



*Private Equity Real Estate*

**Part 2 of Form ADV**

**Item 1. Cover Page**

Capital Solutions, Inc.  
910 Harvest Drive, Suite 105  
Blue Bell, PA 19422

**Form ADV Part 2  
(As of June 30, 2019)**

This brochure (“Brochure”) provides information about the qualifications and business practices of Capital Solutions, Inc. If you have any questions about the contents of this Brochure, please contact Jessica Starkey, Chief Compliance Officer, at (215) 540-0505 extension 103 and/or via email at [jess@cap-sol.com](mailto:jess@cap-sol.com). Please visit our website at [www.cap-sol.com](http://www.cap-sol.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.

Capital Solutions, Inc. (“CapSol,” the “Advisor,” “we” or “us”) is registered with the SEC as an investment adviser. Registration of an investment adviser does not imply any level of skill or training. Additional information about Capital Solutions, Inc. is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2. Summary of Material Changes**

This Brochure is our initial report as a registered investment adviser. There are therefore no material changes.

**You are encouraged to read this Brochure in its entirety.**

### **Item 3. Table of Contents**

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

## **Item 4. Advisory Business**

### **Background**

Capital Solutions, Inc. (“Capital Solutions” or “CapSol” or “Firm” or “we” or “us”) is an investment firm founded in 1991 that specializes in providing equity for real estate opportunities via private real estate funds that it organizes and advises (“Funds”, and each individually a “Fund”). CapSol also periodically forms Funds to invest in privately held operating businesses. Investments are made through a large network of sophisticated private and institutional investors, and without the use of general solicitations or general marketing. As of December 31, 2018, CapSol had approximately \$166.59 million in regulatory assets under management and, in addition to its securities portfolios, advised private real estate funds with an equity value of approximately \$223.4 million.

The principals of Capital Solutions have over 100 years of combined real estate experience with expertise in virtually every type of residential and commercial real estate. Capital Solutions, Inc. is a Pennsylvania s-corporation and is owned by Frank Seidman, Fran Donato, and Nimish Sanghrajka.

### **Advisory Services**

We provide private equity investment offerings to private funds that are exempt from registration as investment companies pursuant to the exemptions in Section 3(c)(1) and/or Section 3(c)(7) of the Investment Company Act of 1940, as amended. The Firm manages all of its Funds on a discretionary basis.

We primarily focus on the U.S. private equity real estate market, with investments in value-add and core/core-plus real estate (our “Private Real Estate Strategy”). To a lesser extent, we also invest directly in privately-held companies and businesses (our “Private Equity Strategy”).

The private funds that follow our Private Real Estate Strategy typically acquire and hold real property through a joint venture with an unaffiliated operating partner. Operating partners receive compensation from these joint ventures for services they provide to the respective venture. Compensation may be in the form of a property management fee (if the operating partner manages the property), acquisition fee, construction management fee, a promote or carried interest, or one or more of such fees. On occasion, operating partners may retain unaffiliated third-party property management or leasing companies. The compensation paid to these third-party operating partners or unaffiliated third-party service providers does not offset fees due to the Firm under any investment advisory agreements with our private Fund clients. There may be instances whereby a property is acquired by a Fund without an operating partner. In these instances, a third-party property management company will be retained to manage the respective property. All of this is described in the confidential private placement memorandum and fund operating agreement for each respective Fund.

A Fund portfolio may contain investments in office, retail, industrial, senior housing, student housing multi-family, land, and other types of investments as stated in the confidential private placement memorandum and fund operating agreements for each such Fund.

The private funds that follow our Private Equity Strategy typically acquire and hold interests in privately-held operating businesses and companies, as described in the private placement memorandum and fund operating agreement for such Fund.

## **Assets Under Management**

As of December 31, 2018, CapSol managed approximately \$166.5 million in total regulatory assets under management (“AUM”), plus an additional \$223.4 million in real estate. All of the Firm’s AUM is managed on a discretionary basis.

## **Item 5. Fees, Expenses, and Other Compensation**

Investors and prospective investors should refer to the Confidential Private Placement Memorandum (“PPM”) for the respective Funds for a detailed description of fees paid by the Funds to the Firm.

Each investor in the funds must meet certain eligibility provisions whereby interests/shares are only offered to certain qualified investors who are (i) U.S. investors who are (a) accredited investors within the meaning of Rule 501 of Regulation D of the Securities Act of 1933, as amended, or (b) qualified purchasers within the meaning of Section 2(a)(51) of the Investment Company Act of 1940, as amended; (ii) non-U.S. investors who satisfactorily complete Capital Solutions’ subscription materials; or (iii) “knowledgeable employees,” as such term is defined in Rule 3c-5 of the Investment Company Act of 1940. Admission to the Funds managed by CapSol is done solely through a detailed subscription booklet and is not open to the general public. CapSol does not generally solicit or generally advertise offerings in any Fund that CapSol advises. Investors and prospective investors in the Funds should refer to the PPM for a detailed description of the fee schedules. Capital Solutions, or an affiliated entity, may in its sole discretion, waive or reduce the fees to be paid by any Fund investor, including investors that are principals, employees or affiliates of the Firm or relatives of such persons, all as described in the PPM and operating agreement for such Fund.

## **Property Administrative Fee**

Most property administrative fees are paid to the Firm by the respective private Fund monthly or quarterly in advance, as described in the PPM and operating agreement for such Fund.

## **Carried Interest**

Each Funds’ general partner or managing member will receive a carried interest in its Fund, which may increase on a sliding scale based upon the Fund’s internal rate of return (“IRR”). Although Capital Solutions is investing its own capital in the Funds alongside that of the other investors, the general partner’s receipt of carried interest may cause its interests to differ from those of the other investors in the Fund, and could potentially affect the decisions of the general partners in purchasing, holding and disposing of the investments of the Funds (See, “Conflicts of Interest,” below).

## **Operating Expenses**

Each fund is responsible for its’ operating expenses (“Operating Expenses”). Operating Expenses generally include all third-party costs and expenses of maintaining the operations of the fund and maintaining, acquiring, financing, and disposing of investments of the Fund. We will be reimbursed by the respective Fund for any Operating Expenses the Firm or any of its affiliates pays on behalf of a Fund.

Typical Operating Expenses include legal, tax compliance and advisory, audit, insurance, interest expense, costs incurred with respect to pursuing possible investments including travel, and other administrative fees as permitted by the respective Fund.

**Organizational Expenses**

Funds are also responsible for out-of-pocket expenses incurred in connection with the organization and formation (“Organizational Expenses”) of the Fund and related entities. We will be reimbursed by the respective Fund for Organizational Expenses paid on behalf of a Fund. A maximum dollar level of Organizational Expenses may be imposed by a Fund pursuant to its offering materials.

**Due Diligence Fees**

Funds will generally be responsible for paying a due diligence fee to the Firm or an affiliate of the Firm as compensation for work done in investigating and evaluating the investment opportunity and organizing the Fund.

**Other Fees and Expenses**

Refer to a Fund’s offering materials and limited partnership or operating agreement for a more detailed description of management and performance fees, Operating Expenses and Organizational Expenses.

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

Capital Solutions generally charges the performance-based fees described above as Carried Interest.

Capital Solutions’ performance-based fees depend on continuing increases in the Funds’ profitability. This creates an incentive for Capital Solutions to allocate the Funds’ assets in a manner that is riskier or more speculative than would otherwise be the case.

Capital Solutions works to ensure that all Funds and investors are treated fairly and equally regardless of their Carried Interest structure, and to prevent this conflict from influencing the allocation of investment opportunities among Funds.

**Item 7. Types of Clients****Types of Clients**

Capital Solutions provides investment management services to private investment Funds that it sponsors.

Each Fund is offered only by its offering memorandum to investors who meet the relevant investor eligibility requirements. Please see the relevant Fund’s PPM for more information on the investor eligibility requirements minimum investment required for that Fund.

We provide the opportunity to invest in our Funds solely to sophisticated investors such as high net worth individuals, corporate pension and profit-sharing plans, public/governmental pension plans and trusts.

**Account Requirements**

We require all clients to complete and execute subscription materials for each Fund. Investments in our private Funds that we manage are generally subject to a minimum investment requirement of \$250,000.

The general partner of a Fund has the discretion to waive or reduce the minimum initial investment or commitment, but generally will not accept investments of less than \$50,000 from third-party investors. Please refer to the offering documents of such Funds for more information.

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

### **Private Real Estate Strategy**

We invest client assets in investments in value-add real estate. Capital Solutions and its respective operating partners (see below) seek to add value to properties by stabilizing, enhancing and/or creating a property's income stream while improving its appearance, overall physical condition and position in the marketplace. We oversee the implementation and execution of property business plans spanning the full range of the value-add spectrum, including one or more of the following:

- Building renovation, expansion and/or redevelopment
- Lease-up of vacant space
- Aggressively increasing rental rates to market levels
- Property repositioning and turnaround
- Subdivision, rezoning and sale of excess land
- Development of additional building(s) on excess land

We invest in value-add real estate solely through private closed-end funds that we sponsor.

We typically invest in office, industrial, retail, senior housing, student housing, and multi-family property assets. We may also structure an investment as participating debt or preferred equity. We may also take advantage of opportunities in other property types, such as land.

Our strategy is designed to anticipate market turning points in order to overweight or underweight property types and geographic regions. The selection of property types and geographic regions is supported by the Firm's top-down economic and capital markets forecasts. We incorporate research on private and public capital markets, national and regional economic trends and regional real estate submarkets into analysis and decision making throughout all stages of the property investment lifecycle, including acquisition, financing, leasing and disposition.

Investment opportunities are sourced from various channels including the real estate brokerage community and our extensive network of operating partners. The Firm has relationships with operating partners that have considerable knowledge of investment opportunities based on their particular market and property expertise.

Capital Solutions and an operating partner with local market and property expertise will typically establish a special purpose investment vehicle (i.e. a Fund) to acquire and hold property investments. These Funds are generally formed as partnerships or limited liability companies. A Fund will typically provide 80%-95% of the required equity for an investment, with the operating partner investing 5%-20% of the required equity to secure its commitment to the success of the venture and create an alignment of interests.

Distributions of net cash flows from operations are made in accordance with the private placement memorandum and respective limited partnership agreement or operating agreement for a particular Fund. In general, distributable cash will be distributed to the Partners in the following order of priority: (i) first, to the Partners in proportion to their relative Tax Distributions (as defined in the relevant partnership agreement or operating agreement until the Partners have received an amount equal to their Tax Distribution amounts; (ii) second, to the limited partners or members until the limited partners or members have received an amount equal to their capital contributions plus an annual return thereon (the “Priority Return”); and (iii) thereafter, split between the limited partners or members, on one hand, and the general partner or managing member (an affiliate of the Firm) on the other. The distribution percentage received by the general partner or managing member is referred to as the Carried Interest, and is generally determined based upon a sliding scale of the particular Fund’s internal rate of return (“IRR”).

The operating partners typically provide day-to-day on-site property management services and, in some cases, may serve as leasing agent. The Firm manages diversification across operating partner relationships to fit current target investment markets and property sectors.

We also invest through other investment vehicles including mezzanine loans.

In addition to value-add real estate, we also invest in core/core-plus real estate. Core real estate is high quality real estate, with low vacancy rates, and located in primary and select secondary real estate markets. Core plus is also high-quality real estate with the opportunity to increase returns by upgrading the property through additional capital or leasing of vacant space.

We have a formal due diligence process for evaluation of an investment in a specific property. The due diligence process includes, but is not limited to, the following:

- Tenant interviews
- Detailed review of tenant leases
- Detailed analysis of income and expenses
- Review for environmental issues
- Review of physical property
- Evaluation of operating partner

The decision to acquire or sell an investment requires approval by our Private Real Estate Investment Committee.

## **Material Risks**

The table below and section that follows sets forth information concerning the material risks involved with our Private Real Estate strategy. An “X” in the table indicates that the strategy involves the corresponding risk. An empty box indicates that the strategy does not involve the corresponding risk in a material way. **However, an empty box does not guarantee that the strategy will not be subject to the corresponding risk.**



The risks set forth below represent a general summary of the material risks involved in the investment strategy we offer. The “Risk Factors” section of applicable fund offering documents may provide a more detailed discussion of the risks involved in any investment in a private fund.

<b>Risk Type</b>	<b>Private Real Estate</b>
General risks	X
Concentration risk	X
Counterparty risk	X
Cybersecurity risk	X
Development risk	X
Environmental risk	X
Insurance risk	X
Liquidity risk	X
Market risk	X
Partnership and joint venture risk	X
Real estate risks	X
Real estate financing risks	X
Tax risks	X
Valuation risk	X

#### **General risks.**

The investment Funds we sponsor invest in a variety of real estate investments and employ a number of techniques that involve certain risks. Investing in real estate involves risk of loss that you should be prepared to bear. We do not guarantee or represent that our investment program will be successful. We cannot assure you that our investments of your money will be profitable, and in fact, you could incur substantial losses. Your investments managed by us are not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

#### **Concentration risk.**

Each Fund generally invests in a single property or, if applicable, company. While diversification is an objective for clients, there is no assurance as to the degree of diversification that may actually be achieved either by geographic region or property type. Because a Fund will typically participate in a limited number of investments and, frequently, only one investment, as a consequence the aggregate

return will be substantially adversely affected by the unfavorable performance of even a single investment.

**Counterparty risk.**

Property investments may be financed and are subject to the risk of the inability of lenders to perform with respect to loan or derivative transactions, whether due to insolvency, bankruptcy or other causes, which could subject a client account to substantial losses. In an effort to mitigate such risks, we and the ownership entities of property investments attempt to limit transactions to counterparties, which are established, well-capitalized, and creditworthy.

**Cybersecurity risk.**

In addition to the risks described above that primarily relate to the value of investments, there are various operational, systems, information security and related risks involved in investing, including but not limited to “cybersecurity” risk. Cybersecurity attacks include electronic and non-electronic attacks that include, but are not limited to, gaining unauthorized access to digital systems to obtain client and financial information, compromising the integrity of systems and client data (e.g., misappropriation of assets or sensitive information), or causing operational disruption through taking systems off-line (e.g., denial of service attacks). While cybersecurity risk management systems and business continuity plans have been developed and are designed to reduce the risks associated with these attacks, there are inherent limitations in any cybersecurity risk management system or business continuity plan, including the possibility that certain risks have not been identified. Accordingly, there is no guarantee that such efforts will succeed, especially since we do not directly control the cybersecurity systems of issuers or third-party service providers.

**Development risk.**

In conjunction with our operating partners acquire, redevelop and develop properties on behalf of each Fund. There can be no assurance that we will undertake to acquire, redevelop or develop any particular site or that we will be able to complete such acquisition, redevelopment or development if it is undertaken. Risks associated with our acquisition, redevelopment and development activities include the following:

- Acquisition, redevelopment and development opportunities explored by us may be abandoned and, as a result, we may fail to recover expenses already incurred in connection with exploring such opportunities;
- Acquisition, redevelopment and development costs for a property, including, without limitation, materials, labor or other expenses, may exceed original estimates, possibly making the property uneconomical;

- Zoning, land use, building, occupancy and other required governmental permits and authorizations may be difficult or impossible to obtain, leading to delays in and / or abandonment of all or a portion of the acquisition, redevelopment or development of a property;
- Construction and lease up may not be completed on schedule, resulting in increased debt service and redevelopment or development costs;
- Leasing costs and tenant improvement costs may exceed expectations and, therefore, adversely affect the operating performance of a property; and
- Construction and permanent financing may not be available on favorable terms.

The occurrence of any of the events described above could result in meaningful unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could adversely affect our ability to achieve its projected yields on properties under redevelopment or development. Properties under development or properties acquired for development may distribute little or no cash flow from the date of acquisition through the date of completion of development and may experience operating deficits after the date of completion. In addition, market conditions may change during the course of development that makes such development less attractive than at the time it was commenced.

#### **Environmental risk.**

As is the case with any holder of real estate investments, a client could face meaningful risk of loss from environmental claims based on environmental problems associated with property investments. Property owners are subject to potential liabilities under various federal, state and local laws, ordinances and regulations as well as common law principles (collectively, “Environmental Laws”). Among other things, certain Environmental Laws provide that an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property and subject the owner or operator of real property or a facility to claims or liability for the costs of removal or remediation of hazardous substances that are released at, in, on, under, or from real property or a facility. The cost of any required remediation and the owner’s liability therefore as to any property are generally not limited under such laws and could exceed the value of the property and/or the aggregate assets of the owner.

#### **Insurance Risk.**

We and the respective ownership entities of property investments maintain comprehensive insurance on each property investment, including general liability, fire, extended coverage and rental loss insurance. We have insurance coverage of the type and amount customarily obtained by owners of similar properties. There are certain types of losses, however, generally of a catastrophic nature, including, without limitation, wars, natural disasters, mold, terrorist attacks and other similar events, that may be uninsurable or insurable only at such high rates that to maintain such coverage would cause an adverse impact on property investments. In general, losses related to terrorism are becoming harder and more expensive to insure against.

Most insurers are excluding terrorism coverage from their all-risk policies. In some cases, the insurers are offering significantly limited coverage against terrorist acts for additional premiums, which can greatly increase the total costs of casualty insurance for a property. As a result, not all property investments may be insured against terrorism. Inflation, changes in building codes and ordinances, environmental considerations and other factors may also make it infeasible to use insurance proceeds to

replace a property if it is damaged or destroyed. Under such circumstances, the insurance proceeds received might not be adequate to restore its economic position with respect to the affected property. If a major uninsured loss occurs, the client could lose both invested capital in and anticipated profits from the affected property investment.

**Liquidity Risk.**

The investments made by us are likely to be illiquid based on the nature of investments in real estate property. Dispositions of such investments also may be subject to limitations on transfer or other restrictions that would interfere with the subsequent sale of such investments or adversely affect the terms that could be obtained upon any disposition thereof. There is also the risk that we may be unable to dispose of such investments at attractive prices or otherwise execute a successful exit strategy. Real estate can be difficult to sell, especially if local market conditions are poor. Such illiquidity may limit our ability to vary holdings in client portfolios promptly in response to changes in economic or other conditions and limit near term cash flow available for distribution to its investors. No assurances can be given that the fair market value of any of the investments acquired by us will not decrease during the investment holding period.

**Market risk.**

The market value of an investment may decline due to general market conditions that are not specifically related to a particular investment, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest rates or adverse investor sentiment generally. An investment's value may also decline because of factors that affect a particular industry.

Because we concentrate our assets in the real estate industry, investments are closely linked to the performance of the real estate markets. Real estate is a cyclical business, highly sensitive to general and local economic developments and characterized by intense competition and periodic overbuilding. Real estate income and values may also be greatly affected by demographic trends, such as population shifts or changing tastes and values. Government actions, such as tax increases (or other changes as implemented pursuant to a comprehensive tax reform bill passed by the U.S. Congress in December 2017), zoning law changes or environmental regulations, may also have a major impact on real estate.

**Partnership and joint venture risk.**

We may invest as a partner or a co-venturer with respect to investment in a property. Partnership or joint venture investments may involve risks including the possibility that the partner or co-venturer might become bankrupt or otherwise have financial difficulties that negatively impact a property investment including the ability to consummate an investment. The partner or co-venturer may also have economic or other business interests or goals that are inconsistent with the business interests or goals of the client and us. A partner or co-venturer may also be in a position to take action contrary to the instructions or the requests by us or contrary to our policies or objectives.

**Real Estate risks.**

Real property investments are subject to varying degrees of risk. Because real estate, like many other types of long-term investments, historically has experienced significant fluctuations and cycles in value, specific market conditions may result in occasional or permanent reductions in the value of real property interests. The yields available from equity investments in real estate depend on the amount of income generated and expenses incurred from such investments. Moreover, certain significant expenditures

associated with each investment in real estate (such as mortgage payments, if any, real estate taxes, insurance and maintenance costs) are generally not reduced when circumstances cause a reduction in income from the investment.

If property investments do not generate revenues sufficient to meet operating expenses, including debt service and capital expenditures, cash flow and the ability to receive distributions may be adversely affected. A property's revenues and value may be adversely affected by a number of factors beyond the control of the client or the Firm, including:

- the national and local economic climate;
- changes in supply of and demand for competing properties in an area (as a result, for instance, of overbuilding);
- changes in real property tax rates, changes in interest rates and the availability of mortgage funds which may render the sale of refinancing of properties difficult or impracticable;
- the financial resources of tenants;
- changes in building, environmental and other laws or changes in government regulations (such as rent control);
- contingent liabilities on disposition of assets;
- the perceptions of prospective residents of the safety, convenience and attractiveness of the properties or neighborhoods in which they are located and the quality of local schools and other amenities; and/or
- the ability of the operating partner and property management company to provide adequate management, maintenance and insurance

#### **Real Estate financing risks.**

We may leverage property investments with non-recourse debt financing. We may also obtain recourse debt financing in select situations such as a completion guarantee for development projects or when market conditions make non-recourse debt unavailable. Although the use of leverage may enhance returns and increase the number of investments that can be made, it may also substantially increase the risk of loss. Additionally, use of leverage on any particular investment will increase the exposure of such investment to adverse economic factors such as rising interest rates, severe economic downturns or deterioration in the condition of the real estate investment or its market.

In the event a real estate investment is unable to generate sufficient cash flow to meet its principal and interest payments on its indebtedness, the value of the client's equity investment in such real estate investment could be significantly reduced or even eliminated.

If a property investment cannot satisfy its obligations under the debt instruments, then the unpaid amounts likely will promptly become due and, thus, the client may be required to forfeit the property or properties. Forfeiture of a property upon an event of default under a debt instrument will likely decrease the proceeds from the sale of a property upon foreclosure, thereby decreasing the client's return on such investment.

#### **Tax risks.**

We use our best efforts to structure investments so as to minimize the risk of realization of unrelated business taxable income ("UBTI") by tax-exempt investors. No assurance can be given, however, that

investments will not give rise to UBTI for any tax-exempt investor.

**Valuation risk.**

The market value of real estate investments to be held by client accounts may generally fluctuate with, among other things, general economic conditions, world political events, developments or trends in any particular investment, and the conditions of financial markets. Most of client investments are investments for which there is no, or limited, liquid market. The fair value of such investments may not be readily determinable. We will value these investments periodically at fair value as determined by us. The valuations used by us for a substantial portion of client investments may therefore not reflect the most recently available market information. The types of factors that may be considered in fair value pricing of investments include discounted cash flows, prevailing market conditions with respect to the location of the property investment, similar property sales, and other relevant factors. Because such valuations are inherently uncertain, they may fluctuate over short periods of time and may be based on estimates, our determination of fair value may differ materially from the actual results obtainable in an arm's length sale of such investments to a third party. A client's financial condition and results of operations could be adversely affected if fair value determinations were materially higher than the values that the client ultimately realizes upon the realization of such investments.

**Private Equity Strategy Risks**

The risks for Funds focused on the Private Equity Strategy are generally similar to the risks described above for Funds focused on the Real Estate Strategy, but such Funds face risks that the operating and financial performance of the underlying business may not achieve the anticipated or expected results. Additional business risks faced by such companies include, but are not limited to, the risk of obsolescence, that such companies will require substantial additional capital, regulatory risks, operational risks and competitiveness risks.

**Conflicts of Interest.**

In addition to the risks described above, there exists certain potential or actual conflicts of interest between Capital Solutions and a Fund that we sponsor and advise. While these conflicts are typical of many investment firms that manage investment funds, Capital Solutions wishes to call prospective investors' particular attention to them.

*Carried Interest*

As noted above, each Fund's general partner or managing member will receive a carried interest in its Fund. Although Capital Solutions is investing its own capital in the Funds alongside that of the other investors, the general partner's receipt of carried could affect the decisions of the general partners in purchasing, holding and disposing of the investments of the Funds.

*Time and Attention*

A Fund's offering materials do not require Capital Solutions or any of its affiliates to devote all or any specified portion of their time to managing a particular Fund's affairs, but only to devote so much of their time to the Fund's affairs as they reasonably believe necessary in good faith.

*Capital Solutions Manages Multiple Real Estate Funds*

Capital Solutions and its affiliates provide investment management services to a number of private real estate Funds. Certain inherent conflicts of interest exist from the fact that Capital Solutions and its

affiliates carry on substantial investment activities for other clients, including other investment funds, some of which may compete with one another.

*Capital Solutions and its Principals May Invest in Competing Businesses*

Capital Solutions and/or its affiliates may invest for their own accounts in various investment opportunities, including in investment funds that may compete with one or more private Funds sponsored by the Firm.

*Other Business Ventures*

A Fund's offering materials do not prohibit Capital Solutions or its affiliates from engaging in any other existing or future business ventures or activities. Neither a Fund nor any investor in a Fund have any rights or obligations, in and to such independent ventures and activities or the income or profits derived therefrom.

**Item 9. Disciplinary Information**

Capital Solutions is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of it or the integrity of its management. Capital Solutions has no information applicable to this section.

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

Many of the Funds offered by Capital Solutions are structured as a limited partnership or limited liability companies, and a separate entity affiliated with Capital Solutions serves as the general partner or managing member of each such Fund. Each of these affiliated entities are disclosed on Capital Solutions' Form ADV, Part 1. Capital Solutions does not believe that any of these affiliations are, or will become, a conflict of interest, as they are all part of a single advisory business with the purpose of serving the Funds' best interests.

**Affiliated Solicitors and Placement Agents**

We do not currently use placement agents. If we do utilize placement agents in the future any such placement agent shall be a licensed broker-dealer in good standing with FINRA.

**Affiliated Broker-Dealers, Investment Advisers and Service Providers**

Given the type of assets we buy and sell on behalf of our clients, we do not use affiliated broker-dealers to make investments.

**Other Relationships**

Our employees and directors may have board, advisory, or other relationships with issuers, distributors, consultants and others that may have investments in a private Fund and/or related Funds or that may recommend investments in a private Fund or distribute interests in a private Fund.

We are in the process of adopting a Code of Ethics that addresses these types of relationships and the potential conflicts of interest they may present, including the provision and receipt of gifts and entertainment.

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

Capital Solutions is in the process of adopting a Code of Ethics (the “Code”) pursuant to Rule 204A-1 under the Advisers Act. The Code is designed for the purpose of providing rules for certain personnel, including employees (generally, “Employees”), with respect to adherence to certain standards of conduct along with abiding by policies regarding personal securities transactions.

The Code requires Employees to exercise their authority and responsibility for the benefit of clients and to refrain from activities that may conflict with the interests of clients. The Code contains policies and procedures that, among other things:

- Prohibit trading on the basis of material non-public information;
- Prohibit Employees from taking personal advantage of opportunities belonging to clients;
- Place limitations on personal trading by Employees and impose preclearance and quarterly and annual reporting obligations with respect to such trading;
- Impose standards of business conduct for all Employees;
- Require the distribution of the Code (and any amendments) to Employees and requires Employees to provide a written acknowledgment of their receipt thereof;
- Require the reporting and review of Employees’ personal securities transactions;
- Require Employees to report violations of the Code to our Chief Compliance Officer; and
- Require Employees to comply with federal securities laws.

In addition, the Code outlines many common types of conflicts and procedures to be followed by Capital Solutions Employees including:

- Gifts and Entertainment;
- Political Contributions; and
- Outside Employment or Business Activities

Capital Solutions’ Chief Compliance Officer will monitor compliance with these and all other aspects of the Code. The Chief Compliance Officer will also determine the applicability of the Code to non-Employees including temporary employees, contractors, directors, and consultants.

A copy of our Code of Ethics will be available upon request to investors or potential investors.

## **Item 12. Brokerage Practices**

Capital Solutions does not typically make use of brokers for the purposes of purchasing or selling securities on behalf of the Funds, because Funds’ securities are generally acquired and/or disposed of in privately negotiated purchase and sale transactions. We do not engage in the practice of obtaining



research and/or other services from third party service providers in exchange for client-based brokerage credits (known as “soft dollars”).

As an investment adviser for real estate investments in our Private Real Estate Strategy, we will seek to invest in real estate property throughout the United States. Investment opportunities are sourced from various channels including real estate commercial brokers and our network of operating partners. Unaffiliated brokers and operating partners are selected on an individual investment basis.

### **Item 13. Review of Accounts**

Accounts in our Private Real Estate Strategy are regularly monitored by assigned investment professionals (the “Investment Team”). The Investment Team controls the implementation of our Private Real Estate Strategy. The Investment Team reviews real estate and capital markets conditions, identifies current market trends and opportunities, and monitors portfolio composition. Investment Team approval is required for the acquisition, sale, or financings of any property. The Investment Team is comprised of Capital Solutions’ senior executives and meets as needed.

Fund investors receive written semi-annual reports reflecting investment value based on the performance of the underlying property investments. In addition to the semi-annual report, clients also receive quarterly updates on real estate holdings including, property business plan status updates, and related performance results. Other reporting requirements, including the requirement for annual audited financial statements, are described in the PPM and offering materials for each Fund, and described to Fund investors before the time that they invest.

Client private equity real estate investment values are determined by us based on our valuation policy. Subject to any specific client requirements, we conduct internal valuations on each property investment twice per year. Our valuation committee (the “Valuation Committee”) has established valuation standards, procedures and policies that we believe results in a consistent and uniform approach for reasonable and supportable fair market value estimates consistent with industry standards and generally accepted accounting principles including ASC Topic 820. The Valuation Committee meets on an ad-hoc basis as necessary to discuss and approve valuations. Valuations are generally determined based on a discounted cash flow (“DCF”) analysis and/or direct capitalization analysis, and recent sales of comparable properties and current listings are also considered. Properties that are under agreement of sale may be valued based upon the contract sale price less an allowance for estimated closing costs.

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

We do not currently use placement agents. If we do utilize placement agents in the future, any such placement agent shall be a licensed broker-dealer in good standing with FINRA.

### **Item 15. Custody**

Rule 206(4)-2 under the Advisers Act (the “Custody Rule”) defines “custody” to include a situation in which an adviser or a related person holds, directly or indirectly, client funds or securities or has any authority to obtain possession of them, in connection with advisory services provided by the adviser.

As Capital Solutions' affiliates are the general partners or managing member of each of the Funds, Capital Solutions is deemed under the Advisers Act to have custody of client assets.

In addition, under the Custody Rule an adviser deemed to have custody of a client's funds or securities is required to either (i) arrange for an annual independent verification of such funds or securities (the "Surprise Exam Requirement") or (ii) have each fund audited annually by an independent Public Company Accounting Oversight Board ("PCAOB") registered firm and distribute such audited financials to investors within 120 days after the end of each Fund's fiscal year. Capital Solutions intends to distribute audited statements delivered to Fund investors within 120 days after the end of each Fund's fiscal year.

#### **Item 16. Investment Discretion**

Under the terms of each negotiated Fund limited partnership agreement or operating agreement, Capital Solutions has full discretionary authority over each Fund. Each limited partnership agreement and/or operating agreement and offering memorandum describes the investment strategy and thesis for each particular Fund.

#### **Item 17. Voting Client Securities**

The Funds do not generally hold the securities of publicly traded companies. Although unlikely, it is possible that a Fund could own such securities from time to time and could also be asked to vote as shareholders of privately held portfolio companies. Capital Solutions is developing a set of policies and procedures regarding the proxy voting of securities and intends that, absent definitive reasons why a matter should not be voted on, all votes will be based on the policy.

#### **Item 18. Financial Information**

In certain circumstances, registered investment advisers are required to provide you financial information or disclosures about their financial condition in this Item. We have no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has never been the subject of a bankruptcy proceeding.

#### **Item 19. Biographies**

**Mr. Frank Seidman** is the founding Principal and President of Capital Solutions, Inc. Since 2001 Frank has lead the company to raise over \$3 billion in gross property value.

From April 1997 to November 2000, he was a cofounder and managing director of Balanced Capital LLC, a real estate and venture capital firm. From 1992 to March 1997, Mr. Seidman was a principal of Preferred Real Estate Investments, Inc. where he was a cofounder focused on property acquisition, financing and management.

For eight years prior, he was associated with MSK Associates and Silver Harting and Co., real estate development firms that specialized in the renovation of older buildings into apartments, retail and office

uses. Mr. Seidman worked for seven years as a CPA at Laventhol & Horwath, an international certified public accounting firm and last held the position of manager in the tax department.

He holds a B.S. in business administration from Drexel University, where he majored in accounting.

**Mr. Fran Donato** is a Principal of Capital Solutions, Inc. with more than 20 years' experience in the commercial real estate industry focusing on acquisitions, dispositions, finance, equity funding, and asset management.

From April 1997 to November 2000 he was the controller and a partner of Balanced Capital, LLC, a real estate and venture capital firm. From 1995 to 1997 he was a controller of Preferred Real Estate Investments, Inc. a real estate development firm. For two years' prior, Mr. Donato was an accounting manager for LCOR Incorporated, a national real estate development firm, which specialized in the development of office and apartment buildings.

Mr. Donato received his B.S. degree in accounting from the Pennsylvania State University and an M.B.A. degree in business administration from Saint Joseph's University.

**Nimish Sanghrajka** is a Principal of Capital Solutions, Inc. Mr. Sanghrajka's focus has been on deal structuring and capital formation for transactions including extensive involvement in acquisitions, repositioning of assets and realization events of investments.

From 1996 to 2008, Mr. Sanghrajka was chairman and chief investment officer of Preferred Unlimited, Inc., a real estate development and private equity firm where he structured and financed over 60 transactions nationally totaling over \$2 billion in value. From 1989 to 1995, Mr. Sanghrajka was executive vice president of Trefoil Properties, Inc., a real estate development company focused on the retail and office sectors in the Mid-Atlantic region.

Mr. Sanghrajka began his career as a senior financial analyst at Berwind Property Group, a nationally recognized real estate investment and development company.

Mr. Sanghrajka earned a BBA from the University of Bombay, India and an MBA in finance from Case Western Reserve University in Cleveland, Ohio.