fund was 65 basis points on the gross investment value then the equivalent fee for a Fund where the fee is based on net asset value would be 2.6%).

For the Trident Funds, management fees are 1% of net invested capital.

Management fees earned from the Skyfall, SSCIP and Trident Funds are shared with the Funds Co-Adviser, Formation Capital.

**Performance Based Compensation**

Each of the Fund families PPM's provide for the allocation of a portion of its investment profits in the form of carried interest to special limited partner(s) affiliated with the Firm and/or Formation Capital after allocating a preferred return to investors in accordance with the Fund's PPM.

The carried interest, if any, for the Skyfall and SSCIP Funds are generally allocated once all capital has been returned to investors including a preferred return of 10% compounded annually, and represent an allocation of 20% of net aggregate profits to the special limited partners and 80% to the limited partners.

The carried interest, if any, for the Trident Funds and their related investment vehicles are generally allocated once all capital has been returned to investors, including a preferred return of 8% compounded annually, with the balance of the disposition proceeds and current income allocated 20% to the special limited partner and 80% to the limited partners.

For the Trident, Skyfall and SSCIP Funds, management fees or carried interest are not charged to or are reduced with respect to investors who are employees of the Firm or its affiliates, family members, managing members to the Funds, or vehicles formed for the benefit of such persons or certain other investors as determined by the general partner or the managing member, as the case may be, in its sole discretion and in accordance with each Fund's offering documents.

The carried interest earned from the Skyfall, SSCIP and Trident Funds are shared with the Funds Co-Adviser, Formation Capital.

#### **B. Payment of Fees**

The Funds generally pay advisory fees or management fees on either a monthly or quarterly basis in arrears. The carried interest is assessed upon disposition (realization) of investments.

#### **C. Other Fees and Expenses**

In addition to paying management fees and being subject to profit allocations, the Funds, where relevant, incur other investment expenses such as costs incurred by the General Partner, any affiliate of the General Partner or the Partnership Managers that are related to the Partnership's formation, administration or operations including reasonable out-of-pocket expenses, transaction structuring and other costs associated with the transaction, brokerage, registration and custodial fees, commissions and related costs, interest costs, insurance costs, indemnification and litigation costs, taxes, duties and other governmental charges, legal fees, internal and external accounting fees, audit and tax preparation fees, and transaction and due diligence expenses (whether or not the transaction or investment is consummated). Some of these expenses, such as expenses in connection with a portfolio investment, or a proposed portfolio investment, are shared among the Funds within a family and in such a case, are allocated to the Funds based on their pro rata share of these costs, at the sole discretion of the relevant Funds investment manager and in accordance with the applicable Fund's PPM. A more detailed description of the expenses a particular fund incurs can be found in the relevant Fund's offering documents.



**D. Additional Compensation Information and Conflicts of Interest**

The Firm and its affiliates, where relevant, receive certain transaction fees, directors and monitoring fees, stock and options associated with some of its portfolio companies where a Firm employee serves on the portfolio company's board. While such compensation may initially be received by the Firm or its affiliates or related persons, the Firm has procedures in place to transfer the value of such transaction fees, directors and monitoring fees, stock and options to the relevant Funds based on their pro rata investment in the applicable portfolio company. Generally, such fees are credited pro rata as an offset to the relevant Fund's management fees (except as set forth in the applicable Funds PPM).

**Item 6 Performance Based Fees and Side By Side Management**

The Firm provides investment management services to multiple Funds. The offering documents for each of the Funds provide for the charging of performance fees or allocations by the applicable advisory Client. The Firm will structure any performance or incentive fee (the “carried interest”) arrangements to comply with Section 205(a)(1) of the Investment Advisors Act of 1940, as amended (the “Advisers Act”), to the extent applicable. In measuring clients’ assets for the calculation of performance fees for financial statement and other reporting purposes, the Firm includes realized and unrealized gains and losses.

The Funds allocate a portion of their investment profits (e.g., profit allocations) to their affiliated special limited partners as carried interest, and certain of the Firm’s personnel are compensated on a basis that takes the carried interest earned by the Firm into account. The carried interest fee arrangements may create an incentive for the Firm’s personnel to recommend investments, which may be riskier or more speculative than those which would be recommended under a different fee arrangement. The Firm and its affiliates only invest in private equity or real estate investments and the related Funds typically only pay carried interest upon realization of the Funds underlying investments. The Firm generally does not engage in side-by-side management whereby some Funds pay carried interest and others do not with respect to the same investment. In certain limited cases, the Firm’s carried interest arrangements vary among Funds, which may create an incentive for the Firm to allocate resources to Funds with a higher carried interest.

In structuring the Funds, the Firm considers the investment, legal, regulatory and tax objectives of its Clients and not the investment, legal, regulatory or tax objectives of any individual investor.

**Item 7 Types of Clients**

The Firm serves as advisers and/or general partners of, or managing members of, various Funds.

The Funds qualify for an exception from the definition of “investment company” under the Investment Company Act, pursuant to either Section 3(c)(1) or 3(c)(7), and offer their interests to investors pursuant to Regulation D or other applicable Sections under the Securities Act. This Brochure should not be considered to be an offer of interests in any of the Funds. Investors in the Funds must meet the requirements for “accredited investors” under the Securities Act and “qualified clients” under the Advisers Act.

Each of the Funds imposes minimum investment requirements for admission as a limited partner or member, as the case may be. Minimum investment requirements for the Funds are set forth in each Fund’s PPM and are waived with respect to investors who are employees of the Firm or its affiliates, family members, managing members to the Funds, or vehicles formed for the benefit of such persons or certain other investors as determined by the General Partner, Managing Member or the Board of Directors of the Fund, as the case may be, in their sole discretion and in accordance with each Fund’s offering documents

The investors in the Funds include limited partnerships, limited liability companies, high net worth individuals and their related family offices and trusts.

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

### A. Method of Analysis

The Firm's investment philosophy combines stable earnings and liquidity, with high risk-adjusted return investments. At its core is a risk-based investment discipline.

Our approach is founded on the following convictions:

- Adverse market events occur with increasing regularity and severity.
- Risks that can result in significant loss of capital must be avoided completely.
- A disciplined investment methodology which evolves to reflect changing circumstances is key to mitigating such risks.
- A clear investment plan, that contemplates possible courses of action under adverse, albeit unlikely, circumstances, improves risk management throughout an investment lifecycle.
- Maintaining adequate liquidity provides the ability to withstand market shocks, and to take advantage of associated market opportunities.

Key elements of the Firm's investment process generally include: (i) the identification of "under the radar" investment opportunities, utilizing both conventional and proprietary sources of deal flow and emphasizing opportunities where the Firm believes it has an "edge" because of its expertise and due diligence process; (ii) a "bottom-up" investment decision made through the thorough analysis of the prospective investment, with a focus on its intrinsic value and risk-adjusted return profile; (iii) a "top-down" investment decision to ascertain whether the prospective investment is an appropriate fit for the Client by evaluating whether it adds or mitigates risk in the portfolio; (iv) the design of optimal structures for the investment; (v) the active monitoring of investments; and (vi) the emphasis on planning for exit strategies as early as investment inception.

Due to the dynamic nature of the industries in which the Firm specializes, the acquisition criteria that assist in defining a target investment generally vary depending on a number of factors, including property type, location, market characteristics, industry characteristics and affiliation to the industries that the Firm has already invested within. The holistic appraisal of a potential acquisition generally will include assessment of the following:

- Operator history and experience
- Reputation in the marketplace of the facility and/or operator
- Ability to leverage the existing expertise and network of the Firm in the healthcare industry
- The ability for the Firm to integrate the investment with the Firm's existing hospice investments by providing ancillary services to the hospice industry.
- The expertise of the senior management teams within a private equity operating company or as an operator of a real estate venture.
- Loan-to-value ratios (leverage potential)

- Financial performance indicators
- Government and individual payment mix, including occupancy level in facilities.
- Direct competition
- Government reimbursement risk and litigation environment (as applicable)
- Environmental and physical condition of the property
- Due diligence results and underwriting terms.

The Firm generally will explore and analyze multiple exit scenarios and corresponding valuations before consummating an investment, and will continually refine its exit strategy as investments mature and markets evolve, with a single portfolio sale of all a Fund's assets being the preferred exit. The Firm devotes substantial internal and appropriate external resources to the task of realizing Fund investments, and seeks to take a proactive approach to understanding and capitalizing on value changes. The Firm will generally seek to refinance assets of a Client in order to monetize valuation increases.

## **B. Investment Strategies**

Our investment strategies are designed to ensure that measured risk is adequately rewarded with appropriate return, that capital loss risks during market shocks are eliminated and that adequate liquidity is maintained to be able to benefit from opportunities. We care about the quality of our investment earnings, which are derived from a stable core portfolio, and we look to a diversification of commitments by asset class, investment style and tenor.

Each of the Firm's investment strategy portfolios is designed with a target return commensurate with the anticipated holding period as well as the associated liquidity and risk objectives. We prioritize capital preservation, while balancing income and growth objectives according to the liquidity and risk inherent in each strategy. We believe that the longer-term time horizons that successful commitments in private equity and real estate offer, suit our aim of generating high returns over time. Those are balanced with investments in more liquid hedge funds, fixed income and listed equities, which diversify risk, enhance shorter-term cash returns and manage liquidity for which the Firm does not advise on.

## **The Firm's Weather Map**

Guiding these strategies is our unique 'Weather Map' analytical model which directs investment towards geographies and industries with high performance probabilities. To us, a weather system is the best and simplest metaphor for economic change. When high and low pressure systems come into contact: thunder, lightning, tornadoes and hurricanes occur. In economics, when investors are confronted with risk and return dislocations, the result is significant capital flows that lead to major asset price changes. Our global 'Weather Map' serves to identify thermodynamic shifts caused, for example, by changes in tax rates, government spending, regulatory

policies, or monetary policy, and that leads to localized return differentials on otherwise similar assets. These return disparities are the thermodynamic engine that drives capital flows.

### **Disequilibrium provides opportunities**

A change in occupancy rates that alters cash flows on office buildings, for example, creates a return differential that forces a change in the value of properties. A tax law change that impacts after-tax returns on capital equipment creates a return differential that forces a change in the resale price of machinery. A change in monetary policy that increases inflation raises the returns on tangible assets relative to securities, forcing a change in stock and bond prices.

All can be viewed as weather systems moving across the weather map of the global economy. Safanad, the Firm's and its investors and partners seek to benefit when a storm system is identified that is powerful enough, and will last long enough, to provide an energy engine for driving value in an appropriately selected investment portfolio. We will then deploy capital to benefit from value differentials either over time or driven by the activities of other market participants.

### **C. Material Risks (Including Significant or Unusual Risks) Relating to the Firm's Investment Strategy**

There can be no assurance that the Firm's investment objectives will be achieved or that its Clients will receive a return of capital. An investment in a Fund involves a high degree of risk. The following list of risk factors do not purport to be a complete list or explanation of the risks involved in an investor making an investment in a Fund managed by the Firm. These risk factors include only those risks the Firm believes to be material, significant or unusual and relate to particular investment or regulatory and legal risks associated with an investment. The PPM of the relevant Fund includes a more complete description of the risks of investing in such Fund.

### **Reliance on the Firm**

The Funds will be managed exclusively by the Firm and in certain circumstances, alongside Formation, and the Investors will not have any right to participate in the management or business of the Funds.

### **Reliance on Firm and its Key Employees**

The Fund's future success depends, to a significant extent, upon the continued services of the Firm's key employees. The Firm relies heavily on the sharing of a reasonably small number of personnel (e.g. The CEO, CFO, CCO and a small number of investment personnel work for Safanad, the Firm and its commonly owned affiliates). Any of these individuals could be difficult to replace, and the loss of any of them could have a significantly adverse effect on the relevant Fund's investment results and its prospects.

### **Current economic conditions**

As widely reported, global capital and credit markets continue their recovery from the 2008 and 2009 recession, which included the bankruptcy, failure, collapse or sale of various financial institutions and an unprecedented level of intervention from the U.S. federal government. The recession resulted in severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates, and uncertainty about economic stability. Although economic recovery continues, there can be no assurance that the current economic recovery can be sustained or that there will not be further deterioration in credit and financial markets and confidence in economic conditions. While the ultimate outcome of these events and/or recovery cannot be predicted, they may have a material adverse effect on the performance of the Funds. Economic conditions (and stimulus efforts by the U.S. federal government) have caused significant U.S. federal and state budget deficits. Efforts to reduce spending at the federal and/or state levels may result in reductions in reimbursement by Medicare, Medicaid and other third-party payers along with tax increases, which may in turn result in decreased revenue growth and decreased profitability of the Funds.

Future disruptions in the credit and capital markets may restrict the Funds access to capital. As a result, a Fund's ability to incur indebtedness to fund acquisitions and operations may be constrained. If the economic conditions deteriorate or do not continue to improve, a Fund's results of operations or financial condition could be materially and adversely affected.

### **Regulation of healthcare industry**

The extensive U.S. federal, state and local laws and regulations affecting the healthcare industry include, but are not limited to, laws and regulations relating to licensure, certification as a Medicare and Medicaid provider, conduct of operations, ownership of facilities, addition of facilities and equipment, allowable costs, services, prices for services, quality of care, patient rights, patient abuse and neglect, fraudulent reimbursement practices, and financial and other arrangements which may be entered into by healthcare providers. U.S. federal and state governments have intensified enforcement policies, resulting in a significant increase in the number of

inspections, citations of regulatory deficiencies and other regulatory sanctions, including terminations from the Medicare and Medicaid programs, bans on Medicare and Medicaid payments for new admissions, civil monetary penalties and even criminal penalties. The Funds or the third party operators (the “Operators”) of the real estate holdings the Funds invest in could be forced to expend considerable resources responding to an investigation or other enforcement action under applicable laws or regulations. The Funds or the Operators of the real estate holdings the Funds invest in will not be able to predict the future course of federal, state and local regulation or legislation, including the Medicare and Medicaid statutes and regulations. Changes in the regulatory framework could have a material adverse effect on a Fund. There are various federal and state laws prohibiting fraud and abusive business practices by healthcare providers who participate in, receive payments from or are in a position to make referrals in connection with government-sponsored healthcare programs, including the Medicare and Medicaid programs. These laws include criminal and/or civil penalties for violations that range from punitive sanctions, damage assessments, penalties, imprisonment, denial of Medicare and Medicaid payments and/or exclusion from the Medicare and Medicaid programs. Additionally, certain laws, such as the False Claims Act, allow for individuals to bring whistleblower actions on behalf of the government for violations of fraud and abuse laws. Imposition of any of these penalties could have a material adverse effect on the profitability of the Funds. Any financial impact incurred by the Operators of the Funds real estate holdings could adversely impact the value of those real estate holdings and therefore the returns realized on those holdings.

**Liability claims may have an adverse effect on the Funds, and their insurance coverage may be inadequate**

The services offered by the Funds or the Operators of the Fund’s real estate holdings involve an inherent risk of professional liability and related substantial damage awards. On any given day, the Funds and the Operators of the Fund’s real estate holdings may have thousands of nurses, therapists and other direct care personnel driving to and from patients’ homes where they deliver medical and other care. Due to the nature of the business, the caregivers who provide services may be the subject of medical malpractice claims. These caregivers could be considered agents, and, as a result, the Funds or the Operators of the Fund’s real estate holdings could be held liable for their medical negligence.

The Funds or the Operators of the Fund’s real estate holdings cannot predict the effect that any claims of this nature, regardless of their ultimate outcome, could have on the Funds or the Operators of the Fund’s real estate holdings business or reputation or on the Funds or the Operators of the Fund’s real estate holdings ability to attract and retain patients and employees. The Funds or the Operators of the Fund’s real estate holdings maintain malpractice and various other liability insurance or re-insurance policies and are responsible for deductibles and, as applicable, amounts in excess of the limits of the Funds or the third party operators of the Fund’s real estate holdings coverage.



Although the Funds or the Operators of the Fund's real estate holdings intend to contract with highly rated carriers, there can be no guarantee of collection of amounts expected to be recovered under various insurance or reinsurance policies. Any financial impact incurred by the Operators of the Funds real estate holdings could adversely impact the value of those real estate holdings and therefore the returns realized on those holdings.

### **Competition**

The home health, skilled nursing facilities, assisted living facilities, Alzheimer's care facilities and hospice services industry is highly competitive. The Funds or the Operators of the Fund's real estate holdings will compete with a variety of other companies in providing services, some of which may have greater financial and other resources and may be more established in their respective communities. Competing companies may offer newer or different services from those offered by the Funds or the Operators of the Fund's real estate holdings and may thereby attract customers who are presently receiving services provided by the Funds or the Operators of the Fund's real estate holdings.

In many areas in which the Funds or the Operators of the Fund's real estate holdings programs will be located, the Funds or the Operators of the Fund's real estate holdings will compete with a large number of organizations, including:

- community-based home health and hospice providers;
- national and regional companies;
- hospital-based home health agencies, hospice and palliative care programs; and
- nursing homes.

Some of the Funds or the Operators of the Fund's real estate holdings current and potential competitors have or may obtain significantly greater marketing and financial resources than the Funds or the third party Operators of the Fund's real estate holdings may obtain. Relatively few barriers to entry exist in the local markets in which the Funds or the third party Operators of the Fund's real estate holdings intends to operate. Accordingly, other companies, including hospitals and other healthcare organizations that are not currently providing services that the Funds or the third party operators of the Fund's real estate holdings provide, may expand their services to include similar services.

The Funds or the Operators of the Fund's real estate holdings may encounter increased competition in the future that could negatively impact patient referrals to it, limit its ability to maintain or increase its market position and adversely affect its profitability. Any financial impact incurred by the Operators of the Funds real estate holdings could adversely impact the value of those real estate holdings and therefore the returns realized on those holdings.

The healthcare industry continues to experience shortages in qualified home health service employees and management personnel.

The Funds or the Operators of the Fund's real estate holdings will compete with other healthcare providers for employees, both clinical associates and management personnel. As the demand for the services provided by the Funds or the Operators of the Fund's real estate holdings services continues to exceed the supply of available and qualified staff, the Funds or the Operators of the Fund's real estate holdings and its competitors may be forced to offer more attractive wage and benefit packages to these professionals. Furthermore, the competitive arena for this shrinking labor market has created turnover as many seek to take advantage of the supply of available positions, each offering new and more attractive wage and benefit packages. In addition to the wage pressures inherent in this environment, the cost of training new employees amid the turnover rates may cause added pressure on the Funds or the Operators of the Fund's real estate holdings operating margins. Any financial impact incurred by the Operators of the Funds real estate holdings could adversely impact the value of those real estate holdings and therefore the returns realized on those holdings.

#### **No assurance of investment return**

There can be no assurance that the Funds will be able to generate returns for Investors or that the returns will be commensurate with the risks of investing in the type of Fund described herein. Accordingly, an investment in the Fund should only be considered by persons that can afford a loss of their entire investment. There can be no assurance that any targeted returns for the Fund will be achieved.

#### **Environmental risks**

Under various U.S. federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real estate may be required to investigate and clean up any hazardous or toxic substances or petroleum product releases at such property and may be liable to a governmental entity or to third parties for property damage and for investigation and cleanup costs incurred by such parties in connection with contamination. These laws typically impose clean up responsibility and liability without regard to whether the owner knew of, or caused the presence of, the contaminants, and the liability under such laws has been

interpreted to be joint and several unless the harm is divisible and there is a reasonable basis for allocation of responsibility. The cost of investigation, remediation or removal of such substances may be substantial, and the presence of such substances or the failure to properly remedy the contamination on such property may adversely affect the owner's ability to sell or rent such property or to borrow using such property as collateral. Persons who arrange for the disposal or treatment of hazardous or toxic substances or petroleum products at a disposal or treatment facility may also be liable for the costs of removal or remediation of a release of hazardous or toxic substances or petroleum products at such disposal or treatment facility, whether or not the facility is owned or operated by such person.

In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs it incurs in connection with contamination. In addition, the owner of a site may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from a site. In connection with its operation of real estate, the Funds or the Operators of the Fund's real estate holdings may incur liability for such costs. Any financial impact incurred by the Operators of the Funds real estate holdings could adversely impact the value of those real estate holdings and therefore the returns realized on those holdings.

Certain U.S. federal, state and local laws, regulations and ordinances govern the removal, encapsulation or disturbance of asbestos-containing materials ("ACMs") when such materials are in poor condition or in the event of construction, remodeling, renovation or demolition of a building. These laws may impose liability for release of ACMs and may provide for third parties to seek recovery from owners or operators of real property for personal injury associated with ACMs. In connection with its operation of real estate, the Funds or the Operators of the Fund's real estate holdings may incur liability for such costs. Any financial impact incurred by the Operators of the Funds real estate holdings could adversely impact the value of those real estate holdings and therefore the returns realized on those holdings.

### **Illiquidity of investment**

It is unlikely that there will be a public market for the securities of the Funds held indirectly by investors in the Funds. An Investor generally will not be able to sell the securities of the Funds publicly unless their sale is registered under applicable U.S. federal and state securities laws, or unless an exemption from such registration requirements is available. The terms of the definitive agreements for the Funds prohibit the sale of securities of the Funds for a period of time.

**Restrictions on transfer**

Under the terms of the PPM for the Funds and applicable securities laws, the Funds ownership interests may not be directly or indirectly assigned, pledged, hypothecated or otherwise transferred, in whole or part, without the prior written consent of the Fund and exemption from registration under the securities laws. There is no public market for the Fund's ownership interest, and none is expected to develop.

**Increased regulatory oversight**

The activities of private funds and their managers have been subject to intense and increasing regulatory scrutiny. Such scrutiny may increase the Firm's exposure to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight can also impose administrative burdens on the Firm including, without limitation, responding to investigations and implementing new policies and procedures. Such burdens may adversely affect the Firm's ability to conduct its business as described herein, which could have a material adverse effect on the value of an investment in the Funds.

**Risks of Leverage**

The use of leverage may increase the return on a Fund's investment, but it will also create greater potential for loss. The principal form of leverage utilized by the Firm is mortgage indebtedness for its real estate investments. The Firm employs significant leverage where the Firm believes it will increase a Fund's return on equity. Although the Firm limits the aggregate amount of leverage that may be incurred by each Fund, a Fund's target leverage percentage may effectively increase in the event that the value of such Funds assets decline. Further, there can be no assurance that the Funds will incur any leverage with respect to its investments, nor as to the amount of leverage, if any, or as to whether the use of leverage will increase the return on a Fund's equity.

The Firm anticipates that only a small portion of the principal of any mortgage indebtedness, if any, will be repaid prior to its maturity. While, as discussed above, the Fund intends to maintain a maximum overall limit on leverage against the Funds aggregate portfolio value, there remains a risk that the Fund's overall leverage will in fact be higher and that the Fund may not have funds sufficient to repay such indebtedness at maturity and it may be necessary for the Fund to refinance indebtedness through additional debt financing or equity offerings. If the Funds are unable to refinance this indebtedness on acceptable terms (or at all), then the Fund may be forced to dispose of properties upon disadvantageous terms, which could result in losses to the Fund and adversely affect the returns and the amount of cash available for distribution to the Investors. If prevailing interest rates or other factors result in higher interest rates at a time when the Fund must refinance such indebtedness, the Fund's interest expense would increase, which would adversely affect the Fund's results of operations and its ability to

pay expected distributions to Investors. Further, if a property is mortgaged to secure payment of indebtedness and the Fund is unable to meet mortgage payments, the property could be foreclosed upon by, or otherwise transferred to, the mortgagee with a consequent loss of income and asset value to the Fund. Even with respect to nonrecourse indebtedness, the lender may have the right to recover deficiencies from the Fund in certain circumstances, including fraud and environmental liabilities.

The use of leverage also commits the Fund or their tenants to certain financial and other covenants which, if breached, may require leverage to be reduced or repaid, or income from the Fund's assets to be required to be paid directly to the relevant lenders.

### **Interest Rate and Hedging Risks**

The Funds' performance may be adversely affected by a fluctuation in interest rates if it utilizes variable rate mortgage financing and fails to employ an effective hedging strategy to mitigate such risks, including engaging in interest rate swaps, caps, floors and other interest rate contracts, and buying and selling interest rate futures and options on such futures. Should the Fund's investments elect to borrow at a variable interest rate and to employ such a hedging strategy (and it will be under no obligation to do so), the use of these instruments to hedge a portfolio carries certain risks, including the risks that losses on a hedge position will reduce the Fund's earnings and funds available for distribution to the Funds Investors and that such losses may exceed the amount invested in such instruments. Even if used, hedges may not perform their intended purposes of minimizing and offsetting losses on an investment.

### **Use of Valuations**

The Firm will value the Funds' assets annually. Unlike exchange-listed and other readily tradable securities, real estate assets generally cannot be marked to an established market. Instead, an appraisal or a valuation is only an estimate of value and is not a precise measure of realizable value. Real estate valuations are subject to numerous assumptions and limitations. Ultimate realization of the market value of a real estate asset depends to a great extent on economic and other conditions beyond the control of the Fund, the Firm and/or its relying advisory affiliate. Further, appraised or otherwise determined values do not necessarily represent the price at which a real estate investment would sell since market prices of real estate investments can only be determined by negotiation between a willing buyer and seller.

Generally, appraisals will consider the financial aspects of a property, market transactions and the relative yield for an asset measured against alternative investments. Valuations will generally be based on the discounted cash flows of the Fund's assets. Valuations of real properties should be considered only estimates of value and not measures of realizable value with respect to such properties. As a result, if the Funds were to liquidate a particular real estate investment, the realized value may be more or less than the appraised value or valuation of such asset.

**Material, Non-Public Information.**

The Firm may acquire confidential or material non-public information or otherwise be restricted from initiating transactions in certain securities. In such a case, the Firm will not be able to act upon any such information. Due to these restrictions, the Firm may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell a portfolio investment that it otherwise might have sold.

**Risk of Limited Number of Investments.**

The Firm employs a concentrated investment strategy and, as such, generally participates in a limited number of investments and, as a consequence, its Clients' aggregate returns may be substantially adversely affected by the unfavorable performance of even a single investment.

To the extent, The Firm concentrates its investments in a particular issuer, industry, security or geographic region, its investments will become more susceptible to fluctuations in value resulting from adverse economic business conditions with respect thereto.

**Legal, Tax and Regulatory Risks.**

Legal, tax and regulatory changes could occur that may adversely affect the Firms Funds or investors. The Firm invests in Funds that operate in a highly regulated environment and are subject to extensive legal and regulatory restrictions and limitations and to supervision, examination and enforcement by regulatory authorities. New and existing regulations and burdens of regulatory compliance may directly impact the business and results of the operations of, or otherwise have a material adverse effect on, portfolio companies. Failure to comply with any of these laws, rules and regulations, some of which are subject to interpretation and may be subject to change, could result in a variety of adverse consequences, including civil penalties and fines, which may have material adverse effects.

**Expedited Transactions.**

The Firm's investment analyses and decisions may be undertaken on an expedited basis in order to take advantage of available investment opportunities. In such cases, the information available to the Firm at the time of the investment decision may be limited, and the Firm may not have access to the detailed information necessary for a thorough evaluation of the investment opportunity. Further, the Firm may have to conduct its due diligence activities over a very brief period and/or rely on the due diligence performed by Formation Capital or other third parties.

**Regulation of the Healthcare Industry in the UK.**Changes resulting from the Health and Social Care Act 2012 and other reforms

There has been significant pressure on government in the UK to make budget savings, reduce costs and bring about reform in the NHS in England. In 2012, the Health and Social Care Act received royal assent and the changes in the Act became operational on 1 April 2013. The process of implementing the reforms continues and it is not yet clear what the full impact of the reforms will be. A primary goal of healthcare reform is to reduce costs, which will include reductions in the reimbursement paid to healthcare providers. Moreover, healthcare reform could negatively impact insurance companies, other third party payers, customers, as well as other healthcare providers, which may in turn negatively impact the business.

Though it is impossible to predict what reform proposals will be adopted or finally implemented, healthcare reform and regulations may have a material adverse effect on the business, financial position, results of operations and liquidity through, among other things, decreasing funds available for the Portfolio Company's services or increasing operating costs. The Portfolio Company could be affected adversely by the continuing efforts of governmental and private third party payers to contain healthcare costs. It is uncertain if the reimbursement payments under governmental and private third party payer programs, including insurance policies, will remain at levels comparable to present levels or will be sufficient to cover the costs allocable to patients eligible for reimbursement pursuant to these programs. Future changes in third party payer reimbursement rates or methods, or the implementation of other measures to reduce reimbursement for services and products could result in a material reduction in revenues. Operating margins are likely to be under pressure because of reduced reimbursement, deterioration in pricing flexibility, changes in payer mix, changes in length of stay and growth in operating expenses in excess of increases in payments by third party payers. In addition, as a result of competitive pressures, the ability to maintain operating margins through price increases to private patients or commercial payers might be constrained. These results could have a material adverse effect on the business, financial position, results of operations and liquidity.

Changes resulting from reforms to UK pension legislation

The pension industry in the UK is undergoing a period of significant change with legislative reforms due to come into effect in April 2015. Already reforms such as “auto-enrolment” have had an impact across industries including healthcare (by increasing the cost to organizations for supplying and administering pension plans for employees that may not previously have had a pension plan) and will continue to do so as the phased introduction is completed. It is not yet clear what the full extent of the reforms will be nor the impact that they will have and this is creating uncertainty for businesses and the general public alike. The pension reform and regulations are likely to have a material adverse effect on the business, financial position, results of operations and liquidity through, among other things, decreasing funds available for the Portfolio Company's services or increasing operating costs.

***The risks above generally apply to the Funds managed by the Firm. The Funds are subject to additional risks than those set forth above. The PPM of the relevant Fund also may include additional risks associated with such investment vehicle. This Brochure generally includes information about the Firm and its advisory agreements with Clients. While much of that information applies to all Clients, some information included herein applies to specific Clients only.***



**Item 9    Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Firm or the integrity of its management.    Safanad and the Firm do not have any such legal or disciplinary events to report with respect to the Firm or members of its management team.

**Item 10 Other Financial Industry Activities and Affiliations****A. Description of Other Financial Industry Activities and Affiliations**

The Firm's only business is providing real estate investment advisory services, providing real estate-related asset management services and managing private equity investments through various entities we have established in connection with these lines of business to serve as investment advisors, general partners, managing members and other similar entities. Certain Safanad and Firm employees (and/or their family members and family investment vehicles) hold ownership interest in and invest in the Funds through special Feeder Funds. Major investments by the Firm are delineated in the relevant Fund's PPM.

In addition, the Firm, where relevant, provides ancillary services to the investment advisory services it provides to Clients. The Firm has the authority to make investment decisions on behalf of Clients (whether or not subject to consent rights in favor of underlying investors).

The Firm, in certain circumstances, will ask a foreign affiliate of the Firm to assist in providing investment advice to a Client ("participating affiliate"). Our participating affiliates are subject to compliance oversight from the Firm to the extent required and their employees who participate in investment advisory activities are subject to compliance policies and procedures generally similar to those described in Item 11 of this brochure. In no event does any participating affiliate have independent discretion with respect to the investment or disposition of Client assets.

Although our Clients typically do not have overlapping investment periods or investment targets, certain inherent conflicts of interest may arise from the fact that we provide investment management services to several Clients. In the relatively unusual circumstance that we have the discretion to allocate an investment opportunity among multiple Clients, we endeavor to treat all Clients in a fair and equitable manner and in any event are bound by the applicable Funds PPM and our fiduciary duty to all Clients.

In addition, as described elsewhere in this Brochure, the Firm is a Co-Advisor with Formation, which also provides asset management services to Clients with respect to their operation of specific real estate and private equity assets. This Co-Advisor to the Firm's Clients, where relevant, will charge additional fees in respect of financial or administrative services that otherwise generally would be payable to a third party service provider and do not reduce investment management fees. Such services and fees are disclosed in each Client's PPM, as applicable, and may be subject to certain contractual limitations that are set forth in Client's governing agreements.

Certain employees and advisers of the Firm serve on the boards of directors of several public and private companies. One of the Firm's employees is on the board of directors of two unaffiliated registered foreign investment funds, another of the Firm's employees is on the board of directors of an unaffiliated publicly traded real estate investment trust, and a third employee is on the board of a utility company and publicly traded residential real estate company. Conflicts may arise in allocating time, or serving in the role as a board member and as a Firm employee managing the investment for the Firm's Clients. In such cases, the Firm has internal procedures designed to address these potential or actual conflicts, or if there is no specific procedure, the Firm's Board of Directors will be responsible for resolving the potential or actual conflict.

**Managing Potential Conflicts related to Financial Industry Activities and Affiliations**

The Firm's management committee members, in consultation with the Chief Operating Officer, the Chief Compliance Officer and the Chief Financial Officer, are responsible for identifying, reviewing, and resolving potential and actual conflicts of interest between the Firm's Clients.

The Chief Compliance Officer and members of the management committee are responsible for reviewing any proposed board of director positions or financial industry affiliations or activities in which Safanad, the Firm or any of its related affiliates or their employees participate for potential conflicts of interest and for approving of such affiliations or activities. The Chief Compliance Officer is responsible for designing procedures, where applicable, to address the potential or actual conflicts. All of the Firm's or their related affiliate's employees have the duty to report any potential or actual conflicts of interest to the Chief Compliance Officer or directly to the management committee.

## Item 11 Code of Ethics

The Firm has adopted a Code of Ethics (the “Code”) applicable to officers, principals and employees who are involved in the provision of investment advice to Clients and any other persons determined to be “access persons” within the meaning of the U.S. Investment Advisers Act of 1940 (“collectively, “Access Persons”). The Code is designed to comply with Rule 204A-1 of the Advisers Act and provides, among other things, that each Access Person must:

- maintain the very highest ethical standards, including a duty at all times to place the interests of clients first, a duty to ensure that all personal securities transactions are conducted in accordance with the Code of Ethics and in such a manner as to avoid any actual or potential conflict of interest, and a duty not to take advantage of his or her position or engage in any fraudulent or manipulative practice with respect to a Client’s account;
- comply at all times with applicable federal and state securities laws and regulations;
- periodically report his or her beneficial interest in any personal securities holdings, accounts and transactions to the Chief Compliance Officer in accordance with Rule 204A-1 of the Advisers Act;
- report violations of the Code of Ethics to the Chief Compliance Officer; and
- receive a copy of the Code (and any amendments) and provide a written acknowledgment at least annually of his or her compliance with the Code.

A copy of the Code is available for review by Clients and prospective Clients upon request via the address or telephone number listed on the first page of this brochure. In addition to the Code, we have adopted a compliance manual and other policies and procedures (collectively, the “Compliance Manual”) with which persons associated with our firm must abide. The Code and the Compliance Manual are designed to ensure that we meet our fiduciary obligation to Clients and instill a culture of compliance within the firm.

The Compliance Manual:

- discusses the appropriate treatment of material, non-public information and other confidential information;
- establishes limitations on, and required reporting of, certain gifts and entertainment;
- requires pre-clearance of political contributions due to the potential for conflicts of interest and the requirements of so-called pay-to-play laws;
- requires pre-clearance of outside business activities such as service on boards of directors (other than in connection with our investments); and
- governs the securities trading and investing activities of Access Persons for their personal accounts (as further described below).

Access Persons who violate the Code or the Compliance Manual can be subject to sanctions including the termination of employment.

#### **Client Transactions in Securities where the Firm has a Material Conflict of Interest**

The Firm or its related persons often have a material investment in Clients. We do not believe that such co-investments cause a conflict of interest between us and any Client but rather function to better align the interests of our underlying investors with our own interests since our own capital is being invested alongside theirs.

The Firm generally will reduce or waive the management fees and performance-based compensation payable by related persons with respect to their participation in Client investments.

Neither we nor any of our affiliates engages in principal transactions with Clients.

Occasionally, the Firm and/or its relying advisory affiliate and/or its related entities will where the investment opportunity permits, give certain investors, including unaffiliated third parties, an opportunity to co invest alongside its Funds. In all cases, conditions of these investments are disclosed to the Client's Investors.

#### **Investing in Securities Recommended to Clients**

As adviser and/or general partner to the Funds, the Firm participates in the investments in Funds, in accordance with the terms of the partnership agreement or operating agreement, and receive an allocation of a portion of its investment profits in the form of profit allocations to its affiliated special limited partner(s) as carried interest after allocating a preferred return to investors in accordance with the Fund's PPM.

Employees and related persons of the Firm or its affiliates must pre-clear any personal trading, through personal accounts in which there is a beneficial ownership interest, where it may appear that the employees or related persons trading could disadvantage one or more Clients in any manner. The intent of our personal trading policy is to ensure that the best interests of our Clients are always served over those of our own or individual employees and to promote compliance with federal securities laws.

Employees of the Firm or its affiliates may receive annual compensation which, in part, is based on the performance of the Funds and may also be permitted to invest in the Funds (in some cases through affiliates of the Firm).

## **Item 12 Brokerage Practices**

### **A. Broker Dealer Selection Criteria**

The Firm employs a long term strategic investment approach in the management of its Funds which are principally invested in real estate or private equity investments and which are not trading intensive and do not require the use of a securities broker-dealer.

### **B. Soft Dollar Practices**

The Firm does not trade public securities and therefore do not enter into soft dollar arrangements.

### **C. Trade Aggregation**

The Firm manages Funds that are principally invested in the real estate and private equity sectors on a deal by deal basis. They do not trade public securities and therefore trade aggregation situations do not arise.

### **D. Directed Brokerage and Client Referrals**

The Firm does not allow its Clients to direct brokerage arrangements.

**Item 13 Review of Accounts**

The Firm's senior investment professionals, in collaboration with our affiliated management teams, regularly review and monitor Client investments to optimize performance and monitor risk. In reviewing a Client's portfolio, the Firm seeks the potential to add value to investments through active asset management. Therefore, following an acquisition, our investment team creates a detailed investment plan that provides the strategic framework for meeting a Client's investment objectives. With respect to investments that involve multiple properties, the asset-specific plans are rolled up into an investment-level business plan that addresses, among other items, projected cash flows based on the property-level asset plans, anticipated debt maturities and financing or refinancing activities, projected sales activity, updated property valuations, the anticipated/recommended hold period, major capital projects and key initiatives.

Underlying investors in our Funds receive quarterly reports which typically include a letter from the Firm, an economic overview of the relevant markets, a portfolio overview summarizing investment performance, written commentary on the status of and material developments pertaining to each Fund investment (excluding short term cash management activity), and unaudited financial statements prepared by internal accounting professionals (including a balance sheet, schedule of investments with estimated fair values, income statement, a statement of changes in investor capital/equity and a statement of cash flows). Each underlying investor also receives a statement of its capital account balance (or the value of its shares, as applicable). The Firm employs a Custodian that sends to each underlying investor a schedule of investments on a quarterly basis. Underlying investors also receive annual financial statements of each Master Fund within a family of Funds, audited by independent certified public accountants. The Feeder Funds deliver reports, submit to an annual surprise inspection of their holdings and comply with other requirements of the Custody Rule (see Item 15 below). Quarterly reports are typically delivered within 90 days of the end of a fiscal quarter and unaudited annual reports are typically delivered within 120 days of the end of a fiscal year. An e-mail notification is sent to investors by the Fund's administrator when reports, account statements or other information is available for access through a secure website, with hard copies available upon request.

The relevant Fund's PPM contains additional information about the reports provided.

**Item 14 Client Referrals and Other Compensation**

**A. Economic Benefits Received from Non Clients**

The Firm does not receive economic benefits from non-Clients for providing investment advice or advisory services.

**B. Compensation Paid to Supervised Employees for Client Referrals**

The Firm nor any related person of the Firm directly or indirectly compensate any person who is not a supervised person, including placement agents, for client referrals.

**C. Referrals by Non Supervised Persons**

The Firm, in limited circumstances will retain solicitors to refer investors to its Funds or enter into selling arrangements to sell interest in the Funds. Such payments will generally take the form of a fixed fee or a percentage of the fees earned and will be made in compliance with Rule 206-4(3) of the Advisers Act.



**Item 15 Custody**

The Firm is deemed to have custody of Client funds and securities in the Funds because the Firm or its related entities serve as both adviser and general partner or managing member to such Funds, and where permitted under the relevant Client's offering documents directly access the Fund's capital accounts. In all cases, the Firm will comply with the requirements of the Custody Rule.

As required by the Custody Rule, the Firm maintains the cash and any certificated securities in the Funds with a qualified custodian.

With respect to pooled investment vehicles that are considered the Master Fund (Client) within a Family of Funds we satisfy our obligations under Rule 206(4)-2 of the Advisers Act ("Rule") by causing each Client to undergo an annual surprise independent verification, by an independent public accountant that is registered with and subject to regular inspection by the Public Company Accounting Oversight Board, of the funds and securities held within the Fund; to cause the Funds Qualified Custodian to issue quarterly reports detailing the funds and securities held by the Fund along with a report detailing any cash or investment activity engaged in by the Fund during the quarterly period.. Each Client, as further delineated in each Fund's PPM may distribute audited financial statements to its investors but will not attempt to do so within the 120 days called for under the Rule and other informational reports. . In addition, each Client delivers a quarterly account statement to its investors.

With respect to pooled investment vehicles, that are considered Feeder Funds ("FF") within a family of Funds we satisfy our obligations under Rule 206(4)-2 of the Advisers Act by causing each FF to undergo an annual surprise independent verification, by an independent public accountant that is registered with and subject to regular inspection by the Public Company Accounting Oversight Board, of the funds and securities held within the Fund; to cause the Funds Qualified Custodian to issue quarterly reports detailing the funds and securities held by the Fund along with a report detailing any cash or investment activity engaged in by the Fund during the quarterly period.. In addition, the Firm is contractually required to provide each Fund investor in a FF Client with unaudited quarterly reports as further delineated in each Fund's PPM.

**Item 16 Investment Discretion**

The Firm has and in certain cases where investment advice is shared with Formation, the Firm and Formation together have, full discretionary authority to select securities to be bought and sold for all of the Clients. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives or investment guidelines for the particular Fund as outlined in the Fund's offering documents.

The Firm's discretionary authority includes: (i) determining the securities to be purchased and sold for the Client accounts (subject to the investment objectives and/or guidelines discussed above); (ii) the amount of securities to be purchased or sold for a Client account; and (iii) the timing and prices of securities transactions.

The Firm's discretionary authority is set out in the investment advisory or partnership/operating agreements the Firm enters into with the Funds whereby investors agree to the Firm's power of attorney for purposes of Fund management.

**Item 17 Voting Client Securities**

While the Firm has (or may be deemed to have) the authority to vote securities on behalf of certain Clients, and accordingly maintains a proxy voting policy as required by Advisers Act Rule 206(4)-6, we are rarely if ever involved in proxy voting because Client assets are generally invested in privately owned real estate and operating companies, which do not typically issue proxies.. Whenever the Firm is required to exercise a vote for a private-held portfolio company, it will apply the same standards and procedures as set forth in its proxy voting policy. The Firm will seek to avoid material conflicts of interest between its own interests on the one hand, and the interests of its Clients on the other.

**Item 18 Financial Information**

The Firm (i) does not require or solicit prepayment of fees six months or more in advance, (ii) are not aware of any financial condition that is reasonably likely to impair our ability to meet contractual commitments to Clients and (iii) has not been the subject of a bankruptcy proceeding at any time since their inception.

**Item 19 Requirements for State Registered Investment Advisers**

The Firm is not registering with or currently registered with any state securities authority and is not required to do so.

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