



## **Alidade Capital, LLC**

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### **Form ADV Part 2A Brochure**

**March 27, 2019**

This brochure provides information about the qualifications and business practices of Alidade Capital, LLC (the "Firm" or "Alidade Capital"). If you have any questions about the contents of this Brochure, please contact the Firm at (248) 593-7878 or at the address above. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about the Firm is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for the Firm is 165341.

The Firm is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## **Item 2 Material Changes**

This Item discloses material changes to this Brochure since its last annual update. The last annual update of this brochure was March 21, 2018.

Since the filing of our last annual updating amendment dated March 21, 2018, we have not made material changes to this Brochure.

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## Item 4 Advisory Business

### ***Firm Description***

Alidade Capital, based in Bloomfield Hills, Michigan, provides investment advisory services on a discretionary basis to four pooled investment vehicles that were formed by Alidade Capital and that invest in commercial real estate (each a "Managed Fund," referred to herein as "Fund I," "Fund II," "Fund III," and "Fund IV;" collectively referred to as the "Managed Funds").

Alidade Capital was established in 2010 by Mark Hammond, Geoff Langdon, and Steve Faliski. Prior to co-founding Alidade Capital, Mark Hammond had executive management roles with Flagstar Bancorp and Flagstar Bank, serving as CEO for seven years, President for 15 years and Vice Chairman of the Board of Directors for 18 years. Geoff Langdon had been active in finance, banking, lending and commercial real estate management operations for over 15 years. Steve Faliski served as Chief Operating Officer of Jamison Management Company beginning in August 2000, a company that owned and managed manufactured housing communities. Prior to that role, Mr. Faliski was in corporate banking with a predecessor of JPMorgan Chase.

### ***Description of Advisory Services***

Alidade Capital was formed to take advantage of acquisition opportunities in commercial real estate markets created by the financial crisis of 2009. Since its formation, Alidade Capital has refined its strategy in response to changing market and economic conditions and the existing Managed Funds currently own a portfolio of industrial, flex, retail and office investments located in diverse geographic markets.

Investments made by the Managed Funds may take the form of the direct purchase of real property, the acquisition of promissory notes and other forms of indebtedness secured and collateralized by commercial real estate, or less frequently, the origination of loans secured and collateralized by commercial real estate (collectively, "Real Estate Investments"). To date, Alidade Capital's objective on behalf of the Managed Funds has been to maximize risk-adjusted returns to investors, utilizing moderate degrees of leverage, with an objective of creating a portfolio of Real Estate Investments that balances short-term cash flow yield, cash flow upside, and future appreciation through value-added enhancement (including improved property management, property upgrades, and tenant quality).

When managing assets for its clients, Alidade Capital remains subject to the guidelines and restrictions included in the organizational documents of each Managed Fund.

### ***Assets under Management***

As of December 31, 2018, Alidade Capital had a total of \$443,453,091 of discretionary assets under management.

## Item 5 Fees and Compensation

Alidade Capital generally charges its Managed Funds certain management fees. In addition to a management fee, with respect to Fund I and Fund II, Alidade Capital has, on occasion and in accordance with the organizational documents, charged an acquisition or servicing fee, as described below. No such fees have been, or are expected to be, charged to Fund III or Fund IV.

### ***Management Fee***

The Management Fee is generally payable in advance on the first day of each calendar quarter. Initially, the Management Fee charged each Managed Fund is derived based on the capital commitments of the

underlying limited partners of each Managed Fund, and in the later "wind down" stages the Management Fee is based on either adjusted capital or the book value of the assets under management. The Management Fee currently ranges from 1.375 - 2.00% per annum of the capital commitments of each of the limited partners of each Managed Fund as of the first day of such quarter, but the Management Fee may be reduced below 1.375% under certain circumstances with respect to limited partners of Fund IV. Limited partners of the Managed Funds who are admitted after the initial investor closing in such Managed Fund may be required to pay an allocable share of the Managed Fund's management fees that such investor would have been allocated if it had been admitted to the Managed Fund entity at the initial investor closing.

### ***Acquisition Fee***

Although the organizational documents for certain of the Managed Funds allow for an acquisition fee of up to two percent (2%) of the Managed Fund's purchase price of Real Estate Investments, Alidade Capital has only charged an Acquisition Fee in limited instances to Fund II.

### ***Servicing Fee***

The Managed Funds have not been actively originating loans, but when loans were originated on behalf of Fund I or Fund II, borrowers have been charged a servicing fee of up to one and one-half percent (1.5%) of the amount of the loans originated. When charged, Servicing Fees are, depending on the terms of the particular Managed Fund organizational documents, either passed on to Alidade Capital or retained by the applicable Managed Fund. When applicable, Servicing Fees are paid either monthly or as of the closing date of the related loan originated by Alidade Capital.

The organizational documents for the Managed Funds disclose the above-mentioned fees in greater detail.

See Item 6 for information regarding the General Partner's incentive compensation (the "Carried Interest").

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

Stated generally, the organizational documents for the Managed Funds provide for the General Partner of each Managed Fund to receive "Carried Interest" when investors receive a return of their investment, plus a "preferred return." Distributable cash over this amount is generally allocated 80% to the investors and 20% to the General Partner as the Carried Interest. The specific requirements, terms, and conditions applicable to the Carried Interest are found in each Managed Fund's organizational documents, as they currently exist or are hereafter amended, without notice. Carried Interest is charged only to investors who are qualified clients, as permitted pursuant to Rule 205-3 under the Advisers Act.

## **Item 7 Types of Clients**

Alidade Capital currently provides investment advisory services only to the Managed Funds, which, as described above, are pooled investment vehicles that invest in commercial real estate.

The minimum investment amounts for limited partners within each Managed Fund vary and are outlined in the organizational documents for each Managed Fund. Generally, the minimum investment amount for limited partners in each Managed Fund is \$250,000 (for individual investors in Funds I - III) to \$500,000 (for individual investors in Fund IV), or \$5,000,000 for institutional investors, but lower minimums may be and have been negotiated and the General Partners of each Managed Fund may change the minimum requirements and minimum requirements may change for future funds.

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

### ***Investment Strategies***

In the process of deploying the capital of its Managed Funds, Alidade Capital's investment strategy includes a focus on value and asset quality, due diligence, transaction execution, and asset management, while employing modest degrees of leverage.

Alidade Capital's primary goal for asset management is to reduce risk and maximize the risk adjusted value of the Real Estate Investments. In order to accomplish these objectives, Alidade Capital regularly reviews each Real Estate Investment's hold, sell, improve, or re-position strategy, tenant quality, tenant satisfaction and credit quality strategies. The review also includes a comparison of each asset's performance versus internally prepared capital and operational budgets, an examination of aspects of the Real Estate Investment's physical functionality, maintenance, capital expenditure needs, and an evaluation of the assigned property management teams, whether third party or affiliated. Action plans are implemented to facilitate the execution of perceived necessary, proactive changes.

At the core of Alidade Capital's investment strategy is a value-oriented focus to purchase assets at pricing that is believed to be below their intrinsic worth. Purchasing an asset below the cost basis of its competitive set offers Alidade Capital asset and property management flexibility on several fronts:

- Building occupancy can be maintained and improved even in times of market softness or deterioration through an ability to set lease rates for high quality space below those of other properties in a given sub-market, attracting additional tenants and retaining existing clients;
- Tenant and building improvements can be made to further enhance asset value without over investing; and
- Multiple exit strategies and financing options can be considered to enhance investor returns

The acquisition of high-quality assets or improvement of acquired assets is another goal of Alidade Capital's investment strategy for several reasons:

- Well maintained assets acquired at the "right" prices generally limit downside risk in difficult markets and can outperform in better economic times;
- Professionally maintained buildings offer stronger liquidity by reducing the need for substantial capital improvement expenditures for a potential buyer; and
- High-quality properties appeal to a broader base of potential buyers when evaluating exit opportunities for a given asset.

Alidade Capital is opportunistic with regard to its hold periods for Real Estate Investments, though always mindful of the duration parameters of its Managed Funds. Reasons to sell a particular asset at a particular time include, but are not limited to, harvesting capital gains or losses, business or sector risk exposure to a specific asset type or market, macroeconomic trends, submarket real estate conditions, valuation or diversification of the Real Estate Investments in the portfolio, or any risk deemed unacceptable for the Managed Fund's risk tolerance.

### ***Primary Risks***

Investing in commercial real estate assets involves a high risk of loss that investors should be prepared to bear. Prospective investors of the Managed Funds are advised to carefully consider the following risks, together with all of the other information contained in each Managed Fund's Private Placement Memorandum ("PPM")

### ***Risks Related to Managed Fund Investments***

The purchase of an interest in a Managed Fund entails certain risks that investors should consider before making a decision to invest. There can be no assurance that an investment in a Managed Fund will be profitable or, if it is profitable, that any particular yield or rate of return will be obtained, or other investment objective will be realized.

An investor should only invest in a Managed Fund as part of an overall investment strategy and only if the investor is able to withstand a total loss of its investment in the Managed Fund. Managed Funds could be subject to material risks that are not described herein. Additional risks regarding Managed Funds are disclosed in the PPM of each Managed Fund. Investors are encouraged to carefully review the full description of risk factors presented in their Managed Fund's PPM and accompanying subscription documents.

### ***Risks Related to Real Estate Investments***

Real estate investments are subject to market risk, including the potential loss of principal invested. Real estate funds are subject to all the risks inherent in owning commercial real estate, including:

- risks that investments will fail to perform in accordance with expectations because of conditions or liabilities Alidade Capital did not know about at the time of acquisition;
- risks that projections or estimates Alidade Capital made with respect to the performance of the investments, the costs of operating or improving the properties or the effect of the economy or capital markets on the investments will prove inaccurate;
- adverse developments in national, regional and/or specific industry segments;
- adverse changes in local conditions, such as the oversupply of office or retail space, reduced tenant or buyer demand for space in the localities where the Real Estate Investments are located;
- increases in interest rates;
- increases in taxes on or in operating expenses of the Real Estate Investments;
- changes in laws affecting Real Estate Investments;
- the inability to obtain financing; and
- adverse physical or environmental conditions of the buildings or properties.

### ***Other Risks***

Alidade Capital will receive a management fee (and an acquisition fee and loan servicing fee where applicable) regardless of the actual performance of the Managed Funds and their underlying Real Estate Investments. Alidade Capital's entitlement to this non-performance-based compensation might reduce its incentive to devote adequate time and effort to acquiring, managing and disposing of Real Estate Investments.

In addition, while Alidade Capital's affiliates and employees intend to devote significant time to the management of the Managed Funds, investors should be aware that Alidade Capital controls multiple Managed Funds and certain of its' Principals engage in other business interests that also require the devotion of significant time and attention.

Questions regarding these risks and/or increased costs may be directed to the Firm and its representatives.

## **Item 9 Disciplinary Information**

Rule 206(4)-4 of the Investment Advisers Act of 1940 requires investment advisers to provide clients with disclosures as to any legal or disciplinary activities deemed material to the client's evaluation of the adviser. Please note, neither the firm nor its personnel have any disciplinary, regulatory, criminal, civil, or otherwise reportable history to disclose at this time.

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

Affiliates of Alidade Capital serve as General Partners of the Managed Funds. Alidade Capital GP, LLC serves as General Partner to Alidade Capital Fund, L.P., Alidade Capital GP II, LLC serves as General Partner to Alidade Capital Fund II, LP, Alidade Capital GP III, LLC serves as General Partner to Alidade Capital Fund III, LP, and Alidade Capital GP IV, LLC serves as General Partner to Alidade Capital Fund IV, LP.

The General Partners conduct the offerings of Limited Partnership Interests made pursuant to the respective PPM and engage Alidade Capital to source, structure and close investments and transactions on behalf of the Managed Funds and the General Partners.

Alidade Capital has a licensed attorney who provides services to clients other than Alidade Capital. Alidade Capital does not believe that the professional relationships and services create material conflicts of interest with its clients.

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

As required by Rule 204A-1 of the Investment Advisers Act of 1940, Alidade Capital has adopted a Code of Ethics that sets forth the basic policies of ethical conduct for all managers, officers, and employees of the Firm. The Code of Ethics describes the Firm's fiduciary duties and obligations to clients, and sets forth the Firm's practice of supervising the personal securities transactions of employees who maintain access to client information. The Code of Ethics is available upon request.

Alidade Capital collects and maintains records of securities holdings and transactions made by its Access Persons. The Firm reviews the personal trading practices of its Access Persons to identify and resolve any potential or realized conflicts of interest.

Alidade Capital and/or its Access Persons, and employees may purchase or sell securities for their personal accounts that they have recommended to clients.

## **Item 12 Brokerage Practices**

Alidade Capital does not utilize broker-dealers in the buying or selling of securities on behalf of its clients. The questions asked by this Item 12 therefore do not apply to Alidade Capital's business.

## **Item 13 Review of Accounts**

Alidade Capital reviews Managed Funds at least quarterly and provides holdings reports on a quarterly basis to investors in the Managed Funds. The reports generally include an estimate of net asset values of the portfolio investments, realized and unrealized gains/losses, contributions and withdrawals, and performance history.



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

Alidade Capital has engaged in the past, and may engage in the future, third-party placement agents to market the Managed Funds to potential investors. The third-party placement agents that were retained in the past have been paid a retainer (out of the Management Fees otherwise paid to Alidade Capital) and were entitled to a performance fee (offset by the retainer) based on the amount of money invested by investors that are sourced by the third-party placement agents. To date, no performance fees have been paid to the third-party placement agents.

## **Item 15 Custody**

Because Alidade Capital or an affiliate serves as General Partner or manager of the Managed Fund entities, Alidade Capital is deemed to have "custody" of client funds and securities within the meaning of Rule 206(4)-2 under the Advisers Act. In accordance with that rule, Alidade Capital receives an annual audit from an independent accounting firm registered with, and subject to, regular inspection by the Public Company Accounting Oversight Board. Audited financial statements are provided to the investors in such Managed Fund entities within 120 days following the Managed Fund's fiscal year-end.

As a matter of policy and practice, Alidade Capital does not permit employees or the firm to accept or maintain custody of client assets other than as identified above.

## **Item 16 Investment Discretion**

Alidade Capital maintains discretionary authority to make investments on behalf of clients without obtaining prior consent or approval from clients. However, these purchases or sales may be subject to specified investment objectives, guidelines, or limitations previously set forth within each Managed Fund's organizational documents.

## **Item 17 Voting Client Securities**

Alidade Capital does not maintain any voting or proxy rights with respect to corporate actions related to such assets.

## **Item 18 Financial Information**

Alidade Capital does not require the pre-payment of any fees more than 6 months in advance and is not subject to any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients.