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**February 11, 2013**

**This Brochure provides information about the qualifications and business practices of TriGate Capital, LLC. If you have any questions about the contents of this Brochure, please contact us at 214-220-2274 or [info@trigatecapital.com](mailto:info@trigatecapital.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.**

**TriGate Capital, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.**

**Additional information about TriGate Capital, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **2. SUMMARY OF MATERIAL CHANGES**

- **Regulatory Assets Under Management stood at \$539 million at December 2013 compared to \$237 million at December 2012.**
- **Chief Financial Officer Jim Vetter also serves as a Vice President of NCS I LLC (NCS), a servicer of commercial loans and repossessed real estate. He spends a minor amount of his time on the affairs of NCS.**

**We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of TriGate Capital's fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.**

**Additionally, we will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.**

### **3. TABLE OF CONTENTS**

**Item 1 – Cover Page**

**Item 2 – Material Changes**

**Item 3 – Table of Contents**

**Item 4 – Advisory Business**

**Item 5 – Fees and Compensation**

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

**Item 7 – Types of Investors**

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

**Item 9 – Disciplinary Information**

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

**Item 11 – Code of Ethics**

**Item 12 – Brokerage Practices**

**Item 13 – Review of Accounts**

**Item 14 – Investor Referrals and Other Compensation**

**Item 15 – Custody**

**Item 16 – Investment Discretion**

**Item 17 – Voting Investor Securities**

**Item 18 – Financial Information**

**Item 19 – Requirements for State-Registered Advisers**

#### **4. ADVISORY BUSINESS**

TriGate Capital, LLC (“TriGate” or “Manager”) is a real estate investment firm founded in 2007 with the objective of creating a company providing professional real estate investment advice in a variety of business cycles. TriGate was formed by John A. (Jay) Henry IV, Jonathan S. (Jon) Pettee and Jeffrey S. (Jeff) Yarckin (collectively the “Managing Members”), three seasoned real estate executives who, prior to the formation of TriGate, were senior leaders of financial institutions and real estate investment funds. Each of the Managing Members have over 20 years of real estate investment and operating experience, and they collectively have a personal and business relationship that dates back many years. TriGate is organized as a Delaware LLC with six members. Jay Henry (representing ownership of a controlling interest in TriGate through two of the members), Jon Pettee and Jeff Yarckin are Managing Members. Christopher Hashioka and California State Teachers’ Retirement System are passive minority members. The TriGate members provide capital commitments that will be drawn over time. If a member capital commitment is not funded by an individual member, other members would be required to fund these commitments or there would be risk of default of the funding obligation.

TriGate typically invests its own cash along-side investor capital via investment funds formed as limited partnerships. TriGate is currently investing TriGate Property Partners II, L.P. (“Fund II”) and also manages TriGate Property Partners, L.P. (“Fund I”) and TriGate CalSTRS Partnership, L.P. (“TriGate CalSTRS”). TriGate has a minority interest in Fund I, Fund II and TriGate CalSTRS and serves as the general partner managing day to day operations. With Fund II, TriGate seeks to invest in property, loans, joint ventures and real estate-backed securities with a particular focus on “middle market” opportunities that require equity investments between \$5 million and \$30 million. Fund II targets investments that (i) offer opportunities to capitalize on distressed and other situations in today’s real estate market, and (ii) have similar characteristics to investments that the Managing Members have executed historically, primarily in commercial real estate. Fund I, Fund II, TriGate CalSTRS and other future commingled funds are individually and collectively referred to herein as the “Fund” or “Funds”. TriGate CalSTRS owns a minority interest in Pacific Coast Capital Partners, LP (“PCCP”), a west coast based institutional real estate advisor. It is possible that investments made by Fund I, Fund II and future commingled funds could be competitive with investments made by PCCP or that PCCP could supply capital to investments made by or might be a seller of a property to be purchased by Fund I, Fund II or future commingled funds.

As of December 31, 2013 TriGate's regulatory assets under management totaled \$539,201,709, of which \$480,631,516 is managed on a discretionary basis in Funds I & II, and \$58,570,193 of which is managed on a non-discretionary basis in TriGate CalSTRS.

## **5. FEES and COMPENSATION**

TriGate managed investment funds are organized as limited partnerships. In this structure TriGate is compensated through a combination of both management fees and performance based fees ("Carried Interest"). Carried Interest is described in detail in the next section.

Management fees are typically a fixed percentage multiplied by either (i) the total capital commitment of the investor, (ii) the actual unreturned capital invested by the investor, or a combination of the two. The exact fee is determined on a fund by fund basis by the partnership agreement but typically is in a range of 0.50% to 1.50% per annum, depending on the level of discretion and fund structure.

Management fees are paid quarterly in arrears from cash sources available to the fund including operating cash, short-term borrowings or contributed equity.

Fund investors bear the fees and expenses to acquire, improve, maintain, service and dispose of the Fund investments. These costs vary, and typically include (but are not limited to) legal, audit, tax preparation, travel, and transaction costs paid to custodians, broker-dealers, agents and other third parties. Also, the Funds pay for routine business insurance costs associated with the operations of the Funds including property casualty, general liability, umbrella liability and professional liability coverage. Fund investors should review all expenses to fully understand the total burden borne by the Funds.

## **6. PERFORMANCE BASED FEES and SIDE-BY-SIDE MANAGEMENT**

If contractually specified Fund level performance objectives are met, TriGate, certain third party advisors to the Funds (i.e. the Senior Advisors) and partnerships owned by the Managing Members and key employees (the Employee LLCs), will receive cash payments from its Carried Interest. Carried Interest payments serve as an incentive and are calculated as a percentage of partnership cash flow only after specified minimum return objectives (or 'hurdles') are successfully achieved on behalf of the investor. The specific hurdles vary based on the stated investment goals of a particular Fund, as can the Carried

Interest percentage. Typically there is more than one return hurdle within a fund, each with a different Carried Interest percentage. It is possible that the various compensation structures among Funds may create an incentive for TriGate to spend more time or resources on one Fund over another. The aforementioned Senior Advisors, who are also members of the General Partner to Fund I and Fund II, may also partner with the Fund on individual investments and receive Carried Interest payments from those specific investments.

## **7. TYPES OF INVESTORS**

TriGate's primary focus is on institutional investors such as pension funds, endowments, foundations and sovereign wealth funds but may also include trusts, estates and high net-worth individuals.

## **8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES and RISK OF LOSS**

TriGate performs an extensive analysis of potential real estate related investments that uses the experience of the Managing Members and staff to evaluate specific market intelligence at the local level and in the broader context of national trends. Characteristics of the target investment such as property condition, environmental factors, tenant credit, borrower issues, existing or available debt financing and potential tenant rollover, among other characteristics, are reviewed to quantify potential physical, financial and operational obstacles that may impact investment performance. Once complete, this analysis is reviewed by an investment committee comprised of the Managing Members that must unanimously approve each investment prior to disbursement of capital.

TriGate's investment strategy focuses on three primary real estate investment themes in order to create a balanced portfolio with attractive risk-adjusted returns.

- Real Estate Loans - Acquiring real estate loans that offer compelling value focusing on collateral types and locations that TriGate would like to own. Opportunities exist as a result of the overleveraging of real estate at the top of the real estate cycle. Real estate lenders own many loans that are secured by properties that are worth less than the loan balance. The Managing Members' extensive distressed debt work-out experience is an important asset in this business.

- Financial Restructuring - Investing in properties and companies in need of restructuring or recapitalization. Many owners of real estate assets are undercapitalized while the assets they own are high quality, and such owners have the operating capability to manage the assets and maximize their value. These investments generally require investors with the ability to negotiate debt modification with lenders and generally require investors that are willing to invest to improve properties, provide for tenant improvement allowances, and pay brokerage commissions. Many distressed owners have been unable to invest capital which has resulted in poor property performance. TriGate believes that its Managing Members and team have significant experience in financial restructuring transactions and can add value to these situations.
- Real Estate Assets - Acquiring real estate assets, either directly or in conjunction with partners, from distressed and/or motivated sellers. Assets that TriGate targets offer some or all of the following characteristics: (i) attractive basis relative to replacement cost; (ii) attractive stabilized net operating income yields; (iii) attractive growth prospects as a result of location and demand characteristics; and (iv) opportunities for investment in poorly-managed properties where value can be created through strategic capital expenditures, effective management and repositioning in the local market.

TriGate's Managing Members and team have extensive risk management experience, however, all loan and real estate investments are subject to some degree of risk including a complete loss of invested equity.

These risks include, but are not limited to:

Loan Investments:

- Inability to collect debt service or to compel borrowers to properly insure properties, pay taxes, manage tenant issues, sign leases or maintain properties
- Prior liens or encumbrances
- Costs imposed by municipalities or local jurisdictions
- Inability to foreclose on underlying collateral in a timely matter due to borrower defenses, litigation or court delays

- Unknown environmental risks or property structural risks
- Loan servicing errors
- Fraudulent borrowers

Real Estate and Loan Investments:

- Matters relating to international, national, regional and local economic, real estate, social climate or market conditions
- Environmental risks
- The supply and demand for the type of properties and loans in which the Fund will invest
- The financial resources and solvency of tenants and buyers and sellers of properties or loans
- Competition from other properties offering the same or similar services
- The inability to achieve or maintain full occupancy at properties
- Changes in zoning, building, agrarian, environmental, tax or other governmental laws or regulations
- Changes in operating expenses, real estate taxes and interest rates
- Negative developments in the economy that depress travel and economic formation activity
- Uninsured or underinsured casualties
- Changes in the availability, cost or terms of short-term or long-term mortgage indebtedness as well as the risk of market fluctuations of assets that are financed with mortgage indebtedness, which could result in default, foreclosure or lower returns on real estate that is owned subject to mortgage indebtedness
- Interest rate hedging risk
- Fluctuations in energy prices
- Changes in the relative popularity of property or asset types
- The ongoing need for capital improvements
- Cash-flow and construction risks
- Natural catastrophes, acts of war, civil unrest, uninsurable losses and other factors beyond the control of the Fund's management

Investors will find a more thorough description of risks associated with a Fund investment in the Private Placement Memorandum associated with that particular Fund.



## **9. DISCIPLINARY INFORMATION**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of TriGate or the integrity of TriGate's management. TriGate has no legal or disciplinary events to disclose that would be material to current or prospective investors in their evaluation of TriGate or its capabilities.

## **10. OTHER FINANCIAL INDUSTRY ACTIVITIES and AFFILIATIONS**

- TriGate, through its ownership interest in Funds I & II, maintains borrowing relationships with a number of lenders. The relationships are for the benefit of our investors. TriGate may at times provide lenders with a portion of the cash flow in a particular investment as an incentive in return for providing financing.
- Managing Member Jay Henry is the CEO of John A. Henry & Company, Ltd. ("JAH"); an owner/operator of retail shopping centers in Oklahoma and Texas. JAH may be engaged from time to time to provide property management and related services for the Funds at prevailing market rates. Such engagements are submitted for approval to the advisory committee of the Fund involved. Mr. Henry spends a minor portion of his professional time handling responsibilities at JAH.
- Managing Member Jon Pettee and Chief Financial Officer Jim Vetter are Vice Presidents of NCS I, LLC ("NCS") and officers of various affiliates of NCS which is currently involved in management and servicing of loans, residual interests in securitized loan portfolios and repossessed real estate. Mr. Pettee and Mr. Vetter spend a minor portion of their professional time handling responsibilities at NCS.

## **11. CODE OF ETHICS**

TriGate has adopted a Code of Ethics for all employees of the firm describing its high standard of business conduct and fiduciary duty to its investors. The Code of Ethics includes provisions relating to the confidentiality of investor information, a prohibition on insider trading, a prohibition of rumor

mongering, restrictions on the acceptance of gifts in exchange for financial or intellectual resources and personal securities trading procedures, among other things. All employees at TriGate must acknowledge the terms of the Code of Ethics, and as it is amended from time to time.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of TriGate will not interfere with (i) making decisions in the best interest of advisory investors and (ii) implementing such decisions, while at the same time allowing employees to invest for their own accounts. Employee trading is monitored under the Code of Ethics to reasonably prevent conflicts of interest between TriGate and its investors.

TriGate's investors or prospective investors may request a copy of the firm's Code of Ethics by contacting Jim Vetter, CFO.

## **12. BROKERAGE PRACTICES**

As described in Item 16 below, TriGate typically has broad discretionary authority in the selection and execution of investment transactions. In the normal course of business, in its efforts to maximize returns to investors, TriGate deals with numerous brokers, agents and other third parties when sourcing investment opportunities and may choose service providers ("Provider" or "Providers") when executing transactions that are not necessarily the low cost Provider for a particular service. TriGate has relationships with brokers, agents, title companies, researchers, attorneys, appraisers, partners and other third party Providers, each of which may involve social activities, acceptance of gifts, payment of fees to those Providers, compensation to the Providers in the form of a non-controlling interest in an investment partnership entity and relationship building in an effort to generate transactions or assistance in acquiring, managing and disposing of investments. These relationships could result in activities that could be deemed a conflict of interest. The procedures described in Item 8 concerning methods of investment analysis mitigate this risk through the use of detail evaluation of potential investments. Allocation of investment opportunities among Funds is not currently an issue inherent in TriGate's business since the acquisition team is dedicated to investing only one Fund at a time. However, TriGate employees do allocate time and effort between the Funds to manage and dispose of investments in those Funds. Should TriGate identify an investment opportunity that it determines is not consistent with the investment objectives of the Fund or does not meet the return hurdles of the Fund,

it may refer such opportunity to a third party, including JAH. If JAH or any affiliate of TriGate is involved, the advisory committee of the Fund is promptly notified prior to any acquisition including an explanation of why an investment is not appropriate for the Fund. In addition, the advisory board of the Fund must approve any services to be provided or any fees paid to JAH or affiliates. JAH has provided services to Funds I & II and has been paid property management fees and other cost reimbursements. In addition, employees of JAH may receive indirect compensation from Carried Interest earned by TriGate's membership interest owned by JAH. These arrangements are expected to be continued for future commingled funds.

### **13. REVIEW OF ACCOUNTS**

Investor account balances are closely monitored in the normal course of business, reviewed on a quarterly basis and reports are provided identifying changes in their account. The reports also provide detail information regarding asset performance.

### **14. INVESTOR REFERRALS and OTHER COMPENSATION**

TriGate contracted with Park Madison Partners, LLC ("Park Madison") to provide assistance in the solicitation of capital contributions for Fund II. Park Madison is compensated with a retainer, an additional fee calculated as a percentage of successful investor commitments received and may receive an incentive payment at TriGate's discretion. Compensation to Park Madison will be paid by TriGate and not by any Fund.

### **15. CUSTODY**

TriGate is deemed to have custody of investor funds. Cash and any certificated securities are held by qualified custodians (i.e. banks and brokerage houses). In certain situations involving partnerships formed by TriGate and third parties to hold real estate or loan investments, the third parties will open bank accounts and hold cash on behalf of the partnership and the Fund, which could result in increased cash management risk. Investors do not receive statements from custodial entities, however, reports are sent to the investor quarterly that outline in detail Fund investment holdings. The investor should

carefully review the activity relevant to their ownership interest. The annual audit is provided to the investor as additional assurance regarding asset ownership and values.

#### **16. INVESTMENT DISCRETION**

TriGate typically receives discretionary authority from the investor via a limited partnership agreement at the outset of an advisory relationship to select the identity and the amount of real estate related assets to be bought or sold. In all such cases discretion is exercised in a manner consistent with the stated investment objectives for the particular partnership and TriGate observes the investment policies, limitations and restrictions of the partnership agreement. TriGate does manage one limited partnership (TriGate CalSTRS) for which it does not have discretionary authority.

#### **17. VOTING INVESTOR SECURITIES**

The limited partnership agreement governing investments typically provides TriGate with sole discretionary authority to vote securities as required. Voting decisions are made on a case by case basis in the best interest of Fund investors, to maximize the value of Fund assets and without regard for actual or perceived conflicts of interests. Investors may discuss voting directly with one or more of TriGate's Managing Members by calling 214-220-2274.

#### **18. FINANCIAL INFORMATION**

Registered investment advisers are required to provide you with financial information or disclosures about TriGate's financial condition. TriGate has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to investors, and has not been the subject of a bankruptcy proceeding.

#### **19. REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

A. Managing Members:

- John A. (Jay) Henry IV - Mr. Henry is a Managing Member of TriGate since its inception in 2007, and President of JAH & Co, L.P.; a family controlled real estate owner/operator. Prior to his current role(s), Mr. Henry was with Morgan Stanley focusing on real estate investment from 1995-2003 holding a variety of positions including Managing Director of Real Estate responsible

for Morgan Stanley's Investing Group in Europe from 2000 to 2003. Mr. Henry has an A.B. from Dartmouth College and an M.B.A. from the Amos Tuck School of Business Administration at Dartmouth College.

- Mr. Pettee is a Managing Member of TriGate since its inception in 2007. Prior to his current role with TriGate, from 2001 to 2007, Mr. Pettee directed all operations, asset management and workout activities for NCS I, LLC, a diversified finance and real estate company, for which he has ongoing residual responsibilities. Previous positions also include CFO of Amresco, Inc., President/COO of Amresco Capital Trust, a Real Estate Investment Trust as well as positions with Copley Real Estate Advisors and BBC Investment Advisors. Mr. Pettee has a B.S. in Mechanical Engineering from Cornell University and an MBA from Harvard Business School.
- Mr. Yarckin is a Managing Member of TriGate since its inception in 2007. Prior to his current role with TriGate, he was with ORIX Capital Markets from 2004-2007 where he served as President from 2006-2007. Prior to ORIX, Mr. Yarckin spent ten years with the Lone Star Funds as a founding partner following positions at Colony Advisors and Salomon Brothers. Mr. Yarckin has a B.S. in Economics from the Wharton School at the University of Pennsylvania and an MBA from the Amos Tuck School of Business Administration at Dartmouth College.

#### B. Other business of TriGate:

- TriGate does not engage in any other business other than providing investment advice.

#### C. Performance-based Fees

- As explained in Item 5 and 6 above, TriGate may be compensated with income tied to the performance of a particular Fund. Typically the investor will receive a specified return prior to TriGate's participation in the profits. The investor return is computed based on the timing and amount of their capital contributions to the Fund and the subsequent return of their capital plus profit. Once the investor return objective as outlined by the governing documents is achieved a portion of any additional profits will be allocated to TriGate as an incentive. Performance-based fees may create an incentive for TriGate to recommend an investment that may carry a higher degree of risk to the investor.