

# Lyrical-Antheus Management, L.P.

Investment Adviser Brochure (Form ADV: Part 2A)

March 30, 2016

This brochure provides information about the qualifications and business practices of Lyrical-Antheus Management, L.P. If you have any questions about the contents of this brochure, please contact us at 201-541-8003. 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 Lyrical-Antheus Management, L.P. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## ITEM 2 – SUMMARY OF MATERIAL CHANGES

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Below is a summary of material changes since Lyrical-Antheus Management, LP's last annual updating amendment dated March 30, 2015:

### Item 4

LAM may occasionally form joint ventures between two or more clients to co-invest in an opportunity. LAM reviews that the opportunity is appropriate for each client and each client receives the same terms and conditions.

As noted above, the foregoing is solely a summary of the material changes that made to this brochure, and does not summarize all of the changes since Lyrical-Antheus Management, LP's last annual update. Please be aware that other non-material changes have been included in this brochure.

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## ITEM 4 - ADVISORY BUSINESS

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Lyrical-Antheus Management, L.P. ("LAM") is owned by David Gefsky (25%), Eli Ungar (25%) and the Jeffrey A. Keswin 2007 Perpetuity Trust (50%). Erica Keswin serves as the trustee to the Jeffrey A. Keswin 2007 Perpetuity Trust.

LAM was organized in December 2004 for the purpose of providing investment management services with respect to real estate related investments. The persons involved in such investment management services are referred to herein as "supervised persons" and include Jeffrey A. Keswin and Messrs. Gefsky and Ungar. With the exception of Jeffrey A. Keswin, all supervised persons are employed by or are principals of MAC Property Management, LLC ("MPM"). MPM is owned equally by David Gefsky and Eli Ungar, together with their respective spouses. See Item 10 for additional information with respect to MPM.

LAM provides investment advisory services with respect to investments in residential and commercial real estate. Investments consist of, but are not limited to, income-producing residential real property located throughout the United States. LAM provides these services to private funds organized as limited partnerships (referred to herein as "clients"). The term "investor" as used herein refers to an individual or entity that invests in a client of LAM. LAM serves as the managing member of each client's general partner ("LAM GPs"). The ownership of the LAM GPs is identical to that of LAM.

LAM's investment advice is limited to real estate related investments. Any client restrictions or investment objectives are set forth in the client's governing documents.

As of December 31, 2015, LAM managed \$1,246,643,560 in assets on a discretionary basis.

## ITEM 5 - FEES AND COMPENSATION

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Client's pay LAM an annual management fee of 2% as follows: 1) during the commitment period, a percentage based on total capital commitments and 2) after the commitment period, a percentage based on net funded capital commitments (as defined in each client's governing documents). The management fee is directly debited from clients quarterly in advance and may be negotiated with each investor at LAM's discretion. If a client terminates prior to the end of the quarter, LAM will not refund pre-paid management fees to clients. In addition, the LAM GPs are eligible to receive performance based compensation from clients.

In addition to the fees described above, each client typically pays expenses incurred in connection with the investment, administration and management of its assets. Such expenses include legal, accounting and other third party costs, litigation expenses, compensation of advisers, consultants and finders, travel costs, appraisal costs, commitment fees, transfer or recording taxes, registration fees, real estate taxes, interest,

leasing fees, management fees and expenses. If an expense is incurred for the benefit of more than one client, it is allocated pro rata in proportion to the relative amounts invested or in a manner deemed to be fair and equitable.

Clients will incur other brokerage and transaction costs. The disclosure under Item 12 contains additional information with respect to such costs.

## ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

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As discussed under Item 5, clients pay an annual management fee to LAM and LAM GPs are eligible to receive performance-based compensation from clients. LAM does not advise clients that are not subject to both an asset-based fee and performance-based compensation.

## ITEM 7 - TYPES OF CLIENTS

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LAM's clients are limited partnerships for which LAM GPs serve as the general partner. Clients may have investment minimums set forth in their governing documents, which may be waived at LAM's discretion.

## ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

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### Analyses and Strategy

LAM provides investment advisory services with respect to investments in residential and commercial real estate. LAM seeks to generate return for clients through the purchase, development, re-development, financing, management and disposition of apartment properties. When selecting investments, LAM considers, among other factors, geographic location, including proximity to anchors such as hospitals and universities, and the opportunity to create value due to distress or improper management. Prior to making an investment, LAM conducts various forms of due diligence which may include environmental studies, assessment reports, operating diligence regarding leases and bad debt, and financing reviews.

### Risks

Real estate investments tend to be illiquid and are subject to varying degrees of risk. Real estate values are effected by a number of factors including changes in the general economic climate, local conditions (such as an oversupply of space or reduction in demand for space), the quality and philosophy of management, competition based on rental rates, attractiveness and location of properties, financial condition of tenants, buyers and sellers of properties, quality maintenance, insurance and management services and changes in

operating costs. Real estate values are also affected by such factors as government regulations (including those governing usage, improvements, zoning and taxes), interest rate levels, the availability of financing and potential liability under changing environmental laws. As a result of such factors, the value of the real estate investments can be expected to fluctuate.

LAM's clients and their subsidiaries borrow and use leverage to make investments. While such leverage will increase the funds available for investment by clients, it will also increase the risk of loss on a leveraged property.

LAM's clients invest solely in real estate and lack diversification. A lack of diversification increases the impact a decrease in real estate market would have on clients.

There is no assurance that the above is a complete description of all risks of an investment or that there are no other risks that may exist now or that may arise in the future in connection with an investment. Strategies and risks related to clients are described in greater detail in each client's governing documents and this description is qualified in its entirety by those materials with respect to each client.

Investing in securities involves risk of loss that clients should be prepared to bear.

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## ITEM 9 - DISCIPLINARY INFORMATION

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LAM and its supervised persons do not have legal or disciplinary events to disclose.

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## ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

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LAM recommends to clients, or engages on a client's behalf, related third party service providers. A conflict of interest exists in engaging, initially and on an ongoing basis, or recommending, such persons since it could appear that the third party service providers were chosen based on their relationship with LAM rather than on a client's best interests. LAM monitors this potential conflict of interest to ensure that the recommendation of third party service providers is in the clients' best interests. These relationships are described below.

Messrs. Gefsky and Ungar, together with their spouses, own Silliman Group, LLC ("Silliman"). Silliman is a construction company that is engaged by clients to perform certain construction and/or construction management services. LAM's clients reimburse Silliman for these construction costs. LAM ensures that such services and costs are comparable or more favorable than that which could be obtained from an unrelated party. Silliman is a pass-through entity which performs renovation work exclusively for LAM's clients' properties. It was established in order to avoid paying general contractor fees. It does not generate any profit, but instead performs work at cost.

- Messrs. Gefsky and Ungar, together with their spouses, own MPM, Algonquin Management, LLC and Regent Park Management, LLC (collectively the “Property Management Companies”). The Property Management Companies are engaged to manage the rental activities with respect to clients’ real estate investments. LAM’s clients pay a property management fee to the Property Management Companies based on a percentage of rental income for such services. As stated in the clients’ PPMs, at no time will the management fee charged by the management companies be in excess of the market rate. The services and pricing available from third party property managers are reviewed on an ongoing basis to ensure that the pricing and services provided by the Property Management Companies are comparable to or more favorable than that which could be obtained from an unrelated party.

It should be noted that both Silliman and MPM lease office space in properties that are owned by LAM’s clients. LAM ensures that all such leases are at fair market rates.

LAM also has the financial industry affiliations described below.

- Garth Doering and Greg Guttman are employees of MPM who also serve as sponsoring brokers. Real estate brokerage licenses are held in both Mr. Doering’s and Mr. Guttman’s names and in the name of MPM. Such licenses are held solely in connection with the leasing activities conducted by MPM. Messrs. Doering and Guttman and MPM are not engaged in the purchase or sale of real estate as licensed real estate agents or brokers.
- Mr. Keswin maintains an ownership interest in Lyrical Asset Management (“Lyrical”), an SEC registered investment adviser. Lyrical provides investment advisory services to separately managed accounts and an investment company which invest in publicly traded securities. Mr. Keswin also has an ownership interest in Lyrical Partners, LP. Lyrical Partners, LP is an investment adviser that manages investment funds including funds of funds, private equity funds and hedge funds. LAM does not believe that this situation creates a conflict of interest with or harms clients in any way.
- Prior to the creation of LAM, Messrs. Gefsky and Ungar created multiple entities each for the purpose of investing in a single real estate investment. Such entities were organized as limited liability companies or limited partnerships and were capitalized with funds from third party investors. Each entity continues to hold or previously sold its intended investment. LAM and its related persons do not provide investment advisory services to these entities and LAM does not believe that this situation creates a conflict of interest with or harms clients in any way.

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## ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

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LAM enforces a Code of Ethics (the “Code”) to promote the highest levels of ethical conduct among its supervised persons. The Code includes the following general principles: 1) the duty at all times to place the interests of clients first, 2) the requirement to conduct personal securities transactions in such a manner as to avoid any actual or potential conflict of interest, and 3) the fundamental standard that LAM and its supervised persons exercise independent, unbiased judgment in the investment decision-making process.

The Code stipulates that supervised persons are not permitted to use their knowledge of proposed or actual recommendations or transactions to profit personally. The Code also restricts the personal receipt of investment opportunities, perquisites, or gifts from persons doing or seeking business with LAM that could call into question the supervised person’s independent judgment.

Supervised persons are also prohibited from sharing non-public personal information of clients or investors without permission and unless necessary to complete a transaction on the client’s or investor’s behalf.

Certain supervised persons have an ownership interest in clients directly, as investors, or indirectly, as owners of the LAM GPs. Consequently, an incentive exists to favor clients based on the amount of a supervised person’s interest. For example, an incentive could exist to allocate limited investment opportunities to certain clients. LAM prohibits its supervised persons from allocating trades or investment opportunities that favor any particular client, group of clients or affiliated and proprietary accounts. In addition, the nature and timing of investment decisions decreases the likelihood that clients would compete for investment opportunities. See Item 12 for more information with respect to the allocation of investment opportunities.

This summary is qualified in its entirety by LAM’s Code. Contact Susie Charendoff at (201) 541-8003 x7402 or [scharendoff@antheuscapital.com](mailto:scharendoff@antheuscapital.com) to request a copy of the Code.

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## ITEM 12 - BROKERAGE PRACTICES

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LAM has the discretion to select the mortgage broker used to effect mortgage transactions for financing real estate investments. When selecting mortgage brokers, LAM considers mortgage brokers with a demonstrative experience in financing from various lenders and a track record with loans of similar type and size. LAM also has the discretion to select real estate brokers to affect the sale of real estate investments. In selecting a broker, LAM considers the market experience, track record and client-base of the broker. Although obtaining the lowest fee is a factor in selecting or recommending a real estate broker, LAM does not necessarily direct transactions to the broker that offers the lowest commissions.

LAM is committed to allocating potential transactions among its clients in a fair and equitable manner. LAM forms limited partnerships on a sequential basis and generally does not make investments in a new client until all prior clients are at least 70% invested. LAM may occasionally form joint ventures between two or more clients to co-invest in an



opportunity. LAM reviews that the opportunity is appropriate for each client and each client receives the same terms and conditions. In addition, certain of LAM's clients were formed with the sole purpose of co-investing with another client. These clients are managed as parallel funds and co-invest in the same opportunities in pre-determined allocations. The nature and timing of investment decisions, as described above, reduces the likelihood that clients would compete for investment opportunities. In addition, LAM's clients each have an advisory committee which consists of independent investors. When a potential conflict of interest exists, LAM may convene the client's advisory committee to review the investment. Further, LAM prohibits its supervised persons from allocating trades or investment opportunities that favor any particular client, group of clients or affiliated and proprietary accounts.

### ITEM 13 - REVIEW OF ACCOUNTS

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Client investments are reviewed on an annual basis by the supervised persons listed below. These reviews take into account various factors, including, performance, budgets and capital plans.

- David Gefsky, Managing Member of Lyrical-Antheus Management GP, LLC
- Eli Ungar, Managing Member of Lyrical-Antheus Management GP, LLC

Lyrical-Antheus Management GP, LLC serves as the general partner to LAM. For each client investment, LAM receives information from the property manager with respect to periodic physical reviews of investments, weekly reviews of leasing and rent rolls, and monthly reviews of lease renewals, occupancy rates and financials. Significant changes in the information provided by the property manager may trigger further review by LAM.

LAM provides written quarterly statements and annual audited financials to its clients' investors.

### ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

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LAM does not receive any economic benefit from a non-client for providing investment advisory services. In addition, LAM does not compensate any person for client referrals.

If an investment opportunity is too large for a client to invest in alone, LAM may seek other investors to participate with the client in making the investment. LAM does not provide investment advice or other advisory services to these other investors but may be entitled to receive from them a performance fee based on the success of the investment. LAM believes that this practice is in the best interests of clients, who would not otherwise be able to participate in the investment opportunity, and does not create a conflict of interest.

## ITEM 15 - CUSTODY

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LAM has custody over clients' funds and/or securities. LAM's clients are audited by an independent public accountant and annual audited financial statements are distributed to the investors.

In the event that a qualified custodian sends quarterly, or more frequent, account statements directly to clients or investors, such clients and investors should carefully review those statements and compare them to any statements they receive from LAM.

## ITEM 16 - INVESTMENT DISCRETION

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LAM accepts discretionary authority to manage its clients' assets. This authority is set forth in a client's offering documents, investment advisory agreements, and/or other governing documents. Such documents also set forth restrictions and constraints with respect to this authority.

## ITEM 17 - VOTING CLIENT SECURITIES

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LAM's clients generally do not hold voting securities. In the event that a client holds voting securities, LAM will adopt and implement written policies and procedures that are reasonably designed to ensure that it votes client securities in the best interest of clients and in a manner that is not a product of a material conflict of interest between LAM and the client. LAM would disclose these policies and procedures to clients and describe to them how to obtain information from LAM about how their securities were voted.

## ITEM 18 - FINANCIAL INFORMATION

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LAM is financially capable of meeting all contractual commitments to its clients.