

Broadstone Asset Management, LLC

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This brochure provides information about the qualifications and business practices of Broadstone Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at the phone number listed above.

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. Please note, where this brochure may use the terms "registered investment adviser" and/or "registered", registration itself does not imply a certain level of skill or training.

Additional information about the firm is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Material Changes

Since the initial filing of this Firm Brochure on December 28, 2015, the following material changes have been made:

- On August 15, 2016, the firm moved its offices from 530 Clinton Square, Rochester NY, to 800 Clinton Square, Rochester NY.
- Broadtree Homes Inc. has changed its name to Broadtree Residential Inc.
- Item 5, Fees and Compensation, has been amended to clarify the fees and compensation received by Broadstone and its affiliates related to Broadstone Net Lease and Broadtree Residential

Questions regarding the brochure and/or the information contained herein may be directed to the firm and its representatives. Additional information about the firm and its representatives is also available on the SEC's website at www.adviserinfo.sec.gov.

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Item 4 Investment Advisory Business

Established in 2006, Broadstone Asset Management, LLC ("*Broadstone Asset Management*" or the "*Firm*") provides investment advisory, administrative and related services to two clients: Broadstone Net Lease, Inc. ("*Broadstone Net Lease*") and Broadtree Residential, Inc. ("*Broadtree Residential*"). Broadstone Asset Management also investigates, analyzes, structures and negotiates potential investments, monitors portfolio investments and advises as to dispensation opportunities.

Broadstone Net Lease is a real estate investment trust ("*REIT*") that focuses on single tenant net leased real estate throughout the United States. Broadstone Net Lease focuses on investing in properties for the long term to tenants with a track record of success, profitability and credit worthiness. Broadtree Residential is a REIT that focuses on acquiring and leasing residential real estate properties. Investment decisions for Broadstone Net Lease and Broadtree Residential are made by their respective investment committees and independent directors committees.

Broadstone Asset Management is wholly-owned by Broadstone Real Estate, LLC ("*Broadstone Real Estate*"). From March 30, 2012, through January 11, 2016, Broadstone Real Estate was an SEC-registered investment adviser. While registered, Broadstone Real Estate listed Broadstone Asset Management as a Relying Adviser but was informed in September 2015 by the SEC that the ABA No-Action letter does not apply to Broadstone Real Estate since Broadstone Net Lease and Broadtree Residential do not meet the SEC's definition of "private funds". Accordingly, Broadstone Asset Management, as the contracted investment manager for Broadstone Net Lease and Broadtree Residential, filed an application to register as an investment adviser. Since Broadstone Asset Management is wholly-owned by Broadstone Real Estate, there was no practical change in control or management of the registered adviser by virtue of this change.

As of January 2017, Broadstone Real Estate is owned approximately 22.65% by Amy L. Tait; 22.65% by Broadstone Ventures, LLC; 45.3% by Trident BRE, LLC ("*Trident BRE*"), an investor-owned company managed by private equity firm Stone Point Capital LLC ("*Stone Point*"), and 9.42% by employees of Broadstone Real Estate. Broadstone Real Estate has a Board of Managers that includes two representatives of Trident BRE and two Broadstone Real Estate management representatives. In addition, Agha Khan from Stone Point assumed one of the two inside director seats on the Broadstone Net Lease and Broadtree Residential boards. Ms. Tait continues to serve as the Chairman and second inside director of Broadstone Net Lease and Broadtree Residential.

As of December 31, 2015, Broadstone Asset Management had a total of approximately \$1,520,585,021 of discretionary assets under management.

Item 5 Fees and Compensation

Asset Management Fees - Broadstone Net Lease: Broadstone Asset Management charges Broadstone Net Lease an annual asset management fee of 1%, paid in quarterly increments in advance. The asset management fee is equal to one percent (1%) of the aggregate weighted average Determined Share Value multiplied by the number of shares of common stock outstanding on a fully diluted basis (including the membership interests in Broadstone Net Lease's Operating Company convertible into shares). The asset management fee is subject to certain deferrals when cumulative annual distributions to the shareholders are below \$3.50.

In addition to the asset management fee, Broadstone Asset Management is paid an acquisition fee equal to 1% of the gross purchase price paid for each acquired property (including properties contributed in exchange for Operating Company interests at their agreed upon market value). In the

event that the acquisition of a property by Broadstone Net Lease requires a new lease (as opposed to taking an assignment of an existing lease), such as in the case of a sale-leaseback transaction, Broadstone Asset Management is entitled to an acquisition fee equal to 2% of the purchase price as a result of the additional leasing services required. Upon disposition of any property, Broadstone Asset Management is entitled to a disposition fee equal to 1% of the gross sale price for each disposed of property, whether or not a broker is engaged to buy or sell the property on behalf of the Operating Company.

Asset Management Fees - Broadtree Residential: Broadstone Asset Management charges Broadtree Residential an annual asset management fee of 1%, paid in quarterly increments in advance. The asset management fee is equal to 1% of the Total Equity Value of both Broadtree Residential and Broadtree Residential's Operating Company. The quarterly asset management fee paid to the Broadstone Asset Management is subject to adjustment based on sales of additional shares of common stock during the quarter. Total Equity Value will equal the sum of (a) the equity value based on the number of shares and membership units outstanding, multiplied by (b) the Determined Share Value established by the Independent Directors Committee. The asset management fee is subject to certain deferrals when cumulative annual distributions to shareholders are below \$0.50 per share.

The Firm also receives acquisition fees as follows. For single family home acquisitions, the acquisition fee is equal to 3% the gross purchase price paid for each acquired property. For multi-family acquisitions, the acquisition fee is as follows: (a) 3% when the gross purchase price is \$10 million or less; (b) \$300,000 when the gross purchase price is more than \$10 million but less than or equal to \$15 million; and (c) 2% when the gross purchase price is more than \$15 million.

The Firm also receives a disposition fee equal to 3% of the gross sale price for each disposed of property, whether or not Firm also engages an outside broker to sell the property on behalf of Broadtree Residential, provided that total selling commissions will not exceed 6%.

Property Management Fees - Broadstone Net Lease: Broadstone Real Estate receives a property management fee from Broadstone Net Lease equal to 3% of gross rental income. A fee is also earned on re-leasing services equal to one or two months' rent when required.

Property Management Fees - Broadtree Residential: Broadstone Real Estate's wholly-owned subsidiary, Broadtree Home Rentals, LLC ("*Broadtree Home Rentals*"), is compensated for its property management services by receiving, as of the end of each month, a property management fee equal to 10% of gross rentals, fees and reimbursements collected from all single family rental properties in the Broadtree Residential portfolio. With respect to multifamily properties and apartment communities with five or more units per building, the monthly property management fee to be paid to Broadtree Home Rentals is as follows: (a) 6% for properties with up to 100 units/beds plus on-site management (subject to a minimum of \$45/unit and \$400/property per month); (b) 5% for properties with 101 - 200 units/beds plus on-site management; (c) 4% for properties with 201 - 300 units/beds plus on-site management; (d) 3% for properties with over 300 units/beds plus on-site management; and (e) 3% for any net leased property with no active management duties. In addition, Broadtree Home Rentals is reimbursed for (i) salary and benefits expense for on-site employees who handle the on-site management, operations and maintenance of properties and (ii) marketing costs related to leasing, including advertising, leasing and referral fees paid to third parties.

Marketing Fees: As compensation and reimbursement for internal and third party offering and out-of-pocket marketing expenses incurred in marketing the funds, Broadstone Asset Management receives a fee equal to 0.5% of the proceeds of all newly contributed capital from Broadstone Net Lease and 3% of the proceeds of all newly contributed capital from Broadtree Residential.

REIT Expenses: Organizational and other expenses are paid by the Broadstone Net Lease, Broadtree Residential, Broadstone Real Estate or its affiliates in accordance with the terms of the management agreements. Generally, Broadstone Real Estate bears the ordinary expenses incidental to performing their services, while Broadstone Net Lease or Broadtree Residential, as applicable, bears all other expenses related to its respective operations, including third-party costs incurred in evaluating and closing the purchases and sales of assets, in valuing its portfolio, on-going valuation services, interest and financing fees, fees and expenses of Independent Directors, taxes, fees of auditors and counsel, insurance, litigation, bank fees, transfer agent fees, and any capital expenditures or other property.

Item 6 Performance-Based Fees and Side by Side Management

There are no performance fees, carried interest or side-by-side management.

Item 7 Types of Clients

Broadstone Asset Management provides investment management services exclusively through real estate investment vehicles.

Broadstone Net Lease imposes a minimum investment amount of \$500,000 for direct investment (\$250,000 through a wealth manager) and Broadtree Residential imposes a minimum investment amount of \$100,000. The investment minimums may be waived at the Firm's sole discretion.

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

Broadstone Asset Management provides portfolio management and administrative services and focuses on investing in broadly defined real estate investments, including the selection of properties, management of such properties and the disposal of investment properties. The firm purchases properties with tenants in the healthcare, retail, office, business services, industrial services, and certain other markets for Broadstone Net Lease. The firm also purchases residential real estate properties for rental income for Broadtree Residential. Within its target industries, Broadstone Asset Management focuses exclusively on real estate investments.

While prospective investors should review the risk disclosures set forth in full in the offering materials or separate account documentation, the following are certain material risks with respect to investments in the real estate investment vehicles. These risks are qualified in their entirety by the risks set forth in the private placement memorandum, other offering materials or governing documents.

- **Long-Term Investment:** Investments in real estate investment vehicles are not intended to be short-term investments and should be viewed as long-term investments by its investors.
- **Reliance on Portfolio Company Management:** While it is the intent of Broadstone Net Lease to invest in properties on a net lease basis with tenants with solid operating histories and creditworthiness, there can be no assurance that such properties will continue to operate successfully.

Broadtree Residential intends to invest in residential real estate properties and lease to financially stable tenants, but there can be no assurance that the properties purchased can be rented and that tenants comply with the terms of the lease.

- **Illiquidity:** Investments in real estate investment vehicles represent highly illiquid investments and should only be acquired by investors able to commit capital for an indefinite period of time. Investors will not be permitted to transfer their interests without the written consent of Broadstone Asset Management and upon satisfaction of certain other conditions, including compliance with applicable securities laws.

To the extent permitted, the redemption policy for Broadstone Net Lease provides for no redemption in the first year of ownership and redemption at 95% of the then current share price in years two through five. Thereafter a full redemption may be requested at the determined share value, subject to limitations documented in the offering documents or private placement memorandum.

To the extent permitted, the redemption policy for Broadtree Residential provides for no redemptions in the first year of ownership. Years two through five may redeem at 95% of the then current share price, and thereafter redemption at 98% may be requested at the determined share value, subject to limitations documented in the offering documents or private placement memorandum.

- **Risk of Inadequate Return:** The returns on a particular real estate investment, if any, may not be commensurate with the degree of risk.
- **Multiple Fees and Expenses:** The real estate investment vehicles will pay certain fees (as described in Item 5, "Fees and Compensation"), and expenses, and, to the extent applicable, will indirectly bear the expenses of the underlying investments in which the real estate investment vehicles invest. This could result in greater expense and less potential for return on investment than if such expenses were not incurred.
- **Future Legislative and Regulatory Actions:** New laws and regulations, changing regulatory schemes and the burdens of regulatory compliance with respect to real estate investment vehicles, Broadstone or any related entity all may have a material negative impact on investment performance. Such legislation and regulations may, directly or indirectly, (i) require the Firm to provide reports and other disclosure to investors, counterparties, creditors and regulators, (ii) cause the Firm to alter its management, including for the purposes of avoiding increased regulatory burdens, (iii) limit the types and structures of the investments available including limitations on the use of leverage, or (iv) otherwise change or restrict the operations of the real estate investment vehicles.
- **REITs Not Registered:** Broadstone Net Lease and Broadtree Residential are not registered under the Investment Company Act or any other U.S. federal or state securities laws or the laws of any other jurisdiction. The Investment Company Act provides certain protections to investors and imposes certain restrictions on registered investment companies, which will not be applicable to the investments.
- **Risk of Loss:** Investing in securities involves a certain amount of risk of loss that clients should be prepared to bear. Questions regarding these risks and/or increased costs may be directed to Broadstone and its management.
- **Change of Control:** Broadstone Real Estate, the property manager and parent company of Broadstone Asset Management, is owned by Amy Tait, Broadstone Ventures, LLC, Trident BRE and by various employees of Broadstone Real Estate, and has two representatives on the Board of Directors for Broadstone Net Lease and Broadtree Residential. The owners of Broadstone Real Estate may have different interests and time horizons than shareholders and there is limited ability to affect decisions which could result in a change of control of Broadstone Real Estate.

Broadstone Real Estate has a Board of Managers consisting of four individuals, two members of Broadstone Real Estate's management and two appointed by Trident BRE. Both of Trident BRE's nominees to the board are, and one of Broadstone Real Estate's two nominees to the respective Boards of Directors of Broadstone Net Lease and Broadtree Residential is, employed by Stone Point, the manager of Trident BRE. Those individuals owe duties to Stone Point and Trident BRE and their affiliated investment funds, in addition to their roles with Broadstone Real Estate, Broadstone Net Lease, and Broadtree Residential. Trident BRE may have different interests than our other shareholders and influence the way Broadstone Asset Management raises funds and acquire or sell properties for the real estate investments or to cause Broadstone Real Estate to take on new activities unrelated to that of Broadstone Net Lease and Broadtree Residential.

Certain Investment Considerations Relating to Potential Conflicts of Interest

Potential Conflicts of Interest

Due to the other activities in which Broadstone Asset Management and its affiliates, its principals, and their respective officers, directors, members, managers, employees and agents (the "*Broadstone Parties*") may engage, certain conflicts of interest could arise. Investors should consider the following discussion of potential conflicts of interest when deciding whether to invest.

Certain Broadstone Parties are engaged in a variety of real estate activities in connection with its sponsoring offerings of real estate investments. In the ordinary course of their businesses, certain Broadstone Parties may engage in activities in which their interests or the interests of their affiliates may conflict with or be adverse to the interests of Broadstone Net Lease or Broadtree Residential. In addition, investors may utilize the services of certain Broadstone Parties, for which they will pay customary fees and expenses which will not be shared with Broadstone Net Lease, Broadtree Residential or their investors.

We expect that all of our properties will be managed and leased by Broadstone Real Estate and Broadtree Home Rentals, as applicable. In addition to the asset management fee, Broadstone Asset Management will also be paid fees based on acquisitions and dispositions of properties. The fee structure presents a conflict of interest due to the fact that Broadstone has an incentive to enter into transactions with more credit-risky tenants or in locations where the underlying property values are unlikely to increase in order to generate fee income.

In order to reduce or eliminate certain potential conflicts of interest in day-to-day operations, Broadstone Real Estate, Broadstone Net Lease, and Broadtree Residential have each adopted conflicts of interest policies. In addition, the Independent Directors Committees of Broadstone Net Lease and Broadtree Residential must review and approve any transactions and activities of Broadstone Asset Management, Broadstone Real Estate, and their affiliates that involve a potential conflict of interest.

Subject to the limitations set forth in Broadstone Net Lease's and Broadtree Residential's respective organizational documents and policies, Broadstone Real Estate, Broadstone Asset Management, and their affiliates may establish one or more additional real estate investment vehicles with investment objectives substantially similar to, or different from, those of Broadstone Net Lease or Broadtree Residential. Allocation of available investment opportunities between your investment and any such new investment vehicle could give rise to conflicts of interest. Subject to the then-current policies of Broadstone Net Lease and Broadtree Residential, in the event that Broadstone Real Estate, Broadstone Asset Management or one of their affiliates wishes to invest in real estate investment

opportunities which are within the then current Investment Policies or Property Selection Criteria of Broadstone Net Lease, Inc. or Broadtree Residential, Broadstone or its affiliate must first receive approval from the appropriate Independent Directors Committee.

Item 9 Disciplinary Information

Rule 206(4)-4 of the Investment Advisers Act of 1940 requires investment advisers to provide investors with disclosures as to any legal or disciplinary activities deemed material to the investor's evaluation of the adviser. Please note, neither the Firm nor its personnel have any disciplinary, regulatory, criminal, civil, or otherwise reportable history to disclose at this time.

Item 10 Other Financial Industry Activities and Affiliations

The principals of the Firm are actively engaged in real estate activities outside of Broadstone Net Lease and Broadtree Residential. See Item 8 for a discussion of the potential conflicts of interest.

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

As required by Rule 204A-1 of the Investment Advisers Act of 1940, Broadstone Asset Management has adopted a Code of Ethics that sets forth the basic policies of ethical conduct for all managers, officers, and employees of the Firm. The Code of Ethics describes the Firm's fiduciary duties and obligations to investors, and sets forth the Firm's practice of supervising the personal securities transactions of employees who maintain access to material non-public client information.

The Firm collects and maintains records of securities holdings and transactions made by those employees. The Firm reviews the personal trading practices of those employees to identify and resolve any potential or realized conflicts of interest.

A copy of Broadstone's Code of Ethics is available upon request and on the company's website www.broadstone.com/disclosures.

Item 12 Brokerage Practices

Given the nature of real estate, the Firm does not utilize any brokerage platform or trade on any security exchanges. Portfolio properties are purchased and sold through a formal legal closing process.

Item 13 Review of Accounts

When Broadstone Asset Management makes an investment in a portfolio property, Broadstone Asset Management monitors each property from investment through exit to identify opportunities for creating value.

Broadstone Net Lease and Broadtree Residential provide quarterly reports to their investors. These reports include a summary of capital commitments, investments and distributions, as well as periodic valuations of the portfolio properties. The reports also include a financial summary and a market outlook.

Item 14 Client Referrals and Other Compensation

Broadstone Asset Management manages real estate investment vehicles and does not pay or receive compensation for client referrals.

Item 15 Custody

Cash assets of the real estate investment vehicles are held in the name of the vehicle by an independent qualified custodian.

Deloitte & Touche LLP serves as Broadstone Net Lease's independent auditor and accounting firm, and Ernst & Young LLP serves as Broadtree Residential's independent auditor and accounting firm. The audited financial statements for each of Broadstone Net Lease and Broadtree Residential are provided to investors within 120 days of the end of the fiscal year.

Item 16 Investment Discretion

Broadstone Asset Management maintains discretionary authority over the selection and amount of portfolio properties to be bought or sold without obtaining prior consent or approval of investors. Investment decisions for Broadstone Net Lease and Broadtree are made by their respective investment committees and independent directors committees. The real estate investment vehicle may impose reasonable restrictions on investment discretion, such as the size of a single investment, geographical limitations, or other parameters. Investment authority is subject to the specified investment policies, guidelines and limitations set forth in Broadstone Net Lease's and Broadtree Residential's respective investment policies and offering documents.

Item 17 Voting Client Securities

Broadstone Asset Management does not vote client securities due to the nature of the real estate investments made. Broadstone Asset Management does have proxy authority to vote for the inside directors of the real estate investment vehicles.

Item 18 Financial Information

Under Rule 206(4)-4 of the Investment Advisers Act of 1940, investment advisers are required to disclose certain financial information about their business practices that might serve as material to the investor's decision in choosing an investment adviser.

As of the date of this filing, Broadstone Asset Management does not require the pre-payment of any fees, in excess of 90 days, or maintain any financial hardships or other conditions that might impair its ability to meet its contractual obligations to clients.