

ITEM 1 | Cover Page



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**December 19, 2016**

This brochure provides information about the qualifications and business practices of the Institutional Real Estate, Direct Investments division of Mesirow Financial Investment Management, Inc. ("MFDRE"). If you have any questions about the contents of this brochure, please contact Alasdair Cripps at 312.595.6938 or acripps@mesirofinancial.com. The information in this brochure has not been approved verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about Mesirow Financial Investment Management, Inc. ("MFIM") 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." MFIM's CRD number is 111135.

**ITEM 2 | Material Changes**

MFDRE's Form ADV Part 2A, currently dated December 19, 2016 and as may be amended from time to time, is MFDRE's disclosure document prepared based on the Security and Exchange Commission's regulatory requirements. MFDRE is required to update this document at least annually, or when an event occurs that may be deemed to have a material impact on MFDRE's investment management business and/or on its clients, or when a disciplinary event occurs.

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

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## ITEM 4 | Item Name

MFIM, an Illinois corporation formed in 1986, is an investment advisor registered with the SEC with its principal place of business located in Illinois. MFIM does not provide tax or legal advice. Clients should consult with an expert on matters pertaining to tax or legal issues.

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

MFDRE's division offers investment advisory services and products to clients relating to MFDRE investments on a discretionary basis. MFDRE provides institutional investors with access to direct investment opportunities in the real estate market structured as limited partnerships.

Mesirow Financial REVF-GP, LLC, Mesirow Financial REVF II-GP, LLC, and Mesirow Financial REVF III-GP, LLC, each affiliates of MFIM, serve as the general partner to Mesirow Financial Real Estate Value Fund, L.P., Mesirow Financial Real Estate Value Fund II, L.P., and Mesirow Financial Real Estate Value Fund III, L.P., respectively (collectively, the "Funds"). The Funds are institutional real estate value-added funds structured as Delaware limited partnerships. MFIM serves as an investment advisor to the value-added funds. The value-added funds are diverse real estate funds targeting domestic U.S. investments, primarily in the multi-family sector. The general partner is responsible for sourcing, acquiring, managing, financing, developing, selling, repositioning, re-tenanting commercial real estate assets that meet the fund's investment strategy and objectives.

The Funds may utilize one or more parallel funds or feeder funds to accommodate investors with special legal, regulatory, tax or other needs. The parallel funds, if any, will invest with the Funds on a side-by-side basis and will be treated as part of the Funds. The feeder funds, if any, will invest in the Funds, giving their investors an indirect interest in the Funds. At the general partner's discretion, the Funds may hold REIT qualifying assets through a real estate investment trust (the "REIT Subsidiary").

MFIM, or an affiliate entity, serves as general partner to a number of other private investment vehicles structured as limited partnerships. MFIM, or an affiliate, may also serve as investment advisor to those limited partnerships.

As of March 31, 2016, MFDRE managed approximately \$925.1 million in client assets on a discretionary basis and \$0 on a non-discretionary basis.

## ITEM 5 | Fees and Compensation

The general fee structure for MFIM's MFDRE division is as follows:

### **MESIROW FINANCIAL REAL ESTATE VALUE FUND, L.P.\***

**Fees** Annual asset management fee of 1.5% of the committed capital, paid quarterly in arrears through the investment period, and then 1.5% of the invested capital thereafter, on commitments less than \$22 million. The annual fee is 1.35% on commitments between \$22 million and \$50 million, and 1.0% on commitments of \$50 million or more.

### **MESIROW FINANCIAL REAL ESTATE VALUE FUND II, L.P.\***

**Fees** Annual asset management fee, paid quarterly in arrears, based upon the greater of 1.0% of committed capital or 1.5% of invested capital during the investment period, and then 1.5% of invested capital thereafter, subject to the current basic fee structure as follows

- 150 basis points per year of invested capital or 100 basis points per year of committed capital on commitments less than \$15 million.

- 135 basis points per year of invested capital or 95 basis points per year of committed capital on commitments between \$15 million and \$50 million.
- 100 basis points per year of invested capital or 75 basis points per year of committed capital on commitments of \$50 million or more.

#### **MESIROW FINANCIAL REAL ESTATE VALUE FUND III, L.P.\***

**Fees** Annual asset management fee, paid quarterly in arrears, based upon the greater of 1.1% of committed capital or 1.5% of invested capital during the investment period, and then 1.5% of invested capital thereafter, subject to the current basic fee structure as follows

- 150 basis points per year of invested capital or 110 basis points per year of committed capital on commitments less than \$25 million.
- 135 basis points per year of invested capital or 100 basis points per year of committed capital on commitments between \$25 million and \$50 million.
- 100 basis points per year of invested capital or 80 basis points per year of committed capital on commitments of \$50 million or more.

The fees are generally paid quarterly in arrears. In the event an account terminates, fees will be prorated for the number of days the account was under management. Fees are typically billed to the client or client's custodian.

\*Minimum Investment: \$5 million subject to General Partner discretion to accept investments from qualified investors below this amount.

**Limited Negotiability of Advisory Fees** Although MFDRE has established the aforementioned fee schedule(s), the Firm 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 advisory clients, may be offered to employees, family members and friends of associated persons of MFIM.

**Termination of the Advisory Relationship** Clients have limited liquidity and termination rights, which is based primarily on obtaining a significant majority of the other investors consent. Essentially, a Limited Partner may not voluntarily withdraw any amount from the Fund or voluntarily withdraw from the Fund except in limited circumstances.

**Additional Fees and Expenses** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians. Clients that invest in MFIM'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.

**Grandfathering of Minimum Account Requirements** Pre-existing advisory clients are subject to MFDRE'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, MFIM 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 of 1974 ("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 MFIM 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.

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

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

MFDRE may accept performance-based allocations from clients. Such a performance-based allocation is calculated based on a share of capital gains on or capital appreciation of the invested assets of the client. To qualify for a performance-based allocation 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 MFDRE.

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

## ITEM 7 | Types of Clients

MFIM provides advisory services to qualified purchasers and accredited investors, including, but not limited to:

- 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

MFDRE uses a fundamental analysis to select opportune investments. In order to take advantage of the current market environment, the Funds will emphasize opportunities in the multifamily sector. Investments will also be geographically diverse, using the National Council of Real Estate Investment Fiduciaries' (NCREIF) geographic weightings (West-35%, Midwest-10%, East-34% and South-21%) as a guideline with a slight bias towards the West Region based upon projected population and job growth trends.

## ITEM 9 | Disciplinary Information

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

## ITEM 10 | Other Financial Industry Activities and Affiliations

Certain employees of MFIM may be separately licensed as registered representatives of Mesirow Financial, Inc. ("MFI"). These individuals, in their separate capacity, can effect securities transactions for which they will receive separate, yet customary compensation.

While MFIM 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.

The principals of MFIM are principals of the general partner of the funds named above. The general partner has designated MFIM as having primary responsibility for investment management and administrative matters, such as accounting tax and periodic reporting, pertaining to the Fund. MFIM and its members, officers and employees will devote to the funds as much time as it deems necessary and appropriate to manage the business. MFIM 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 MFIM 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, MFIM or its affiliates may act as a general partner or sponsor of various private investment vehicles that MFIM may recommend or sell to its advisory clients. Prior to the sale of any such investments, MFIM 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 MFIM and its management persons or employees creates a conflict of interest that may impair the objectivity of MFIM and these individuals when making advisory recommendations. MFIM endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment advisor. MFIM typically takes the following steps to address any potential conflict:

- MFIM discloses to clients the existence of all material conflicts of interest;
- MFIM collects, maintains and documents accurate, complete and relevant client background information, including the client's investment mandates, financial goals, objectives and risk tolerance;
- MFIM'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;
- MFIM 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;
- MFIM periodically monitors outside employment activities of its employees to verify that any conflicts of interest continue to be properly addressed; and
- MFIM 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

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

MFIM 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.

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

MFIM'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.

MFIM is part of a group of affiliated financial services companies that perform a number of different services for a client. MFIM is mindful of the conflicts or potential conflicts that such relationships may create. Consequently, MFIM 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.

MFIM and/or individuals associated with it may buy or sell for their personal accounts securities identical to, or different from, those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security that may also be recommended to a client. However, it is the expressed policy of MFIM that no person employed by MFIM 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.

MFIM does not aggregate employee trades with client transactions.

MFIM, 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, MFIM 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 MFIM may put his or her own interest above the interest of an advisory client.
2. No principal or employee of MFIM 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 MFIM that no person employed by it may purchase or sell any security prior to a transaction(s) being implemented for an advisory account.
4. MFIM requires prior approval for any IPO or private placement investments.
5. MFIM 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. MFIM 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 MFIM is granted discretionary authority.
  9. All of MFIM's principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
  10. MFIM requires delivery and acknowledgement of the Code of Ethics by each access person.
  11. MFIM 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

MFIRE only offers private investments to Qualified Purchasers and Accredited Investors. It does not trade securities or otherwise involve brokers.

## ITEM 13 | Review of Accounts

### INVESTMENT SUPERVISORY SERVICES PORTFOLIO MANAGEMENT

MFIRE ensures that each investor has the appropriate risk tolerance, financial support, investment time horizon and liquidity profile to invest in the funds. MFIRE does substantial due diligence on each investment opportunity and each investment is approved by an investment committee, which consists of employees assigned to MFIRE and other affiliate's employees.

**Reviews** While the underlying investments within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least quarterly.

**Reports** MFIRE sends quarterly reports to investors, which includes the various investments in the Fund. Clients are urged to carefully compare the information provided on these statements to any custodial statement the investor may receive to ensure that all account transactions, holdings and values are correct and current.

## ITEM 14 | Client Referrals and Other Compensation

### CLIENT REFERRALS

MFIM may periodically enter into solicitor's arrangements with unrelated third parties ("Solicitor") where MFIM 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 MFIM. There is no differential between the amount or level of advisory fee charged by MFIM to the client, attributable to the existence of any Solicitor's arrangement and that charged to other clients of MFIM. MFIM may also pay referral compensation to its affiliates and/or their employees. Whenever MFIM 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 MFIM;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee; and

- whether the fee paid to MFIM by the client will be increased above its normal fees in order to compensate the Solicitor.

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

MFIM may also compensate its employees, or employees of an affiliate, for business development. MFIM 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. MFIM, or an affiliate, may also sell the fund to its clients and will receive compensation from the investment advisor or fund family.

It is MFIM'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.

## ITEM 15 | Custody

MFDRE 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 MFDRE funds. MFDRE complies with the Custody Rule requirements by annually sending audited financial statements to its investors.

## ITEM 16 | Investment Discretion

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

## ITEM 17 | Voting Client Securities

### PROXY VOTING POLICIES AND PROCEDURES

MFDRE does not hold shares of common stock on behalf of its clients. Therefore, proxy voting policies and procedures are not applicable for MFIM's MFDRE group.

MFIM's Proxy Voting Policies and Procedures apply only in the event that MFIM has agreed, or been instructed, to vote proxies on behalf of a client. **Currently, the only group within MFIM that has undertaken this responsibility is Equity Management.** Otherwise, it is the general policy of Mesirow Financial that the firm's registered investment advisors and underlying groups do not vote proxies on behalf of clients. The following information regarding MFIM's Proxy Voting Policies and Procedures, therefore, applies only to Equity Management.

MFIM has adopted and implemented policies and procedures that are reasonably designed to ensure that proxies are voted in the best interest of clients, in accordance with its fiduciary duties and SEC rule 206(4)-6 under the Investment Advisers Act of 1940, as amended. MFIM's authority to vote the proxies of certain of MFIM's clients is established by MFIM's advisory contracts executed by those clients, and MFIM's proxy voting policy and procedures have been tailored to reflect these specific contractual obligations. In addition to SEC requirements governing advisors, MFIM Proxy Voting Policies reflect the long-standing fiduciary standards and responsibilities for ERISA accounts set out in Department of Labor Bulletin 94-2, 29 C.F.R.2509.94-2 (July 29, 1994).

Except as otherwise agreed to in writing with a client, MFIM has no authority or obligation to take any action or render any advice with respect to the voting of proxies on behalf of a client.

Wherein MFIM has accepted discretionary authority to vote proxies on behalf of clients, MFIM has elected to utilize an outside, third-party, independent proxy voting service (the “Service”). The Service will establish and provide MFIM with three (3) sets of comprehensive proxy voting guidelines annually that the Service will utilize as its sole basis for its determination for each proxy voted on behalf of MFIM clients. One set of guidelines is for Taft-Hartley clients; the second set is for non-Taft-Hartley clients; and, the third set is for Public Funds. In reference to Taft-Hartley clients, the guidelines specify that the proxies are to be voted in accordance with AFL-CIO guidelines where the AFL-CIO takes a specific position. In reference to the non-Taft-Hartley accounts, the proxies are to be voted in accordance with a separate and mutually exclusive set of proxy voting guidelines, established by the Service.

In the event that a client of MFIM requests information as to how a particular proxy had been voted on that client’s behalf, MFIM will provide said information to the client in a timely manner. Under no circumstance will MFIM disclose to a third party how a proxy had been voted by the Service on behalf of a client without that client’s expressed, written consent. Likewise, in the event that a client of MFIM requests a copy of MFIM’s Proxy Voting Policies and Procedures, MFIM will provide said Policies and Procedures within a reasonable amount of time to the client at client’s address of record.

MFIM has designated its Director of Operations as responsible for administering and overseeing the proxy voting process. MFIM is currently not aware of any specific conflicts of interest. However, should MFIM become aware of a conflict of interest, it will rely on, and the Service shall vote in accordance with, its pre-determined policies as set forth in the guidelines if application of such policies to the matter at hand involves discretion on the part of MFIM.

## ITEM 18 | Financial Information

MFIM has no additional financial circumstances to report.

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