



## **Part 2A of Form ADV: SolPacific, LLC - *Brochure***

March 5, 2024

SolPacific, LLC  
202 W. Superior St. Ste. 721  
Duluth, MN 55802-1915  
Website: <https://solpacificinv.com/>

SolPacific, LLC ("SolPacific" or the "Firm") is a registered investment adviser with the U.S. Securities and Exchange Commission ("SEC"). Being registered as an investment adviser does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of SolPacific. If you have any questions about the contents of this brochure, please contact us at (218) 720-3807 or [solpacific@solpacificinv.com](mailto:solpacific@solpacificinv.com). 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 SolPacific is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

SolPacific, LLC (the “Adviser”) is providing this update to the “Brochure” since its last update dated March 24, 2023. A summary of the changes since the last update is as follows:

Item 4 was updated to reflect the Adviser’s regulatory assets under management as of December 31, 2023.

In the future, this section of the Brochure will identify, address, and discuss only the material changes since the last delivery or posting of this Brochure on the SEC’s public disclosure website (IAPD) to assist and make you aware of certain information that has changed since the prior year’s Brochure. The Adviser will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. Pursuant to SEC rules, the Firm will ensure that its clients receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of its business fiscal year. The Firm may further provide other ongoing disclosure information about material changes as necessary.

Currently, the Brochure may be requested by contacting Greg Borash, SolPacific’s Chief Compliance Officer, at (218) 720-3807.

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#### **Item 4: Advisory Business**

SolPacific provides discretionary investment advisory services to privately offered pooled investment vehicles (each a “Fund” and, collectively, the “Funds”) exempt from registration under the Investment Company Act of 1940, as amended. SolPacific’s principal owners are Abbot Apter and Greg Borash (“Partners”). SolPacific was formed in 2015.

SolPacific pursues its investment strategy through managing the Funds and will have discretion with respect to investment decisions made for the Funds. SolPacific provides investment advisory services to a Fund based on the investment objectives and strategies described in each Fund’s confidential offering memorandum and governing documents (referred to collectively as “Offering Documents”). The investment objective of the Funds is to achieve attractive risk adjusted returns, primarily through current income in the form of interest on loans related to real property assets. The Funds are also expected to receive fees and other payments from borrowers in connection with making, refinancing and early repayment of the loans.

For purposes of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), SolPacific’s advisory clients are the Funds. SolPacific will follow the investment strategy described in the relevant Fund’s Offering Documents.

SolPacific will not participate in wrap fee programs.

As of the date of this Brochure, SolPacific manages approximately \$167,375,904 in regulatory assets under management, all of which is managed on a discretionary basis.

## **Item 5: Fees and Compensation**

The fees and expenses associated with investment in the Funds are described in detail in each Fund's Offering Documents. SolPacific acts as investment adviser to the Funds, each a Minnesota limited liability company, and is the sole Manager of the Funds.

SolPacific may, in its sole discretion, manage other funds or accounts with higher or lower fees, different fee structures and different expense payment arrangements than the Funds.

SolPacific does not charge a percentage of assets under management. Set forth below is a summary schedule of a Fund's fees and expenses.

### **Performance-Based Fee**

#### **Annual Profits Participation**

SolPacific, as Manager of the Funds, will receive an annual allocation of a performance-based "Annual Profits Participation" (defined below) by the reallocation of a portion of the net profit allocated to each Investor's Capital Account for such Fiscal Year (or part thereof), subject, first and in all events, to an Investor's recouping any net losses on its investment in the Fund from prior years (through a "high water mark," as described below). The Annual Profits Participation generally shall be reallocated from such Investor's capital account to the capital account of SolPacific at the end of each fiscal year (or upon a withdrawal other than at the end of a fiscal year).

The "Annual Profits Participation" will equal, with respect to an Investor for a fiscal year (or portion thereof in respect of which the Annual Profits Participation is being calculated), the sum of (x) the Base Profit Share (defined below), plus (y) the Variable Profit Share (defined below) minus (z) the Offset Amount (defined below), in each case with respect to such fiscal year or portion thereof, as applicable.

#### **Base Profit Share**

"Base Profit Share" means, with respect to an Investor for a fiscal year (or portion thereof in respect of which the Annual Profits Participation is being calculated), an amount equal to the lesser of (x) 1% of such Investor's capital account during such fiscal year (determined on a weighted average basis) and (y) the amount by which the net profit allocated to such Investor's capital account for such fiscal year exceed an annualized rate of return of 4% per annum on the balance of such Investor's capital account as of the beginning of such fiscal year (as adjusted to reflect distributions and additional capital contributions).

#### **Variable Profit Share**

"Variable Profit Share" means, with respect to an Investor for any fiscal year (or portion thereof in respect of which the Annual Profits Participation is being calculated), an amount equal to the lesser of (x) an amount equal to 10% of the net profit allocated to such Investor's capital account for such fiscal year and (y) the amount by which the net profit allocated to such Investor's capital account for such fiscal year exceed an annualized rate of return of 5% per annum on the balance of such Investor's capital account as of the beginning of such fiscal year (as adjusted to reflect distributions and additional capital contributions). For the avoidance of doubt, the Variable Profit

Share for any fiscal year (or relevant portion thereof) will be zero unless, prior to the reallocation of the Annual Profits Participation, the net profit allocated to an Investor during such fiscal year exceeds a 5% per annum annualized rate of return on the balance of such Investor's capital account as of the beginning of such fiscal year (as adjusted to reflect distributions and additional capital contributions).

#### **Offset Amount**

"Offset Amount" means any cash payments of any due diligence, closing or monitoring fees received by SolPacific or its affiliates in respect of, or any cash distribution or cash proceeds from the disposition of any "profits participation" or other types of equity-related interests in a Borrower or a Borrower-affiliated project received by SolPacific or its affiliates that is related to, a loan made by the Fund.

The "high water mark" for each Investor is affected through a loss recovery account that is credited as of the end of each fiscal year with the aggregate net capital depreciation, if any, allocated to such Investor's Capital Account for such fiscal year. SolPacific will not receive any Annual Profits Participation with respect to an Investor's Capital Account until such Investor has recovered all net capital depreciation, if any, credited to its loss recovery account. The amount which must be recovered will be adjusted for withdrawals of capital, and the loss recovery account will terminate upon an Investor's complete withdrawal.

#### **Other Fees**

SolPacific generally receives a 1% consulting fee based on loans under management.

#### **Operating and Other Expenses**

A Fund will bear all of its operating and other costs and expenses, including without limitation (1) any investment-related expenses not reimbursed or paid by the borrower or other third party, i.e., costs and expenses associated with the investigation of investment opportunities (whether or not consummated), negotiating, financing, sourcing, acquiring, holding, hedging, settling and disposing of its investments or proposed investments and other transaction costs, including travel expenses, transaction fees, consulting, advisory, investment banking, legal and other professional fees relating to investments or contemplated investments, brokerage commissions, information-related expenses, clearing and settlement charges, custodial fees, interest expenses, appraisal fees and expenses and certain expenses of the operations team as described below; (2) expenses incurred in collection of monies owed to the Funds; (3) legal, auditing and accounting expenses (including expenses associated with the preparation of Fund financial statements); (4) tax costs and expenses (including tax planning, preparations of tax returns and schedules K-1, and foreign and FATCA-related documentation); (5) insurance expenses (including directors' and officers' insurance, errors and omissions insurance, "key man" life insurance and other similar policies); (6) organizational expenses; (7) regulatory and compliance expenses (including the Fund's registration and licensing in any jurisdiction in which it does business (including as a lender)); (8) expenses relating to the ongoing offer and sale of Interests and withdrawals and transfers thereof, including printing and mailing costs; (9) any entity-level taxes, fees or other governmental charges levied against the Fund or any special purpose vehicle; (10) all litigation related and

indemnification expenses; (11) wind-up and liquidation expenses; (12) extraordinary expenses; and (13) expenses comparable to any of the foregoing.

## **Item 6: Performance-Based Fees and Side-By-Side Management**

SolPacific receives a performance allocation from the Funds at the end of each fiscal year. The specific terms of the Performance Allocation are set forth in the relevant Offering Documents of the Funds.

Performance-based fees, in general, may create an incentive for an adviser or its supervised persons to make investments that are riskier and more speculative than would be the case in the absence of a performance-based fee. Such fee arrangements may also create an incentive to favor higher fee-paying clients over other clients in the allocation of investment opportunities.



## **Item 7: Types of Clients**

As discussed in the Advisory Business section above, SolPacific currently provides investment management services to the Funds, which in turn are offered exclusively to sophisticated investors. SolPacific, in its sole discretion, may manage other funds or accounts with different objectives, higher or lower fees and different fee structures.

Investors in a Fund will be required to complete and submit a subscription agreement binding them to the terms of the Fund's governing documents. The minimum investment varies depending on the Fund, from \$300,000 up to as much as \$500,000, and the Firm may accept investments in a lesser amount at its sole discretion.

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

### **A. Methods of Analysis and Investment Strategy**

SolPacific's investment strategy is to achieve attractive risk adjusted returns, primarily through current income in the form of interest on loans related to real property assets. The Firm is also expected to receive fees and other payments from borrowers in connection with making, refinancing and early repayment of its loans. The Firm will target annualized net returns of between 6% and 9% depending on the type of Fund. The Firm will seek to make "mezzanine"-type, unsecured loans to the indirect beneficial owners of the equity interests in U.S. real estate development projects.

The Firm's lending activity is focused on the affordable-market segment of the U.S. real estate market. The Firm typically targets loans in the \$1 million to \$6 million size range. It is anticipated that this target size range will enable the Funds to create a diversified portfolio of loans. The Funds will primarily focus on Western U.S. real estate assets to capitalize on the Firm's relationships and strong market knowledge and experience within that region. The Fund may lend to or invest in projects outside the Western U.S. but anticipates lending and investment activity outside the Western U.S. region to be limited.

### **B. Risks Associated with the Firm's Investment Strategy (Portfolio Risks)**

The below list includes and is based upon numerous assumptions and opinions of SolPacific, the accuracy of which cannot be assured. There can be no assurance that a Fund's investment strategy will achieve profitable results or that investors will not incur substantial or total losses.

#### Risk of Loss

An investment in the Funds involves a high degree of risk, including the risk of substantial losses. An investment in the Funds is suitable only for sophisticated investors who have the financial wherewithal to absorb the loss of all or a substantial part of their investment in the Funds.

#### Concentrated Portfolio

The Funds' portfolios may consist only of debt investments in connection with real estate acquisitions or developments. The Funds will concentrate their portfolios in unsecured loans to real estate operators. Due to the structural similarities among such instruments, certain market conditions could adversely affect the bulk of the Funds' positions as a group. While there is no geographic limitation on such investments, the Firm is either presently engaging, or intends to engage, in development projects in Alaska, Arizona, California, Colorado, Idaho, Iowa, Minnesota, Montana, Nevada, New Mexico, North Dakota, Oregon, Texas, Utah, Washington, Wisconsin, Wyoming and Hawaii. This could lead to more vulnerability in the Funds as compared with portfolios that are more diversified geographically.

#### Limited Withdrawal Rights

An investment in the Funds is suitable only for certain sophisticated investors who have no need for immediate liquidity in their investment. Interests may only be withdrawn on certain

withdrawal dates with due notice and subject to the restrictions set out in the respective Fund's Offering Documents. No partial withdrawals will be permitted if, immediately thereafter, the value of a withdrawing Investor's holding would be less than the minimum stated herein, unless approved by SolPacific in its sole and absolute discretion. Withdrawal rights may be suspended.

#### Past Performance Not Indicative of Future Results

Past performance of the Firm investing in real estate assets is not necessarily indicative of the Funds' prospects and there can be no assurance that the Funds will achieve their objectives or avoid substantial losses. Abbot Apter, the principal of the Firm, has significant investment experience in developing, repositioning, and operating real estate assets.

#### Projections

The Funds may rely upon projections developed by the Firm concerning an investment's future performance and cash flow. Projections are inherently subject to uncertainty and factors beyond the control of the Firm. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of other unforeseen events could impair the ability of a portfolio company to realize projected values and cash flow.

#### No Formal Diversification Policies

The Funds have been formed with the primary objective of making loans to investment projects, and their portfolios are expected to be comprised mainly of such securities. However, within the context of such portfolio concentration, the Funds are not subject to any formal diversification policies. A substantial percentage of their positions could be positively correlated and adversely affected by the same market conditions. Moreover, at any given time, the Funds' portfolios may be highly concentrated in unsecured loans as grouped by counterparty, type of securitization, asset class, issuer, industry, geography, market and/or investment strategy (in each case, directly, or in the case of derivative instruments, by reference). Any such concentration may subject the Funds to greater risk of loss than would a more diversified approach.

#### Illiquid Investments

The investment assets held by the Funds will not have an active market or any readily ascertainable values, and the securitization market has been prone to sustained periods of almost complete illiquidity. Valuation of such illiquid assets, considering the factors unique to them, will be made in a manner consistent with the Firm's Valuation Policy and the Offering Documents. Such valuations will affect the Funds' performance reporting as well as the calculation the Annual Profits Participation. In addition, the Funds may only be able to dispose of these investments, if at all, at disadvantageous prices, should the Firm determine, or it becomes necessary, to do so.

#### Investments in Unlisted Securities

The Fund will invest in unlisted securities. Because of the absence of any trading market for these investments, it may take longer to liquidate, or it may not be possible to liquidate, these positions than would be the case for publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized on these sales could be less

than those originally paid by the Fund. Further, issuers whose securities are not publicly traded will generally not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.

#### Complexity and Market Shifts

Many of the securities and other financial instruments in which the Funds invest are complex, and their market values are highly sensitive to changes in interest rates and/or prepayments. Returns on “mezzanine” investments in multifamily housing and real estate assets may be affected by relatively small changes in interest rates, prepayments, or both. These security types are sensitive to changes in the volatility of interest rates, prepayments, etc. The Firm's ability to rebalance the portfolio could be reduced by a variety of factors such as very rapid changes in interest rates, spreads and volatility conditions, and by market dislocations caused by other factors such as unanticipated political and economic changes.

#### Differential Access to Information

SolPacific will execute transactions on behalf of the Funds with other market participants who may have superior information and market intelligence. From time to time, the Funds may incur substantial losses caused by an information disadvantage.

#### Revolving Loan Program

Investors will have the opportunity to take part in a Revolving Loan Program (“RLP”) to acquire unsecured promissory notes from the Fund. RLP notes do not represent an equity interest in the Fund. The note holder is a lender to the Fund with regards to the RLP note.

#### Reliance on the Integrity of Financial and Economic Reporting

The investment strategies employed on behalf of the Funds rely on the financial information made available by the projects in which the Funds invest. The Firm has limited, if any, ability independently to verify the financial information disseminated by the numerous projects in which the Funds may invest and is dependent upon the integrity of both the management of these companies and the financial reporting process in general. The Funds could incur material losses because of mismanagement, fraud, or accounting irregularities at the projects in which the Funds invest.

**Item 9: Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of SolPacific or the integrity of the Firm's management.

There are no legal or disciplinary events with respect to an evaluation of SolPacific's advisory services or the integrity of management.

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

SolPacific is not registered, and does not have an application pending to register, as a broker-dealer or registered representative of a broker-dealer. Currently, no employees of SolPacific are registered representatives of a broker-dealer.

Neither SolPacific nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

Furthermore, neither SolPacific nor any of its management persons has a relationship or arrangement that is material to its advisory business or to its Funds with any related persons listed in the instructions to Item 10.C.

SolPacific does not recommend or select other investment advisers for the Funds.

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

SolPacific has adopted a written Code of Ethics (the “Code”) designed to address and avoid potential conflicts of interest as required under Rule 204A-1 under the Adviser Act. The Code sets forth a standard of business conduct and compliance with federal securities laws by all of SolPacific’s supervised persons. The Code contains policies and procedures that supervised persons execute personal securities trading in a manner that mitigates actual or potential conflicts of interest or any abuse of an individual's position of trust and responsibility. SolPacific requires pre-clearance of purchases of any security in an IPO or a new private placement; requires periodic reporting of employees' personal securities transactions and holdings; and requires prompt internal reporting of Code violations.

As part of its Code, SolPacific has established procedures to reduce the abuse of material, non-public information, which includes procedures for, among other things, the use and maintenance of restricted trading lists. Because the structure of SolPacific would make information barriers impractical, the firm has not imposed information barriers to restrict the internal flow of possible material, non-public information. Thus, all professionals are deemed to be in receipt of material, non-public information, in all instances where any professional of SolPacific has received material, non-public information, and, therefore, may not trade due to the receipt of that information.

SolPacific will provide a copy of the Code to any Fund investor or prospective Fund investor, upon request.

In connection with sponsoring a Fund, SolPacific and certain affiliates may have an economic interest in the Fund. Other than with respect to these interests, neither SolPacific nor any of its related persons invest in the same or related securities that either SolPacific or its related persons recommend to the Fund.

**Item 12: Brokerage Practices**

SolPacific's investment strategy involves private equity investments. As a result, SolPacific does not generally select or recommend broker-dealers for the purchase and sales of securities. Furthermore, SolPacific does not maintain any trading accounts and does not use "soft" dollars received from broker-dealers from the purchase and sales of securities for its clients.



**Item 13: Review of Accounts**

SolPacific will maintain comprehensive review procedures for the ongoing monitoring of the portfolio investments of the Funds. In connection therewith, SolPacific conducts periodic reviews of all portfolio company investments held by the Funds as it deems appropriate. All of SolPacific's investment and operational staff participate in the ongoing monitoring of a Fund's portfolio, although responsibilities vary by individual. Performance, security positions and investment opportunities are among some of the matters that may be reviewed.

SolPacific will provide written periodic financial reports, such as audited annual financial statements, to the Investors in the Funds. This reporting includes customary financials relating to the business and operations of the Funds.

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

SolPacific does not receive any economic benefit, including sales awards or prizes, from any third party for providing advisory services to the Funds.

**Item 15: Custody**

SolPacific will be deemed under Rule 206(4)-2 of the Adviser Act to have custody of the assets of the Funds. As noted in Item 13 above, Fund Investors will receive annual financial statements audited by an independent public accounting firm. Fund Investors are urged to carefully review such statements.

**Item 16: Investment Discretion**

SolPacific exercises discretion in managing the investments of the Funds, based on each Fund's investment objectives, policies and strategies disclosed in its Offering Documents. The limitations on such authority are described in each Fund's Offering Documents.

SolPacific will contractually assume discretionary authority over the assets of the Funds.

**Item 17: Voting Client Securities**

SolPacific's investment strategy involves private equity investments. As a result, SolPacific does not generally hold Fund investments in public equity securities and therefore does not generally receive proxies on behalf of its clients though it has the authority to do so.

**Item 18: Financial Information**

SolPacific does not require or solicit prepayment of any fees greater than six months in advance.

SolPacific does not believe it has any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to the Fund.

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