

Item 1. Cover Page

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Firm Brochure
(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of Formation Capital, LLC (“Formation Capital”). If you have any questions about the contents of this brochure, please contact us at (770) 754-9660. 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.

Formation Capital is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about Formation Capital is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2. Material Changes

The following material changes were made to this brochure since the date of our last annual amendment filing, dated March 31, 2016:

- We have updated the Formation Capital LLC ownership, as set forth under Item 4.
- We have updated the amount of regulatory assets under management, as set forth under Item 4.

This section of the brochure addresses only those material changes that have been incorporated since our posting of this document on the SEC's public disclosure website (IARD) www.adviserinfo.sec.gov. Other amendments were made to this brochure, which are not discussed in our summary, and consequently, we encourage you to read the brochure in its entirety.

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Item 4. Advisory Business

Formation Capital was organized in 1999 in the State of Pennsylvania as a limited liability company, and was re-domesticated in 2007 in the state of Georgia. Formation Capital is 30% owned by HCCF Management Group, Inc., 30% owned by ZAC Management Group, Inc., and 40% owned by Trident Formation Holdings, LP. HCCF Management Group, Inc. is 100% owned by Arnold Whitman, and ZAC Management Group, Inc. is 80% owned by Steven Fishman and 20% owned by Allan Morrison.

Our Services

Formation Capital, through various entities owned by, controlled by, or under common control with Formation Capital (each an “Affiliate”), provides investment advisory and asset management services to pooled investment vehicles (the “Funds”). Formation Capital predominately focuses on seniors housing and care, post acute and health care real estate investments. Formation Capital’s investment approach is designed to capture maximum value in the future, based on realizing arbitrage between real estate markets, corporate markets and capital markets today.

Portfolio oversight and asset management services are tailored to each individual Fund. Primary asset management functions generally include, but are not limited to, financial reporting, loan compliance, capital expenditure management, site inspection, operator meetings, legislative review and investment reporting. Any restrictions on a Fund’s investments are set forth in its governing documents.

Formation Capital, whether directly or through an Affiliate, is authorized to implement each Fund’s investment objectives and strategies in accordance with the terms of its governing documents, subscription agreement, investor memorandum and/or other offering documents (the “Offering Documents”), as may be amended from time to time. Certain Funds are co-advised by Safanad Inc., another SEC-registered investment adviser. In addition, each Fund is generally structured such that the asset manager, general partner or managing member, as applicable, cannot effectuate major decisions without obtaining written consent from a majority of the limited partners or members (or the Board of Managers or Investment Committee of the Fund, as applicable).

Regulatory Assets Under Management

As of December 31, 2016, Formation Capital manages total Fund assets of approximately \$6,011,200,000 all of which are managed on a discretionary basis. The calculation of regulatory assets under management is based on total invested capital, including leverage.

Item 5 . Fees and Compensation

Management Fees and Fee Billing

Formation Capital, through its Affiliates, is generally compensated for services in one of three ways: (i) a percentage of invested capital, (ii) by number of real estate assets under management or (iii) a fixed annual fee. The fees to be paid by each Fund are negotiated and agreed to by the Fund’s investors, and set forth in the Fund’s Offering Documents. Fees are typically paid on a monthly basis.

In addition to the management fees, the Funds generally pay certain carried interest distributions, as described in Item 6 below and in each Fund's Offering Documents.

Additional Fees

The fees payable above are exclusive of, and are in addition to, certain third party fees, including, but not limited to, transaction fees, audit fees, legal fees, exit fees and other related costs and expenses that may be incurred by the Funds, as more fully described in the relevant Fund's Offering Documents.

Item 6. Performance-Based Fees and Side-By-Side Management

Formation Capital, through its Affiliates, receives performance-based fees in the form of carried interest distributions. The carried interest to be paid by each Fund is negotiated and agreed to by the Fund's investors, and set forth in the Fund's Offering Documents.

Formation Capital does not engage in side-by-side management.

Item 7. Types of Clients

Formation Capital's current clients are limited to the Funds, each of which is a private investment vehicle. The Funds generally do not impose a minimum investment commitment. Due to the private nature of the Funds, however, there are minimum investor criteria, which are fully described in each Fund's Offering Documents.

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

The following is a brief summary only of Formation Capital's general investment strategy and the general material risks associated with one or more Funds. An investment in a Fund involves a significant amount of risk, and is suitable only for sophisticated investors of substantial means who have no immediate need for liquidity in the amount invested, and who understand and can afford a risk of loss of a substantial portion or all the investment. There can be no assurance that any returns will be realized, or that any investor in a Fund will receive a return of its capital. The relevant Fund's Offering Documents contain a more detailed description of the Fund's investment objectives and the risks associated with an investment in the Fund.

Method of Analysis and Investment Strategy

Formation Capital targets high quality healthcare operating companies in the seniors housing and care and post acute sectors. Companies in these sectors are typically real estate based, with services provided in or to a healthcare facility. Our approach to transaction structuring separates the real estate from the operating company, maintaining the relationship through a triple-net lease, structured to align interests and capture future value enhancement. This approach is designed to identify risk arbitrage in an investment structure and to allocate our capital quickly to capitalize on temporary market inefficiencies.

Formation Capital's investment strategy balances the needs of capital and operations, and structures investments to meet standards of high quality care. Our deep ties with industry leaders allow us to partner with leading operators, and we believe our long-standing commitment to seniors housing and post-acute care gives us an advantage underwriting (pre-acquisition) and managing (post-closing) healthcare investment risks.

Prior to an exit event, Formation Capital tailors a value-add business plan for each investment, which may include investing in capital expenditures and facility modernization, building a platform through add-on acquisitions, implementing best practices from our portfolio companies and funding growth capital to drive organic and external growth.

Material Risks

Listed below is a summary of some of the material risks involved in connection with our methods of analysis and investment strategies. The discussion of material risks provided below is not meant to be a complete description of risks that may be applicable to Formation Capital or to an investment in any particular Fund. The information contained herein is a summary only, and is qualified in its entirety by the relevant Fund's Offering Documents.

General Investment Risks. Market movements are difficult to predict and are influenced by, among other matters, government trade, fiscal, monetary and exchange rate and control programs and policies, changing supply and demand relationships, national and international political and economic events, changes in interest rates, and the inherent volatility of the marketplace. A Fund's success is also dependent, in part, on Formation Capital's ability to implement the Fund's investment strategy.

Investments in Companies with Smaller Capitalizations or Limited Coverage. A Fund may invest in the securities of companies with smaller capitalizations or that are the subject of little or no publicly-available analysis or research coverage. Investments in such companies may involve greater risk, in that they often have limited markets and/or financial resources, may be dependent for management on one or a few key persons, may lack substantial capital reserves, may not have established performance records and/or may be more susceptible to losses.

Debt and Other Income Securities. Certain Funds invest in senior loans and/or mezzanine loans. Senior loans are generally secured by assets and often by additional guarantees. However, like other corporate debt obligations, senior loans are subject to the risk of non-payment of scheduled interest and/or principal. Mezzanine loans are generally unsecured and junior to other indebtedness of the issuer. As a holder of a mezzanine loan, a Fund may lack adequate protection in the event the issuer becomes insolvent, and the Fund will likely experience a lower recovery than more senior debt-holders in the event the issuer defaults on its indebtedness. In addition, mezzanine loans are often highly illiquid and, in adverse market conditions, may experience steep declines in valuation even if they are fully performing.

Real Estate Ownership. A Fund's investments will be subject to the risks generally incident to the ownership of real estate and facilities, including uncertainty of cash flow to meet fixed and other obligations, adverse changes in local market conditions, interest rates, and real estate tax rates, changes in applicable laws and regulations (including tax laws), uninsured losses and other risks that are beyond the control of Formation Capital. Real estate investments are relatively illiquid and, therefore, tend to limit the ability of a Fund to vary its portfolio promptly in response to changes in economic or other conditions.

Investments in Development and Construction of Projects. Certain Funds may invest in development and construction projects, whose associated risks may include (i) abandonment of development opportunities; (ii) construction costs of a property exceeding original estimates; (iii) occupancy rates and rents at a newly completed property may not be sufficient to make the property profitable; (iv) financing may not be available on favorable terms for development of a property; (v) construction and lease-up may not be completed on schedule; and (vi) inability to obtain, or delays in obtaining, all necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations.

Investments in Senior Housing and Healthcare Companies and Facilities. Certain Funds may invest in entities whose primary business is to acquire, own, operate, sell, finance, or otherwise deal with congregate care and/or assisted living facilities. Senior housing and healthcare companies and facilities are vulnerable to changes in applicable law, and the risks that the population levels, economic conditions or employment conditions may decline in the surrounding geographic area. Any of these developments likely would have an adverse impact on the size or affluence of the tenant population in the area and a negative impact on the occupancy rates, rent levels and property values.

Environmental Matters. Under various foreign, federal, state and local environmental laws and regulations, a current or previous owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances or wastes, petroleum products or other pollutants or regulated materials, or threatened releases of such materials, at such property, and may be held liable to a government entity or to third parties for property damage and personal injury, and for investigation, cleanup and monitoring costs incurred by such parties in connection with the contamination.

Item 9. Disciplinary Information

There are no material legal or disciplinary events affecting Formation Capital or any of its management persons.

Item 10. Other Financial Industry Activities and Affiliations

The following Formation Capital Affiliates act as a general partner or managing member of a Fund or receive the carried interest distributions discussed in Item 6 above:

- a. Formation Capital Asset Management, LLC, which provides asset management services and is

the manager of FC Highlands Investors, LLC, FC Properties X, LLC, FC Lending – Tarzan, LLC and FC-TC Brownsboro Investment, LLC;

- b. Formation Capital Asset Management III, LLC, which provides asset management services and is the manager of FC Investors XXI LLC;
- c. Formation Capital Profit Sharing LLC, which receives profit sharing opportunities;
- d. Formation Capital Profit Sharing II LLC, which receives profit sharing opportunities;
- e. Formation Capital Profit Sharing III LLC, which receives profit sharing opportunities;
- f. Safanad Senior Care II CC GP, LLC, the general partner of Safanad Senior Care Investment Partnership II CC, LP;
- g. Safanad Senior Care II PT GP, LLC, the general partner of Safanad Senior Care Investment Partnership II PT, LP;
- h. Safanad Senior Care V GP, LLC, the general partner of Safanad Senior Care Investment Partnership V, LP;
- i. FC Eclipse Investment, LLC, the managing member of Eclipse Investment, LLC;
- j. FC Skyfall GP Limited, the general partner of FC Skyfall, LP;
- k. FC Domino General Partner, LLC, the general partner of Safanad Senior Care Investment Partnership VI, LP;
- l. FC Midlands General Partner, LLC, the general partner of Safanad Senior Care Investment Partnership VIII, LP;
- m. FC-RHA General Partner LLC, the general partner of Safanad Senior Care Investment Partnership VII, LP;
- n. FC Trident Manager, LLC, the managing member of FC Trident, LLC;
- o. FC Portland Manager, LLC, the managing member of FCGR Holdings, LLC; and
- p. FC Lending Fund Manager, LLC, the manager of FCA Finance, LLC, FCA Finance II, LLC, and FCA Finance III, LLC.
- q. FC Encore GP, LLC the general partner of FC Encore, LP

In addition, affiliates Formation Lending Group, LLC and Formation Healthcare Group, LLC provide financing and loan origination services and clinical consulting services, respectively, to the Funds and third parties. Formation Development Group, LLC (“FDG”), provides building project management services for new construction of senior housing facilities, including those that are either acquired by portfolio companies of a Fund or invested in directly by the Funds. While FDG is not an affiliate of Formation Capital, Mr. Fishman and Mr. Whitman are partial owners and serve on FDG’s management committee.

Formation Capital’s relationships, either directly or through the Funds, with the entities listed above may create a potential conflict of interest. Formation Capital has established policies and procedures intended to address potential and actual conflicts of interest to help ensure that Formation Capital always acts in the best interests of the Funds.

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

Formation Capital has adopted a Code of Ethics (the “Code”) that forms part of our compliance policies and procedures, and sets forth the basic policies of ethical conduct for all employees of Formation Capital and their fiduciary duty to the Funds. We have established policies relating to, among other things, the confidentiality of investor and fund information, a prohibition on insider trading, and personal securities trading procedures. In addition, Formation Capital’s employees are mandated to adhere to the highest standards with respect to any potential conflicts of interest with the Funds, and must always act in the Funds’ best interests.

Certain knowledgeable employees may also invest in the Funds. Any material potential conflicts of interest involved in advising the Funds are addressed by the provisions in the Funds’ governing documents, which typically require majority or unanimous consent, as applicable, of the Fund’s members/limited partners, the Board of Managers or Investment Committee.

Fund investors may request a copy of the Code of Ethics by contacting the firm at (770) 754-9660.

Item 12. Brokerage Practices

The Funds do not invest in marketable securities. If the need for a broker-dealer arises in the future, Formation Capital will adopt a methodology reasonably designed to achieve best execution for the transaction. Best execution generally means the broker-dealer’s ability to obtain best qualitative and quantitative execution reasonably available under the circumstances.

Item 13. Review of Accounts

Formation Capital continuously monitors the investments of each Fund, and investors generally receive, at a minimum, written quarterly reports on the Funds’ performance and/or financial information concerning the Fund’s assets.

Item 14. Client Referrals and Other Compensation

As Formation Capital’s only clients are the Funds, we do not compensate any person for client referrals. Formation Capital also does not engage solicitors, placement agents or other persons to refer potential investors to the Funds.

Item 15. Custody

Formation Capital is deemed to have custody of the Funds’ assets as a result of an Affiliate acting as a general partner or managing member of the Funds. As a result, Formation Capital maintains any marketable securities, cash or cash equivalents at a qualified custodian. If a Fund is subject to an annual financial audit by an independent accounting firm registered with, and subject to inspection by, the Public Company Accounting Oversight Board, the audited financial statements are prepared in

accordance with US Generally Accepted Accounting Principles and are distributed to investors. If a Fund is subject to an annual surprise audit by an independent accounting firm, investors will receive, at a minimum, quarterly account statements from the Fund's qualified custodian. Fund investors should carefully review those statements for any errors or discrepancies, and compare them against any reports received from Formation Capital.

Item 16. Investment Discretion

Formation Capital manages Fund assets on a fully discretionary basis, subject to the terms and conditions of each Fund's Offering Documents. Generally, material decisions affecting a Fund require majority or unanimous consent, as applicable, of the Fund's members/limited partners, the Board of Managers or Investment Committee, as set forth in each Fund's governing documents.

Item 17. Voting Client Securities

The Funds' assets do not involve companies that issue proxies. Voting rights concerning material matters that call for a vote or the consent of the limited partners or members (or Board of Managers or Investment Committee, as applicable) are set forth in each Fund's governing documents.

Item 18. Financial Information

Formation Capital has no financial condition that is reasonably likely to impair its ability to meet contractual commitments to the Funds, and has not been the subject of a bankruptcy petition.