

# Longpoint Realty Partners, LP

## Part 2A of Form ADV

### Firm Brochure

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This Brochure provides information about the qualifications and business practices of Longpoint Realty Partners, LP (“Longpoint” or “Advisor”). If you have any questions about the contents of this Brochure, please contact us at 617.861.9760.

Additional information about Longpoint is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Longpoint is registered as an investment adviser with the United States Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940 (the “Advisers Act”). Registration as an investment adviser with the SEC does not imply a certain level of skill or training. In addition, the information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

## **Item 2: Material Changes**

Since Longpoint filed its Part 2A of Form ADV in March 2017, there are no material changes to report. Longpoint's private investment partnership has capital commitments of \$198,000,000 as of March 2018. Longpoint has begun its investment program related to the private investment partnership. We encourage all recipients of this Brochure to read it carefully in its entirety.

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## **Item 4: Advisory Business**

Longpoint Realty Partners, LP is an investment advisor, founded in 2015, that specializes in acquiring and managing real estate in the middle markets throughout the United States of America. Longpoint is registered with the SEC as an investment adviser under the Advisers Act and is majority owned and operated by its four founding partners.

Longpoint serves as an investment advisor and currently provides advisory services to two clients, including a private investment partnership (the “Fund”). The advice provided by the Advisor is tailored to meet the investment objectives and restrictions of each client. In providing services to the Fund, Longpoint, together with an affiliate that serves as the general partner of the Fund (the “General Partner”), formulates the Fund’s investment objectives, directs and manages the investment and reinvestment of each Fund’s assets, and provides reports to investors. Investment advice is provided directly to the Fund and not individually to the limited partners or shareholders of the Fund (the “Investors” or “Limited Partners”). Longpoint manages the assets of the Fund in accordance with the terms of the Fund’s confidential offering or private placement memoranda, individual limited partnership or shareholder agreements and other governing documents applicable to the Fund (the “Governing Fund Documents”). All terms are generally established at the time of the formation of a Fund, and are only terminable once the applicable Fund is dissolved, wound up, and terminated.

Longpoint may provide advice to one or more vehicles established to invest in private real estate transactions alongside the Fund from time to time (the “Co-investments”)

Shares or limited partnership interests in the Funds are not registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and the Longpoint Fund is not registered under the Investment Company Act of 1940. Accordingly, interests or shares in the Longpoint Fund are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements, either in private transactions within the United States or in offshore transactions.

As of March 2018, Longpoint managed \$233,488,000 on a discretionary basis and \$156,936,000 on a non-discretionary basis.

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

Longpoint provides investment advisory services to clients pursuant to separate investment advisory or letter agreements (the “Agreements”). The Agreements for each client set forth in detail the fee structure relevant to each such client. The terms of the Agreements are generally established at the outset of the relationship.

Longpoint typically receives compensation from fees based on assets under management, a percentage of net of operating income from real estate assets, performance based fees, and other deal related fees associated with the acquisition, disposition or financing of assets.

### Management Fee

The fee structure varies between client accounts. The standard fee schedule for the Fund includes a 1.75% fee per annum for investment management services (the “Management Fee”). The Advisor and its affiliates reserve the right to waive or reduce the Management Fee for certain Investors, including employees, immediate family members of employees, and others as may be determined in the Advisor’s sole discretion. Management Fees are generally billed quarterly in advance.

### Carried Interest

After the achievement of certain thresholds, the General Partner of the Fund is entitled to receive a performance based fee equal to 20% of profits on distributions derived from the disposition of investments (the “Carried Interest”). As is the case with Management Fees, Longpoint and its affiliates reserve the right to waive or reduce the Incentive Allocation for certain investors, including employees, and others as may be determined in the Advisor’s sole discretion.

### Fund Expenses

The Fund also bears and pays expenses related to the operation of the Fund including, without limitation: (i) legal, auditing, consulting and accounting expenses; (ii) administrative and Fund administration fees and expenses (whether such services are provided by a third party or the Advisor; provided, however that to the extent such services are provided by the Advisor or an affiliate, any such fees paid in respect of such services shall be determined on an arm’s length basis by reference to customary industry standard rates); (iii) costs associated with the preparation and delivery of reports, financial statements and any tax reporting (including tax returns and Schedule K-1s to Investors); (iv) valuation expenses; (v) expenses of meetings of the Investors; (vi) communications expenses, (vii) expenses of the any advisory committee (including any outside counsel engaged by the voting members); (viii) all expenses associated with the identification, negotiation, acquisition, holding, and monitoring, and disposition of actual and potential investments (including the Fund’s proportionate share of any break-up fees, which such fees will be allocated among the Fund and any related co-investing entities proportionately based on the capital committed by each to the applicable investment), whether or not such investments are ultimately consummated by the Fund (including engineering, appraisers, architects, due diligence, software, research related to Portfolio Investments and any travel associated therewith); (ix) expenses of environmental assessments and periodic appraisals of investments; (x) real estate and financing broker commissions; (xi) marketing and public relations expenses incurred in connection with the Fund or advertising investments; (xii) custodial fees; (xiii) bank service fees; (xiv) costs, fees and expenses of third-party accounting and financial related software related to investments; (xv) travel expenses; (xvi) all extraordinary expenses (including without limitation, litigation expenses); (xvii) all indemnification and insurance expenses (including for directors, managers and officers’ liability insurance); (xviii) interest on and fees and expenses arising out of all permitted borrowings of the Fund, including, without limitation, in connection with any line of credit, loan commitment or letter of credit for the Fund or related to any investment (or any underlying asset); (xix) expenses relating to defaults by Investors in the payment of any capital contributions; (xx) expenses incurred in connection with any restructuring or amendments to the constituent documents of the Fund and related entities, including the General Partner (but only to the extent such restructuring or amendments to the General Partner are directly attributable to any restructuring or amendments to the constituent documents of the Fund and/or its related entities); (xxi) all expenses of liquidating the Fund; (xxii) any taxes, fees or other governmental charges levied against the Fund, all expenses incurred by the “tax matters partner” or “partnership representative” of the Fund (or its subsidiaries) and all expenses incurred in connection with any tax audit, investigation, settlement or review of the Fund; (xxiii) costs of preparing, reporting and making filings to regulatory authorities in any jurisdiction in which the Fund invests, is organized or is marketed or otherwise conducts business directly related to the Fund or its investments (including compliance with Sections 1471 through 1474 of the Code), including the SEC, the U.S. Treasury, the Internal Revenue Service and other national state, provincial or local regulatory authorities (including filings related to the offering of interests in the Fund in particular jurisdictions), provided, that the costs of any the Advisor’s general compliance with the Investment

Advisers Act, such as preparing and updating Form ADV and Form PF, shall be borne by the Advisor, (xxiv) fees charged for any property management, construction coordination or other special services performed for investments and (xxv) Organizational Expenses.

The Advisor allocates expenses to the Fund in a manner that it believes is fair and equitable, considering all factors as it deems relevant, but in its sole discretion, subject to the Governing Fund Documents. The allocation of expenses can create potential conflicts of interest. Shared expenses will typically be allocated among clients obligated to bear expenses of such kind. The allocations of such expenses will typically be done pro rata amongst clients but at times may not be proportional and any such determinations involve discretion by the Advisor. There can be no guarantee that prospective Investors in yet to be formed Co-investments will agree to bear expenses related to un consummated investments and therefore all such expenses will be borne by the Fund.

#### Other Fees and Expenses

Longpoint or its affiliates may receive transaction based fees associated with the transaction, advisory, monitoring, financing or disposition of investments. Such fees received for services provided to investments of the Fund shall reduce the Management Fee payable by the Fund, reducing each investor's share of Management Fees pro rata. For the avoidance of doubt, any Management Fee, Carried Interest, or similar fee received by the Advisor from Co-investments will not reduce the Management Fee paid by the Fund.

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

As described above, Longpoint or its affiliates receive performance-based compensation in the form of Carried Interest. The fact that a significant portion of the Advisor's compensation is directly computed on the basis of profits generated by the sale or disposition of the Fund's assets may create an incentive for Longpoint to make investments on behalf of the Fund that are riskier or more speculative than would be the case in the absence of such compensation.

In addition, the Fund pays Carried Interest and the other client does not. This gives rise to a potential conflict of interest, as the Advisor may have an incentive to favor the Fund over the other client, for example, by allocating a larger portion of an investment opportunity to the Fund. However, the Advisor believes this risk is mitigated by the differing investment objectives of the clients and the Advisor's allocation policies.

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

As discussed in Item 4, Longpoint provides investment advisory services to a private investment fund and to a family office and its associated trusts, estates, foundations, and other legal entities.

The minimum Fund commitment for a Limited Partner is generally \$5,000,000; however the Advisor maintains discretion to accept less than the minimum investment threshold. Investors will be required to meet certain suitability qualifications in order to comply with applicable federal securities laws and regulations. Typically, these investors are high net worth individuals, pension plans (corporate, state and foreign), sovereign wealth funds, endowments, foundations, banks, pooled investment vehicles (e.g., funds-of-funds), trusts, estates or charitable organizations, and corporate or business entities.

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

Longpoint assists in formulating each client's investment objective and strategies based on the client's unique circumstances and needs. Longpoint, however, generally employs a fundamental value approach to investing, focused on select properties across geographic regions in major US markets. Based on its fundamental value approach and insights into how demographics, consumption patterns, e-commerce technology and the macro-economic landscape are disrupting the real estate market, Longpoint's objective is to construct portfolios that will provide a combination of current income and asset appreciation. The Advisor will strive to create value at the asset level by executing hands-on asset management strategies, including: i) physical repositioning/redevelopment, ii) proactive leasing strategies, iii) creating operational efficiencies, and iv) development. To maximize risk-adjusted returns, Longpoint will seek to exercise strict exit discipline, continuously monitoring exit potential based on capital market conditions and asset level fundamentals. The Advisor will primarily focus on opportunities in the industrial and retail sectors in the middle market, which it believes is the most active, inefficient and imperfect segment of the capital markets spectrum, thus providing the greatest opportunity for superior risk-adjusted returns.

Investing in real estate assets involves the risk of loss, including but not limited to those listed below, that should be carefully considered by potential clients. There can be no assurance that Longpoint will meet its investment objectives or otherwise be able to carry out its investment program successfully or that a client will receive a return of its capital. The possibility of partial or total loss of capital exists and clients must be prepared to bear capital losses.

**General Risks.** Real property investments are subject to varying degrees of risk. The returns available from equity investments in real estate depend on the amount of income generated and expenses incurred. If the investments do not generate revenues sufficient to meet operating expenses, including debt service and capital expenditures, cash flow and ability to make distributions will be adversely affected. Operating results will be subject to risks generally incident to the ownership of real estate, including:

- changes in the national and local economic climate;
- changes in the supply of or demand for similar or competing properties;
- changes in population or employment in the regions in which the properties are located;
- changes in tenant preferences that may reduce the attractiveness of particular properties;
- fluctuations in inflation and interest rates; and
- increases in operating costs (including real estate taxes, insurance and utilities and the cost of compliance with zoning and other governmental regulations).

**Multi-Sector Investment Strategy.** The Fund's investment strategy includes the acquisition of real estate across a variety of property types in a variety of geographic locations. Accordingly, the Adviser will be required to maintain and continue to develop expertise, relationships and market knowledge across a broad range of property-types and geographic regions, and will be subject to the market conditions affecting each such property type in various markets, including, without limitation, such factors as the local economic climate, business layoffs, industry slowdowns,

changing demographic, and local supply and demand issues affecting each such market. The multi-sector approach may require more management time and expense than would be typically required for an investment fund that focuses more on a single property type in fewer jurisdictions than is contemplated by the Fund.

***Attractive Investments May Not Be Available.*** While Longpoint believes, based on current market conditions, that the Fund will be presented with a variety of investment opportunities of the types and in the markets that the Fund is targeting, there can be no assurance that the Fund will identify attractive investments that meet its investment criteria, that the Fund will be successful in acquiring these investments or that any of these investments will be profitable.

***Competitive Investment Environment.*** Investing in real estate is a highly competitive business. Competitors for acquisitions of properties, including REITs, insurance companies, pension funds, investment companies and other real estate investment funds, may have greater economic and personnel resources than the Fund or better relationships with sellers of the properties, lenders and others, thereby putting the Fund at a competitive disadvantage. These entities may also generally be able to accept more risk than the Fund can prudently manage. This competition may generally reduce the number of suitable prospective investment opportunities offered to the Fund and increase the prices for investments that the Fund would likely pursue.

***Due Diligence and Analytic Risks.*** There is generally limited publicly available information about real estate, and the Fund must therefore rely on due diligence conducted by the Advisor and its affiliates. Should their pre-acquisition evaluation of proposed Portfolio investments fail to detect certain defects or costs, the total investment cost could be significantly higher than expected.

***Limited Recourse to Sellers.*** The Fund's reliance on the due diligence investigation conducted by the Advisor and its affiliates will be heightened by the limited recourse against sellers that the Fund expects to have under real estate purchase agreements.

***Investments Longer than Term.*** The Fund may make investments that may not be advantageously disposed of prior to the date that the Fund is terminated, either by expiration of the Fund's term or otherwise. Although the General Partner expects that the majority of investments will be disposed of prior to termination or be suitable for distribution in specie at termination, the General Partner has a limited ability to extend the term of the Fund and the Fund may have to sell, distribute, or otherwise dispose of investments at a disadvantageous time as a result of termination.

***Risks Related to Tenants.*** While Longpoint will conduct due diligence on the financial condition of the tenants of each proposed real property investment, any delays in payments of rent or the default of a single major tenant or a number of smaller tenants would adversely affect income from a property and ultimately the value that may be realized upon the disposition of the property. Therefore, financial success is indirectly dependent on the success of the businesses operated by the tenants in the properties or in the properties securing loans. Tenants may have the right to terminate their leases at specified times or upon the occurrence of certain customary events of default and, in other circumstances, may not renew their leases or, because of market conditions, may be able to renew their leases on terms that are less favorable than the terms of the current leases. Vacancies caused by terminations by tenants or the expiration of leases, and less favorable terms in any future leases, may adversely affect operations. Some properties may be leased to a single or significant tenant and, accordingly, may be suited to the particular or unique needs of such tenant. There may be difficulty replacing such a tenant if the floor plan of the vacant space limits the types of businesses



that can use the space without major renovation or require significant capital to reconfigure the space for multiple tenants. In addition, the resale value of the property could be diminished due to such risks because the market value of a particular property will depend principally upon the value of the leases of such property.

***Market Risks.*** In the past, the commercial real estate market has experienced a substantial influx of capital from investors. This substantial flow of capital, combined with significant competition for real estate, may have resulted in inflated purchase prices for such assets. To the extent the Advisor purchases real estate in the future in such an environment, clients will be subject to the risks that the value of those assets may not appreciate or may decrease significantly below the amount paid for such assets if the real estate market ceases to attract the same level of capital investment in the future as it has recently attracted, or if the number of companies seeking to acquire such assets decreases.

***Certain Considerations Relating to Retail Centers.*** A lease termination by a tenant that occupies a large area of a retail center (commonly referred to as an anchor tenant) could impact leases of other tenants. Other tenants may be entitled to modify the terms of their existing leases in the event of a lease termination by an anchor tenant, or the closure of the business of an anchor tenant that leaves its space vacant even if the anchor tenant continues to pay rent. Additionally, major tenant closures may result in decreased customer traffic, which could lead to decreased sales at other stores and resulting lease defaults or terminations.

***Cost Risks.*** At the time of a real estate investment, the Advisor will make certain estimates of the costs of maintaining, developing, improving or repositioning the acquired property. Some costs associated with a real estate investment, such as maintenance and repairs, may be subject to cost increases beyond the control of the Advisor. Should the initial estimates prove too low, the profitability of the investment may be adversely affected.

***New Construction Risk.*** The construction of a new development in the areas surrounding the property may also affect the ability to lease space under favorable conditions. Although the Advisor will seek to make property investments that have structural barriers to new developments that compete with existing properties owned by clients, the arrival of new competitors in the immediate trade areas could require unplanned investments to meet competitive pressures, which may adversely affect the property's financial condition. The Advisor may also have difficulty in renewing leases or in leasing to new tenants, which may lead to a reduction in cash flow and operating income, since the proximity of new competitors could divert existing or new tenants to such competitors, resulting in vacancies.

***Effect of Property Taxes.*** Many of the real property investments will be subject to real and, in certain instances, personal property taxes and assessments. The real and personal property taxes on such real properties may increase or decrease as property tax rates change and as such properties are assessed or reassessed by taxing authorities. If property taxes on the real property investments increase, cash available for distribution to clients may be materially and adversely affected.

***Geographic Concentration Risk.*** Investments may be concentrated in a limited number of geographic areas. As a result, operating results and ability to make distributions could be impacted by economic changes specifically affecting the real estate markets in that area. Investments will therefore be subject to greater risk than a geographically diversified portfolio.

***Liquidity Risk.*** Liquidity relates to the ability to dispose of an investment in a timely manner at a price that reflects fair market value. At the desired time of liquidation of an investment, there may not be a ready market for the investment, based on either property-specific factors (e.g., location, condition, tenants) or general market and economic conditions, including the unavailability of financing at favorable rates. Inability to liquidate investments at fair market value could adversely affect the ability to make distributions and ultimately affect the return from investment.

***Asset Valuations.*** Although the Advisor will seek to obtain valuations of Fund investments from third parties on a rolling two-year schedule, valuations with respect to the investments of the Fund will be determined by the General Partner and will be final and conclusive to all Limited Partners.

***Joint Venture Investments.*** The Fund may invest in joint ventures with firms involved in the development, management and operation of real estate. Such joint ventures may involve delegating significant discretion with regard to operational issues to the joint venture partner or its affiliates, and generally require concurrence of the joint venture partner for major capital transactions, such as a refinancing or sale. If the Fund invests in any joint venture, the Fund intends to enter into relationships with joint venture partners, which the Advisor believes will add value through their knowledge of local markets and skills in developing, operating and/or leasing. There can be no assurance that these goals will be accomplished. Joint venture partners may be highly dependent upon one or a limited number of individuals, the unavailability of whom may adversely impact the value of a joint venture investment. While the Fund will seek to structure any joint ventures to align the incentives of its partners with the Fund's objectives, joint venture partners may have tax and financial goals that are different from those of the Fund, which could cause them to act in a manner not consistent with the Fund's objectives.

***REIT Limitations.*** The Fund's investments will be managed by the Advisor and General Partner in a manner that is intended to permit the REIT to continue to qualify as a REIT. As a result, the Fund, may be required to limit or alter its activities, including foregoing or delaying certain investment opportunities (including potential sales or dispositions) that might otherwise be attractive on a pre-tax basis, in order to enable the REIT to continue to qualify as such or to avoid incurring a REIT prohibited transactions tax.

***Dependence on the General Partner and the Advisor.*** All decisions with respect to the management of the Fund will be made by the General Partner and the Advisor. The Limited Partners will have no opportunity to control the day-to-day operation of the Fund, including, without limitation, making investment, financing, leasing, structuring and disposition decisions. In addition, the Limited Partners may remove the General Partner only under certain circumstances. Accordingly, the success of the Fund will depend substantially on the ability of the General Partner and the Advisor to successfully execute the Fund's investment strategy.

***Dependence on Key Personnel.*** The success of the Fund will depend to a significant extent upon the participation of the senior executives of the Advisor. Although the Principals have been together for many years, their continued service is not guaranteed. The loss of the services of any of the key personnel could have a material adverse effect on the operations of the Fund because the Fund could have a diminished capacity to obtain real property investment opportunities, to capitalize on their network of relationships in the real estate industry and to structure and execute potential investments.

***Restrictions on Transfer and Withdrawal.*** Interests in the Fund are not transferable without the prior written consent of the General Partner, which may be withheld in its sole discretion. Limited Partners

generally may not withdraw capital contributions from the Fund. Each Limited Partner must be prepared to bear the economic risk of its investment for an indefinite period since the interests cannot be resold unless they are subsequently registered under the Securities Act or an exemption from such registration is available, and provisions of the applicable limited partnership agreement relating to restrictions on transfers of the Interests are complied with. There will be no public market for the interests in the Fund. Each Limited Partner will be required to represent that it is acquiring its Interest in either of the Fund for investment purposes and not with a view to resale or distribution. Accordingly, an investment in the Fund requires a long-term commitment, with no certainty of return.

***Dilution from Subsequent Closings.*** Limited Partners that are admitted or increase their capital commitment at subsequent closings will generally participate in existing investments of the Fund, diluting the interest of existing Limited Partners therein. Although such Limited Partners will contribute their respective pro rata share of previously made draws by the Fund (plus interest from the date of the initial closing), there can be no assurance that these interest payments will reflect the fair value of the Fund's existing investments.

***Absence of Regulatory Oversight.*** The Fund is not registered as an "investment company" under the Investment Company Act or any comparable regulatory requirements, and does not expect to become so registered in the future. Accordingly, the provisions of such regulations, which, among other things, generally require investment companies to have a majority of disinterested directors, require securities held in custody at all times to be maintained in segregated accounts and regulate the relationship between the investment company and its asset manager, are not applicable to an investment in the Fund. Neither the Fund, the General Partner nor the Advisor is subject to comparable regulation in any non-U.S. jurisdiction.

## **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 a client's evaluation of the adviser or the integrity of the adviser's management. Neither Longpoint nor any of its officers, directors, members, partners or employees (the "Employees"), have been involved in any legal or disciplinary events in the past 10 years that would require disclosure in response to this Item.

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

One of Longpoint's existing clients owns a minority stake in the adviser.

Longpoint organizes and sponsors the Funds. These pooled investment vehicles managed by Longpoint are controlled by an affiliated General Partner. Longpoint or the General Partner will be responsible for all decisions regarding portfolio transactions of the Fund and have full discretion over the management of the Fund's investment activities. While the General Partner is not separately registered as an investment adviser with the SEC, all of their investment advisory activities are subject to the Advisers Act and the rules thereunder. In addition, employees and persons acting on behalf of the General Partner are subject to the supervision and control of Longpoint. Thus, the General Partner, all of its employees and the persons acting on its behalf would be "persons associated with" the registered investment adviser so that the SEC could enforce the requirements of the Advisers Act on the General Partner.

## **Item 11: Code of Ethics, Participation or Interest in Client**

## **Transactions and Personal Trading**

Longpoint has adopted a written Code of Ethics (the "Code") that is applicable to all Employees. Among other things, the Code requires Longpoint and its Employees to act in clients' best interests, abide by all applicable regulations, avoid even the appearance of insider trading, and pre-clear and report on many types of personal securities transactions. Longpoint's restrictions on personal securities trading apply to Employees, as well as Employees' family members living in the same household. A copy of Longpoint's Code is available for review and will be provided to any client upon request.

## **Item 12: Brokerage Practices**

Longpoint focuses on making investments in private real estate assets, thus it does not ordinarily deal with any financial intermediary such as a broker-dealer. Therefore, issues relating to soft dollars, directed brokerage or block trades do not exist with respect to Longpoint.

Longpoint seeks to allocate investment opportunities in a manner that it believes to be in the best interest of clients and on an equitable basis, in accordance with each investment advisory agreement or Governing Fund Document. Among the factors that can impact allocation and investment decisions across clients are differing investment strategies and objectives, account restrictions, risk parameters, property-type and geographic diversification needs, cash flows, liquidity needs, tax considerations and other factors.

## **Item 13: Review of Accounts**

All investments are carefully reviewed and approved by Longpoint's investment team. Clients' investments are reviewed on a continuous basis and the investment personnel meet regularly to discuss investment ideas, economic developments, industry outlook and other issues related to current portfolio holdings and potential investment opportunities.

Longpoint provides quarterly and annual reports to each client.

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

Longpoint has retained a placement agent for the purpose of referring prospective Investors to the Fund. As a result, the Advisor compensates the placement agent for investor referrals.

## **Item 15: Custody**

Longpoint is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). However, it will not be required to comply with certain requirements of the Custody Rule with respect to the Fund because it will comply with the provisions of the so-called "Pooled Vehicle Annual Audit Exception", which, among other things, requires that the Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statements to all investors within 120 days of the end of its Fiscal Year.

For its client that is not a pooled investment vehicle, Longpoint is deemed to have custody of client funds as a result of access to client bank accounts. Such accounts are held in custody by unaffiliated banks and are subject to an annual surprise verification audit performed by an independent accounting firm. Account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account

information provided by Longpoint.

### **Item 16: Investment Discretion**

Longpoint currently provides discretionary investment advice to the Fund and non-discretionary investment advice to another client.

### **Item 17: Voting Client Securities**

Longpoint invests in real estate assets that do not issue proxies and therefore is not required to vote proxy proposals, amendments, consents or resolution.

### **Item 18: Financial Information**

A balance sheet is not required to be provided as Longpoint (i) does not solicit fees more than six months in advance, (ii) does not have a financial condition that is likely to impair its ability to meet contractual commitments to clients or (iii) has not been subject to any bankruptcy proceeding during the past 10 years.