

BRIGHTSTONE INVESTMENT ADVISORS LLC
PART 2A OF FORM ADV: FIRM BROCHURE

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630 Fifth Avenue 20th Floor
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This brochure provides information about the qualifications and business practices of Brightstone Investment Advisors LLC (“Brightstone” or the “Firm”). If you have any questions about the contents of this brochure, please contact Brightstone’s Chief Compliance Officer, Charles Daly, at 212-300-6250 or compliance@brightstonecap.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Any reference to Brightstone as a registered investment adviser does not imply a certain level of skill or training.

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

Item 2: Material Changes

This is Brightstone's Annual Updating Amendment to Form ADV for the fiscal year ending December 31, 2017. The Firm notes no material changes since its most recent Form ADV amendment, dated March 29, 2017.

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Item 4: Advisory Business

Item 4.A. Description of Firm

Brightstone Investment Advisors LLC (“**Brightstone**,” “**Firm**” or “**Adviser**”), a Delaware limited liability company, was formed in April 2016 as a real estate investment adviser that provides investment management services on real estate assets to institutional and high-net-worth private clients as further described in this brochure, and has its principal place of business in New York, NY. The Adviser is a wholly owned subsidiary of Brightstone Capital Partners LLC (“**Brightstone Capital**”) which is owned by the following four entities: (1) Vanke Asset Management LLC (“**Vanke**”), which is indirectly 100% owned by China Vanke Co., Ltd., a publicly listed company; (2) DRI Principal LLC, which is 100% owned by Dennis R. Irvin; (3) DBL Principal LLC, which is 100% owned by Douglas B. Lee; and (4) JAR Principal LLC, which is 100% owned by John A. Rivard (Messrs Irvin, Lee and Rivard are referred to herein as the “**Principals**”).

Item 4.B. Description of Advisory Services

Brightstone is a real estate investment advisory firm that provides advisory services on a discretionary and non-discretionary basis to joint ventures and private funds, typically through special purpose vehicles referred to herein as “**Investment Vehicles**.”

On behalf of the Investment Vehicles, Brightstone will identify and undertake direct or indirect investments in real estate assets or portfolios, mortgage loans, real estate funds, joint ventures with real estate operating partners and/or securities of real estate companies. The Adviser’s scope of services includes identifying and acquiring real estate-related investments on behalf of Investment Vehicles and subsequently managing such assets/portfolios.

Brightstone solicits investments from investors in the Investment Vehicles it sponsors. The decision as to whether or not to invest is made by the investor or an independent fiduciary of or consultant to the investor. Brightstone does not act as the investment adviser to such investors. Brightstone or its affiliates will typically form an Investment Vehicle only once Brightstone has identified a prospective real estate investment or investment portfolio for an Investment Vehicle.

Once a prospective investment is identified, Vanke, the Principals or their respective affiliates will commit their own funds to acquire such investment for the account of the Investment Vehicle. Subsequently, either before or after closing on such acquisition by Vanke and the Principals, Brightstone anticipates soliciting investments from institutional, high-net-worth individual or family office investors into the Investment Vehicle, with the proceeds of such new investment reducing the financial commitment of Vanke and the Principals or returning part of Vanke’s and the Principals’ capital invested therein.

The investment mandate of each Investment Vehicle is expected to be limited to the specific investment or investment portfolio initially identified and is not expected to include discretionary acquisition of additional investments, except in limited circumstances designed to protect or enhance the Investment Vehicle’s initial investment. However, some Investment Vehicles may contemplate additional investments fitting within a specified set of investment guidelines.

Brightstone may in the future sponsor and solicit investments in one or more investment funds with no specified investments (*i.e.*, a “blind pool” fund), but has no current plans to do so.

The investment objective of Brightstone’s Investment Vehicles is to generate returns through investments in commercial real estate assets over various hold periods, in each case, as described in their respective organizational and offering documents. To achieve these investment objectives, Brightstone will select investments and manage real estate-related assets in four primary sectors (*i.e.*, office, industrial, multifamily and retail), as well as specialty properties (including hotels, medical office, student housing, senior living, data centers and self-storage).

Each Investment Vehicle will acquire its investments pursuant to the terms and conditions of its applicable purchase agreements negotiated with the sellers of those investments and may own, hold, lease, sell, transfer, convey, dispose of, assign and otherwise deal with its investments as described in each Investment Vehicle’s respective formation and offering documents.

Item 4.C. Tailoring Advisory Services

The Firm’s advisory services will be provided to each Investment Vehicle pursuant to the terms of its formation and offering documents and will be based on the specific investment objectives and strategies described therein. The advisory services each Investment Vehicle receives will be tailored to the specific investment objectives, the selected investment strategies and the characteristics of the property or portfolio of each Investment Vehicle as described in its formation and offering documents. Investment Vehicles may impose restrictions on investing in certain types of investments in accordance with achieving their investment objectives and strategies.

Item 4.D. Wrap Fee Programs

Not applicable. Brightstone does not participate in a wrap fee program.

Item 4.E. Assets Under Management

As of December 31, 2017, Brightstone manages approximately \$226 million on a discretionary basis. Currently, Brightstone does not manage any client assets on a non-discretionary basis.

Item 5: Fees and Compensation

Item 5.A: Description of Compensation Arrangements

Brightstone will be compensated for its services based on a variety of factors, including the investment strategy, the size of the overall portfolio and the nature and structure of Brightstone’s relationship with the Investment Vehicle (*e.g.*, joint venture, wholly owned portfolio, platform vehicle or separate account). Brightstone’s compensation generally includes asset management fees and may also include advisory fees, financing and/or syndication fees and incentive fees. Brightstone may also receive acquisition and disposition fees under certain Investment Vehicle agreements. In most circumstances Brightstone will set the fees that it will charge when it forms an Investment Vehicle, prior to offering interests in the Investment Vehicle to third party investors, based on its view of the market for such fees and services.

Asset management fees will typically be calculated as a percentage of the capital invested by each investor in the Investment Vehicle and will typically be payable quarterly. Asset management fees may be invoiced directly to investors, deducted from investor capital contributions or paid from the Investment Vehicle's cash on hand.

Advisory fees, financing and/or syndication fees, acquisition fees and disposition fees, if applicable, will typically be calculated as a percentage of the specific transaction value and payable at the closing of such transaction. To the extent the activities of any employee of the Firm or any business activities of the Firm regarding a syndication would require licensing or registration, the Firm will undertake to obtain and maintain the appropriate licensing or registrations to perform those functions or business activities.

Brightstone or its affiliates may also receive incentive fees as a component of the overall compensation that Brightstone would receive for its services. These fees will typically be based on agreements with the Investment Vehicles and calculated as a specified portion of the return that exceeds a realized return threshold identified in the Investment Vehicle's formation and offering documents. Any incentive fees charged will be structured to comply with Rule 205-3 under the Investment Advisers Act of 1940, as amended ("**Advisers Act**").

Conflicts Related to Valuation and Fees

Under certain circumstances, Brightstone's management and incentive fees may be based on the value of assets under management. Because the Investment Vehicles will typically hold assets that are illiquid or hard to value, this creates a conflict of interest between the Investment Vehicle and Brightstone. Please refer to Item 6 for additional information regarding such conflicts of interest. In these cases, Brightstone expects that it will value the Investment Vehicle's assets based on independent appraisals in accordance with valuation guidelines disclosed in the Investment Vehicle's formation and offering documents. Brightstone has adopted valuation policies and procedures that will help to mitigate these conflicts and enable the assets or portfolios to be valued fairly and in the investor's best interests.

In most circumstances Brightstone will set the fees that it will charge when it forms an Investment Vehicle, prior to offering interests in the Investment Vehicle to third party investors, based on its view of the market for such fees and services. As a result Brightstone's fees may not reflect negotiation with a third party, which represents a conflict of interest between Brightstone and the Investment Vehicle.

Item 5.B: Manner of Fee Payment

The manner in which Brightstone is paid for its services will vary by Investment Vehicle and type of service provided and will be documented in the advisory agreement with each Investment Vehicle and disclosed in the offering documents for each Investment Vehicle. Brightstone expects to bill in arrears for asset management fees. Fees may be invoiced directly to investors, deducted from investor capital contributions or paid from the Investment Vehicle's cash on hand.

Fees will be payable periodically depending on the nature of the fee. For example, asset management fees will generally be payable on a quarterly basis; transaction fees (such as advisory fees, financing and/or syndication fees, acquisition fees and disposition fees) will

generally be payable within a certain period of time following the closing of a transaction; and incentive fees will be payable on a periodic basis, quarterly or annually, or upon the realization of a capital event such as the sale of assets, typically after an investors' specified return threshold has been reached.

Item 5.C: Other Fees Clients May be Charged

The Investment Vehicles, except as noted below, will typically bear all expenses related to the formation of the Investment Vehicle, the acquisition and disposition of the Investment Vehicle's investments and the management, ownership, leasing, development or redevelopment of the Investment Vehicle's investment portfolio, including fees payable to service providers other than Brightstone in addition to those paid to Brightstone as described in Item 5.B above. Each Investment Vehicle's formation and offering documents will describe the fees and expenses payable by the Investment Vehicle.

The Firm will typically be entitled to withhold from amounts otherwise distributable by an Investment Vehicle reserves for the proper operation of the Investment Vehicle, including for the current or anticipated expenses and liabilities of the Investment Vehicle (including fees or other amounts payable to Brightstone), and amounts in respect of any required tax withholding.

Investment vehicle expenses generally

Expenses borne by Investment Vehicles (and therefore, its investors) will typically include fees and out of pocket expenses directly related to the due diligence investigation of its investments (including, if the Investment Vehicle has investment objectives that include the acquisition of additional investments, the cost of investigating any subsequent investment opportunity, whether or not consummated), the acquisition, disposition, ownership, financing, leasing, development or redevelopment of its investments, including real estate transfer taxes, brokerage fees, title premiums, the cost of engineering and environmental studies, income and other taxes, loan commitment fees and other loan fees, interest charges, fees and expenses of auditors and counsel, insurance, litigation expenses, expenses associated with the preparation and distribution of reports to investors and other appropriate expenses, such as business-related travel and lodging (including business-class air and train travel), and other expenses as permitted by the Investment Vehicle's formation and offering documents.

Property management expenses

Fees and expenses borne by investment Vehicles (and therefore, its investors) may also include fees and expenses for services related to property management, bank custody, audits, tax filing preparation, broker commissions and other real estate transaction fees related to the operation of the Investment Vehicle's investment portfolio. In the case of property management fees, while Brightstone may manage properties on behalf of its Investment Vehicles, Brightstone will typically hire (at the cost of the Investment Vehicle) un-affiliated property managers (or property managers affiliated with joint venture partners of the Investment Vehicle) on behalf of the Investment Vehicle to manage the individual properties owned by that Investment Vehicle, although in the future Brightstone or its affiliates may provide such services. Property management agreements may include a separate allocation of costs to be charged to the Investment Vehicle for the reimbursement of salaries and other compensation and benefit costs of employees dedicated (in whole or in part) to the property, as well as hourly charges intended

to compensate such manager for the time of its internal maintenance staff or of its internal legal, accounting, engineering, architectural and other professional or administrative personnel that would otherwise be obtained through unaffiliated service providers as a direct charge to the Investment Vehicle.

Development expenses

If an Investment Vehicle engages in development or redevelopment of its properties, the expenses for which it will be responsible will include all costs incurred under the construction contracts relating to such development or redevelopment, and all architectural, engineering, licensing and legal fees and expenses, insurance premiums, interest and marketing costs.

Please refer to Item 12 for additional information regarding the factors Brightstone will consider in selecting brokers for Investment Vehicle transactions and in determining the reasonableness of their compensation.

Temporary investments

The Investment Vehicles will also be responsible for fees associated with its temporary investments of cash pending investment in real estate assets or distribution to investors, including brokerage or bank accounts opened on behalf of the Investment Vehicle, which would generally include brokerage fees and commissions, general account maintenance fees, statement delivery charges and transaction charges. In addition, Investment Vehicles will bear the cost of annual audit reviews of its accounts, as well as any fees associated with tax preparation and filings made with the applicable federal, state and local tax authorities.

Organizational and offering expenses

The Investment Vehicles will typically bear all of the legal and other organizational and offering fees and expenses incurred in the formation of the Investment Vehicles and their investment subsidiaries and affiliates, including the cost of forming the general partner or managing member of such Investment Vehicles (including the cost of documenting the allocation of carried interest or performance fees among Vanke, the Principals and employees of Brightstone), the cost of offering interests in the Investment Vehicle to investors, including placement fees, finder fees and commissions and the travel and entertainment expenses of Brightstone employees (including business-class air and train travel). Organizational and offering expenses may be subject to a cap, and may include out-of pocket and internal expenses of Brightstone and its agents incurred in the formation of an Investment Vehicle.

Brightstone expenses

Brightstone will bear all of the ordinary day-to-day expenses incidental to its administration of the Investment Vehicle portfolios, including its own general overhead and compensation of the Firm's employees, but not including Brightstone's legal fees and costs incurred in connection with the formation and offering of Investment Vehicles, which may be borne by the Investment Vehicles. In addition, Brightstone will typically bear the cost of pursuing prospective investments that are not ultimately consummated, unless such investment was pursued for the account of an existing Investment Vehicle in accordance with its investment objectives as disclosed in its formation and offering documents.

Item 5.D: Timing of Fee Payments

Brightstone will generally be paid for its services in advance, generally on a quarterly basis in the case of asset management fees, or as the fees are earned in the case of transaction fees, except where indicated in the applicable fund governing documents. Incentive fees will be payable on a periodic basis, quarterly, annually or upon the realization of a capital event such as the sale of assets, typically after the Investment Vehicle's specified return threshold has been reached.

Item 5.E. Receipt of Compensation for Sales

Brightstone or its affiliates may purchase investments with the intention of transferring those investments to an Investment Vehicle once it has been formed. Typically, the investment will be transferred to the Investment Vehicle at cost plus a carrying charge, or otherwise at fair value. In each case the price or method for determining the price for such transfer will be disclosed in the Investment Vehicle's formation and offering documents. Similarly, if Vanke or its affiliates and the Principals fund an Investment Vehicle's acquisition of an investment, upon subsequent investments by third party investors into the Investment Vehicle, Vanke and the Principals may sell a corresponding portion of its interest in the Investment Vehicle or may receive as a special distribution an amount representing its original investment amount plus a carrying charge (or it may otherwise receive fair value for its interest), in each case as disclosed in the Investment Vehicle's formation and offering documents.

Also, as described in Item 5.A, Brightstone may charge Investment Vehicles an acquisition or other transaction fee upon its acquisition of an investment.

Brightstone does not otherwise charge commissions or markups on transactions entered into by Investment Vehicles.

In the future, should Brightstone or persons associated with Brightstone engage in activities requiring additional licenses or registrations beyond those currently held, Brightstone will undertake to obtain and maintain (or cause its associated persons to obtain and maintain) the appropriate licensing or registrations to engage in those activities.

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

Brightstone or its affiliates may earn performance-based fees from or receive "carried interest" in its Investment Vehicles. Under these payment structures, Brightstone generally would participate in the property or portfolio return once the Investment Vehicle receives a total return in excess of a specified threshold, which is usually based on an internal rate of return. Investment Vehicles may allocate a portion of distributions (including both operating distributions and distributions attributable to sales and/or refinancing proceeds) to Brightstone based on a distribution formula as set forth in the respective investment vehicle formation and offering documents.

These performance-based fees or carried interest may create an incentive for the Firm to pursue investments that are riskier or more speculative than would have been the case in the absence of such allocation to the Firm. Brightstone believes that the following factors help to mitigate this potential conflict:

- Brightstone or its affiliates will typically maintain a sponsor capital investment in, or commitment as an investor to, each Investment Vehicle under terms and conditions described in the formation and offering document for the Investment Vehicle; and
- Each Investment Vehicle will typically be limited to investment in a particular property or portfolio, with a limited mandate to acquire additional properties.

Item 7: Types of Clients

The Investment Vehicles sponsored by the Firm will typically be structured as special-purpose investment vehicles created to hold specific investments. Investors in the Investment Vehicles will typically be institutional, high-net-worth individual and family office investors that are accredited investors under the Securities Act of 1933 and “qualified purchasers”, as defined by the Investment Company Act of 1940 (the “**1940 Act**”).

Minimum initial investments for Brightstone’s Investment Vehicles are disclosed in the applicable fund documents. The minimum investment limit set for an Investment Vehicle will likely depend on, among other things, the size of the targeted investment and the types of investors investing in the Investment Vehicle.

Institutional investors in each Investment Vehicle may include public and private pension funds, insurance companies, asset management companies, banks and sovereign wealth funds. Knowledgeable employees (within the meaning of the 1940 Act) of Brightstone may also be permitted to invest on terms to be determined by Brightstone and set forth in the relevant offering documents.

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

Item 8.A. Methods of Analysis and Investment Strategies

The investment objectives of our Investment Vehicle clients are discussed in response to Item 4.A. above.

Currently Brightstone intends to focus on the acquisition of properties in North America, although it may consider investments in Europe or Asia as well. Brightstone will typically characterize its real estate investment strategies as core, core-plus, value-add or opportunistic. These labels will help Brightstone communicate to investors in its Investment Vehicles the cash flow and risk characteristics of the properties that Brightstone intends to purchase on behalf of that Investment Vehicle, as well as the duration of the expected holding period of the property. Once Brightstone’s Investment Committee has approved a prospective investment and the formation of an Investment Vehicle to acquire that investment, Brightstone will describe in the

formation and offering documents for the Investment Vehicle the investment strategy that best describes the investment.

Brightstone's senior management team monitors and researches market conditions on an on-going basis to determine the appropriate design and, if appropriate, adjustments to the Firm's investment strategies. This investment process includes both a macro ("top-down") and a micro ("bottom-up") approach. A top-down approach is used to monitor local, regional, national and global economic and investment trends and to guide overall investment strategy. A number of third-party databases and econometric forecasts are utilized to refine the strategy and to guide decision-making. Once appropriate investment themes have been identified, a bottom-up approach is used to closely examine the fundamentals impacting the specific real estate investment opportunity at a "micro" or submarket level. The bottom-up approach is also used, in some cases to uncover and to identify investment opportunities or risks that may not otherwise be recognized by the wider marketplace.

Brightstone's acquisition team is responsible for identifying potential investments. The team leverages its network of industry contacts to generate opportunities that are consistent with the Firm's selected investment themes and that meet the Firm's criteria for size, location, property type and expected financial returns. Once an asset is determined to be suitable for investment, the team further refines its preliminary analysis, with a particular focus on the potential of the property to produce attractive risk adjusted returns.

During the acquisition process, Brightstone conducts legal, economic and physical due diligence on all potential investments as part of the underwriting process. Legal due diligence, including title and survey work, is conducted by external counsel. The economic due diligence process is led by our Chief Investment Officer, who is responsible for sourcing investment opportunities, working in conjunction with senior management and legal counsel. Economic due diligence includes a review of leases and tenant correspondence, tenant receivables, operating expenses, real estate taxes, recent capital expenditures and any pending litigation. Physical due diligence includes not only a physical review of the property and documents supporting the operation of the property, but environmental conditions as well.

Based on the economic, physical and legal information related to a prospective investment obtained during the due diligence process, Brightstone's acquisition team develops detailed pro forma cash flow analyses of the asset or portfolio using historical property financial information as well as market research and comparable property analyses. Pro forma financial projections are developed for the anticipated hold period of the asset and include an estimated assumption for the asset's realizable terminal value. The cash flow analyses include estimated revenue projections (net of revenue loss due to vacancies and bad credit among tenants), operating expenses, capital expenditures and interest expense related to debt financing. This financial pro forma is used to calculate the estimated current and total return (calculated on an Internal Rate of Return or IRR) to investors in the asset or portfolio.

Brightstone's Investment Committee is comprised of the Principals and senior executives of Vanke. The Investment Committee will approve all property acquisitions and dispositions prior to the execution of a purchase or sale on behalf of an Investment Vehicle. In most cases an

Investment Vehicle will not be formed until the Investment Committee has approved a prospective investment for that Investment Vehicle.

Item 8.B. Material Risks Involved for Brightstone's Strategies

Investment in the Investment Vehicles involves significant risks and is suitable only for investors who can bear the economic risk of the loss of their entire investment and who have limited need for liquidity in their investment. There can be no assurance that the respective Investment Vehicles will achieve their individual investment objectives. Investment in the Investment Vehicles carries with it the inherent risks associated with investments in real estate. Each prospective investor should carefully review the applicable offering documents and the agreements referred to therein prior to deciding to invest in any Investment Vehicle.

Item 8.C. Material Risks Involved in Investing in Real Estate

Brightstone monitors risks to ensure that appropriate risk mitigation measures are in place and being executed. The ability to manage risk is critical to achieving targeted returns to investors. Risks of investing in real estate may include:

- Geographic and property concentration
- Economic base concentration
- Lease expiration schedules
- Financing and debt maturity schedules
- Market risks such as rising vacancies, decreasing rental rates, increased competition
- Capital market risks, such as rising capitalization rates
- Availability and cost of debt financing
- Unforeseen capital costs
- Unforeseen increases in operating expenses and real estate taxes
- Tenant credit profiles
- Tenant sector/industry profiles

Overall operating results for each Investment Vehicle may be affected by economic and regulatory changes that have an adverse impact on the real estate market in general and Brightstone cannot assure investors that an Investment Vehicle will be profitable or that it will realize growth in the value of its real estate properties.

The value of an Investment Vehicle's properties and distributions to investors could be affected by the geographic concentration of those properties

The value of the Investment Vehicle's properties and distributions to investors could be affected by economic conditions in the states and regions where the properties are located, conditions in the real estate markets where the properties are located, changes in governmental rules and fiscal policies, acts of nature, including earthquakes, floods and hurricanes (which may result in uninsured losses) and other factors which are beyond the control of Brightstone. The economy of any state or region in which a property is located may be adversely affected to a greater degree

than that of other areas of the United States by certain developments affecting industries concentrated in such state or region. Moreover, in recent periods, several regions have experienced significant downturn in the value of real estate.

The value of an Investment Vehicle's properties and distributions to investors could be affected by the economic base of those properties

A decline in general economic conditions in states or regions in which the Investment Vehicle's properties are located could result in a decrease in commercial property, housing or consumer demand in the state or region; and as a result the income from and value of the Investment Vehicle's properties may be adversely affected. The Investment Vehicle could incur increased risks associated with concentration of properties in particular industries or businesses. A concentration of property types can increase the risk that a decline in a particular industry or business would have a disproportionately large input on the Investment Vehicle's income and its ability to make distributions to its investors.

The value of an Investment Vehicle's properties and distributions to investors could be affected by the lease expiration schedule of those properties

The expiration of certain leases to tenants could coincide with weak market conditions and result in unforeseen delays in renewals or new leases or increased incentive costs to attract new tenants. In addition, the Firm could incur reduced income and increased expenses due to lease expirations due to tenant bankruptcies or insolvency.

The value of an Investment Vehicle's properties and distributions to investors could be affected by financing and debt maturity schedules

The Investment Vehicle may be negatively affected by property level debt financing and loan maturities in the event it is unable to extinguish or refinance property loans upon maturity. The Investment Vehicle may be forced to contribute additional equity at the property level if the financing is recourse to the Investment Vehicle, or lose its equity in an asset that is relinquished with non-recourse debt financing.

An Investment Vehicle may incur risks from rising vacancies or competition from other properties

The leasing of real estate is highly competitive in terms of price, location and the nature and condition of the property. The existence of other similar properties in the same area may adversely affect the performance of the Investment Vehicle's properties. For example, an oversupply of properties of the same type in the area where some of the Investment Vehicle's properties are located could result in increased vacancy in the Investment Vehicle's properties. The Investment Vehicle will compete with all landlords and developers of comparable types of properties in the areas where the Investment Vehicle's properties are located. Such landlords or developers could have lower rental rates, lower operating costs, more favorable locations or better facilities. While the Investment Vehicle may renovate, refurbish or expand its properties to maintain them and remain competitive, such renovation, refurbishment or expansion may itself entail significant risks. Increased competition could adversely affect the Investment Vehicle's income from, and the value of, the Investment Vehicle's properties. If any of the Investment Vehicle's properties are located in areas where there is construction of new properties of a

similar type, this new construction may have an adverse impact on the current market rents in the area and, as a result, there is no assurance that the Investment Vehicle's property would meet its projected net operating income.

An Investment Vehicle could incur risk related to changes in the capital markets such as rising capitalization rates and/or the availability and pricing of debt

Changes in the capital markets such as an increase in interest rates, increased costs of debt financing and overall investor sentiment toward commercial real estate could have an adverse impact on the Investment Vehicle's property values. An increase in commercial property capitalization rates would have a negative effect on the Investment Vehicle's property valuations and potentially reduce the realizable proceeds at the time of a sale or refinancing of an asset.

An Investment Vehicle could incur risks related to construction; significant renovation or conversion of properties

In some cases, an Investment Vehicle may acquire properties for the purpose of constructing new buildings, additional improvements, significantly renovating existing improvements or converting existing improvements to an alternative use. In these cases, income or revenue cannot be generated from the new, additional, renovated or converted improvements until completion, and if the Investment Vehicle incurs delays, additional material capital contributions might be necessary to make such property suitable or saleable. In addition, the Investment Vehicle's ability to implement the new, additional, renovated or converted improvements may be conditional upon the Investment Vehicle obtaining certain governmental or other approvals (including re-zoning approvals). If the Investment Vehicle were to fail to obtain such approvals, such failure could negatively impact the Investment Vehicle's ability to construct, renovate or convert the property as planned which could, in turn, affect the anticipated cash flow from the property.

An Investment Vehicle may depend on tenants for revenues, and there are a number of risks associated with leases that could reduce distributions to investors

The success of the Investment Vehicle's investments may depend in significant part on periodic lease or rental payments from tenants to pay for maintenance and other operating expenses of the building, to fund capital improvements and to service any debt obligation the Investment Vehicle may have outstanding with respect to a particular property. There can be no assurance that tenants will renew leases upon expiration or that they will continue operations throughout the term of their leases. The income of the Investment Vehicle, and the amount of distributions by the Investment Vehicle to its investors, would be adversely affected if tenants fail to pay rent or if space is not rented on favorable terms or at all. For example, if the Investment Vehicle were to re-let or renew existing leases for a significant amount of space at rental rates significantly lower than expected rates, then the Investment Vehicle's funds from operations may be adversely affected. Changes in payment patterns by tenants may result from a variety of social, legal and economic factors, including, without limitation, the rate of inflation and unemployment levels and may be reflected in the rental rates offered by comparable space. In addition, upon re-letting or renewing existing leases, the Investment Vehicle will likely be required to pay leasing commissions, tenant improvement costs or other tenant inducements, which may adversely affect cash flow from a particular property. There is no assurance that existing leases will be renewed

or that, if renewed, the terms would be similar to or more favorable than the terms of the prior lease.

An Investment Vehicle may be unable to sell a property if or when it decides to do so, which could adversely impact its ability to pay cash distributions to investors

The real estate market is affected by many factors, such as general economic conditions, the availability of financing, interest rates, supply and demand and other factors that are beyond the Investment Vehicle's control. Brightstone cannot predict whether it will be able to sell any property for the price or on the terms set by it, or whether any price or other terms offered by a prospective purchaser would be acceptable to it. Brightstone cannot predict the length of time needed to find a willing purchaser and to close the sale of a property. If Brightstone is unable to sell a property when Brightstone determines to do so, it could have a significant adverse effect on the Investment Vehicle's cash flow and results of operations.

In the event of casualty to an Investment Vehicle property, the Investment Vehicle may be prevented from reconstructing the property as it existed prior to such casualty.

Certain of the Investment Vehicle's properties may qualify as legally permissible non-conforming areas and improvements under existing zoning ordinances. Notwithstanding holding applicable insurance coverage, if a substantial portion of the improvements on any such property were to be destroyed by fire or other casualty, the Investment Vehicle may not be permitted to rebuild such improvements as they existed prior to such casualty. This could result in a significant reduction of net rentable square feet and, therefore, a deduction in net operating income generated by such property for the Investment Vehicle.

If an Investment Vehicle sells properties by providing financing to purchasers, the Investment Vehicle will bear the risk of default by the purchaser.

If the Brightstone decides to cause an Investment Vehicle to sell any of its properties, it will typically cause the Investment Vehicle to sell them for cash. However, in some instances the Investment Vehicle may sell its properties by providing financing to purchasers. When the Investment Vehicle provides financing to purchasers, the Investment Vehicle will bear the risk of default by the purchaser and will be subject to remedies provided by law, which could negatively impact the Investment Vehicle's income. Typically there will be no limitations or restrictions on the Investment Vehicle's ability to take purchase money obligations. The Investment Vehicle may, therefore, take a purchase money obligation secured by a mortgage as part payment for the purchase price. The terms of payment generally will be affected by custom in the area where the property being sold is located and then-prevailing economic conditions. If the Investment Vehicle receives promissory notes or other property in lieu of cash from property sales, the distribution of the proceeds of sales to investors will be delayed until the promissory notes or other property are actually paid, sold, refinanced or otherwise disposed of.

If an Investment Vehicle requires additional equity financing, obtaining such financing may create conflicts of interest among its investors.

If an Investment Vehicle requires additional equity financing, its investors may have no obligation to provide such additional equity financing. Typically the formation documents for each Investment Vehicle will have provisions for the investors in such Investment Vehicles to

have the right (but not the obligation) to make additional capital contributions to the Investment Vehicles under specified circumstances. If some (but not all) of the investors elect to fund such additional capital contributions, such capital contributions may be treated as preferred equity, partner loans (to the Investment Vehicle or to the non-funding investors) or common equity that dilutes the ownership of the non-funding equity owners based on a formula or based on a value determination by Brightstone, all as described in the Investment Vehicle offering documents. Also, if the existing investors are not willing to fund the entirety of the additional capital required, Brightstone will typically have the right to obtain such financing from third party investors on terms described in the offering documents. These provisions may create conflicts of interests among diverse investors in the Investment Vehicle. Also, if Brightstone were to cause one Investment Vehicle to fund additional equity required by another Investment Vehicle, this may create conflicts of interests between two Brightstone clients with different interests in the same underlying property investment.

Item 9: Disciplinary Information

Item 9.A., 9.B., and 9.C.

Brightstone and its supervised persons have no reportable disciplinary events to disclose.

Item 10: Other Financial Industry Activities and Affiliations

Item 10.A. Broker-dealer Activities

Not Applicable. Brightstone is currently not applying to register as a broker-dealer and currently does not intend to do so.

Item 10.B. Commodity or Futures Industry Affiliations

Not Applicable. Neither Brightstone, nor any of its management persons, are applying to register with the National Futures Association and do not intend to.

Item 10.C. Affiliate Relationships

Brightstone is an affiliate of Brightstone Capital Partners LLC, which is expected to control each Investment Vehicle through direct or indirect ownership or control of its general partner, managing member, governing board or similar body or entity.

Vanke and its affiliates may compete with Brightstone or the Investment Vehicles for investment opportunities. Also, Vanke and its affiliates may own properties that compete with properties owned by the Investment Vehicles. Such competition could take the form of competition for tenants or customers or could give rise to competing interests over development rights, zoning restrictions, encroachments, easements or other competing property interests. Please refer to Item 11.B for a description of these and other conflicts of interest between Vanke and the Investment Vehicles.

Item 10.D. Investment Adviser Recommendations

Not Applicable. Brightstone does not recommend or select other investment advisers for its Investment Vehicles.

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

Item 11.A. Code of Ethics

All Access Persons of Brightstone, as described in the Firm's Code of Ethics, may only purchase and sell securities in accordance with the Firm's Code of Ethics to which all supervised persons / associated persons are subject. This policy is monitored by the Chief Compliance Officer.

Access Persons are permitted to maintain personal brokerage accounts, subject to the Code of Ethics and personal trading policy.

The Code of Ethics includes the following:

- Statement of the standard of business conduct.
- Limits on gifts and entertainment.
- Limits on political contributions.
- Limits on personal trading.
- Requirements to pre-clear any purchases or sales of securities for personal accounts.
- Requirements regarding the reporting of personal holdings.
- Requirement to acknowledge, in writing, having received and read a copy of the Code of Ethics.

A copy of the Firm's Code of Ethics is available to the Firm's clients and to investors and prospective investors in Investment Vehicles upon request.

Item 11.B. Participation or Interest in Client Transactions

Brightstone will solicit investments from investors in the newly formed Investment Vehicles it sponsors. The decision as to whether or not to invest will be made by the investor or an independent fiduciary of or consultant to the investor. Brightstone does not act as the investment adviser to such investors.

Participation or interest in client transactions

Typically Vanke and the Principals or their affiliates will initially commit their own funds to the acquisition of an investment for the account of a new Investment Vehicle. Subsequently, either before or after closing on such acquisition, Brightstone will solicit investment from other investors into the Investment Vehicle, with the proceeds of such new investment reducing the financial commitment of Vanke and the Principals or returning part of Vanke's and the Principals' invested capital. The role of Vanke and the Principals in the specific transaction and their relationship to Brightstone will be disclosed to investors as part of the offering of interests in the Investment Vehicle.

Brightstone, the Principals, Vanke and their respective affiliates will typically retain a capital commitment or investment in each Investment Vehicle alongside third party investors. In connection with such investments, each Investment Vehicle may agree to reduce all or a portion of the management fee and performance fee payable with respect to investments or commitments made by Brightstone, the Principals, Vanke and their respective affiliates.

Because the Principals and Vanke will, together with Brightstone, decide which property investments to offer to investors in the Investment Vehicles and in what proportions, a conflict of interest may arise whereby Brightstone (and the Principals and Vanke) may have an interest in offering greater proportions of those Investment Vehicles with investments that they find less attractive, while retaining a greater proportion of those Investment Vehicles owning what they consider to be more attractive investments.

Please see Item 6 - Performance Based Fees and Side-by-Side Management for additional information regarding our receipt of performance based fees.

No commitment to refer investment opportunities

Brightstone, the Principals, Vanke and their respective affiliates will have no obligation to refer investment opportunities to the Investment Vehicles, and they may invest in other securities, properties or interests in other investment vehicles (including private equity funds, real estate funds, joint ventures and other similar investment vehicles), which may include potential competitors to the Investment Vehicles, and the Investment Vehicles will have no interest in any such other investments. However, because investors in the Investment Vehicles are typically making their decision to invest in a particular Investment Vehicle only after an investment has been identified (and in many cases, already acquired), investors typically will not rely on Brightstone to source new investment opportunities for the Investment Vehicles.

Allocation of investment opportunities

Because each Investment Vehicle will typically be formed with an identified investment in mind and with a limited mandate for potential future investments, Brightstone currently does not have a procedure for allocating new investment opportunities among our Investment Vehicles.

Fee structure

Because transaction fees will typically be based upon the purchase price or sales price of an asset, this fee structure may create an incentive to invest capital in an asset or sell an asset when Brightstone may not otherwise have done so or in situations which may not be in the best interests of the client.

Because asset management fees or other fees may be based upon the value of assets under management or the net operating income generated by a portfolio, such fees may increase over time due to market appreciation, increases in rent or other reasons, irrespective of the amount of work Brightstone has done with the asset. For other fees that are based on invested capital, the fee structure may create an incentive to deploy capital when Brightstone may not otherwise have done so; and Brightstone may receive the same level of fees even if the value of the assets have otherwise declined, there is a drop in tenant occupancy or other adverse conditions affect the property.

For Investment Vehicles that pay Brightstone fees based on asset valuations, Brightstone anticipates that it will value the Investment Vehicle's assets based on independent appraisals in accordance with valuation guidelines disclosed in the Investment Vehicle's formation and offering documents. Brightstone has adopted valuation policies and procedures that will enable the investments to be valued fairly. Nonetheless, the process of estimating asset values will remain (i) inherently subjective and reliant on a variety of assumptions, including assumptions about projected cash flows for the remaining holding periods and (ii) based in large part on information at the time of the appraisal, while market, property and other conditions may change materially after that date. Furthermore, real estate and certain real estate-related assets generally cannot be marked to an established market or to the price of readily tradable assets. This exercise of discretion in valuing investments will give rise to conflicts of interest, as higher valuations will result in increased compensation to Brightstone.

As discussed above in Item 6, Brightstone or its affiliates typically expects to earn performance-based compensation with respect to its Investment Vehicles. The existence of the performance-based compensation may create an incentive for Brightstone to cause such clients to make more speculative investments than they would otherwise make in the absence of performance-based compensation.

Affiliated service providers

Brightstone and its affiliates may choose to provide services to the Investment Vehicles with respect to property management, leasing, brokerage, financing, development and similar services, *provided* that the fees for such services have been disclosed in connection with each investor's initial investment in the Investment Vehicle or are otherwise on arms' length terms approved by an advisory board comprised of investor representatives.

Expense/fee reimbursement

Investment Vehicles may reimburse Brightstone for its expenses in connection with the organization of the Investment Vehicle and the acquisition of investments, as well as ongoing costs of managing and disposing of investments, including Brightstone's travel expenses (including business-class air and train travel) and meals, lodging and entertainment expenses. This creates a conflict of interest between the Investment Vehicle and Brightstone because Brightstone has an incentive to complete the acquisition of an investment and the formation and offering of an Investment Vehicle so that it can obtain a reimbursement of expenses that it will otherwise be required to bear for its own account.

Diverse membership

Investors in the Investment Vehicles may have conflicting investment, tax and other interests with respect to their investments in an Investment Vehicle. The conflicting interests among the investors may relate to or arise from, among other things, the nature of investments made by an Investment Vehicle, the structuring of the acquisition of investments and the timing of the disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by Brightstone or its affiliates, including with respect to the nature or structuring of investments, that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. Where such conflicts arise, Brightstone will

act in what it considers to be the best interests of the Investment Vehicle, without regard to the interests of individual investors, except as required by the Investment Vehicle's formation and offering documents.

Side letter agreements

Brightstone will, from time to time, enter into side letter arrangements with some investors in an Investment Vehicle providing such investors with different or preferential rights or terms, including but not limited to different fee structures, information and reporting rights and liquidity or transfer rights. Except as otherwise agreed with an investor and except in the case of terms that could have a material adverse effect on other investors in the Investment Vehicle, Brightstone and its affiliates will not be required to disclose the terms of side letter arrangements to other investors in the same Investment Vehicle.

Typically, each Investment Vehicle will establish an advisory board, consisting of representatives of investors. A conflict of interest may exist when some, but not all limited partners are permitted to designate a member to the advisory board. The advisory board may also have the ability to approve matters presenting conflicts of interests with respect to Brightstone and the applicable Investment Vehicle, which could be disadvantageous to the investors, including those investors who do not designate a member to the advisory board.

Other potential conflicts

Brightstone and its Investment Vehicles may engage common legal counsel and other advisers in a particular transaction, including a transaction in which there may be conflicts of interest as between Brightstone and an Investment Vehicle. In the event of a significant dispute or divergence of interest between clients and Brightstone, the parties may engage separate counsel in the sole discretion of Brightstone, and in litigation and other circumstances separate representation may be required.

Brightstone and its Investment Vehicles from time to time may engage other common service providers. In certain circumstances, the service provider may charge varying rates or engage in different arrangements for services provided to Brightstone or to the Investment Vehicles. This may result in Brightstone or certain of its Investment Vehicles receiving a more favorable rate on services provided to it by such a common service provider than those payable by Investment Vehicles, or Brightstone receiving a discount on services even though its clients receive a lesser, or no, discount. This creates a conflict of interest between Brightstone, on the one hand, and the Investment Vehicles, on the other hand, in determining whether to engage such service providers, including the possibility that Brightstone may favor the engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by the Investment Vehicles.

Item 11.B., 11.C., and 11.D.

Brightstone, prohibits investments in the personal account of any Firm personnel in an investment that is currently held or intended to be held by Investment Vehicles, except for investment by Brightstone and its affiliates (including the Principals and Vanke) in Investment

Vehicles alongside the other investors in the Investment Vehicles or the acquisition of an investment for the account of an Investment Vehicle, as described in Item 4.B above.

Item 12: Brokerage Practices

Brightstone currently does not engage in securities trading transactions on behalf of its Investment Vehicles or utilize the services of securities broker-dealers for transaction related services. If it requires the services of a securities broker-dealer, Brightstone will seek to obtain best execution on an overall basis. Brightstone will aggregate such of those orders as it deems appropriate and in accordance with the Investment Vehicles' organizational documents and in the best interests of the Investment Vehicles.

On behalf of clients, Brightstone engages service providers and real estate brokers for investment sales, property management, leasing, debt financing and other services. Brightstone has the investment discretion to hire third party service providers, including real estate brokers, and to negotiate the commissions paid to those providers. In recognition of Brightstone's responsibilities as a fiduciary and in keeping with Brightstone's level of operational practices and efforts to maximize the value of Investment Vehicle accounts, Brightstone's primary objective is to seek to obtain the best possible execution of real estate transactions for its Investment Vehicles' accounts on an overall basis considering all circumstances. In engaging brokers and service providers, Brightstone will consider a number of factors including: execution capability, commission rates, knowledge of markets, experience, reputation, current market conditions and marketing support.

Item 13: Review of Accounts

Item 13.A. and 13.B.

Brightstone's team of investment professionals (including its Principals) actively monitors and reviews the portfolio investments of the Investment Vehicles. This review includes performance, client objectives and guidelines and other criteria relevant to the types of real estate assets held in each Investment Vehicle.

On an annual basis, Brightstone senior management will prepare a strategic plan for each Investment Vehicle for the upcoming year that will be reviewed by the Investment Committee in order to establish performance standards and appropriate benchmarks. As part of the annual review of each Investment Vehicle's portfolio, the portfolio's performance will be assessed and compared to the budget, benchmarks and strategic plan for that portfolio and against the financial performance of the portfolio in prior years. Strategic plans typically will be focused on the following items:

- Review and alignment of client objectives
- Performance against prior year's objectives
- Major lease expiration schedule and debt maturity schedule for the portfolio
- Updated cash flow return projections

- Updated property valuations
- Hold/sell recommendations
- Key initiatives to be accomplished during the upcoming year

Item 13.C.

As applicable and set forth in the respective offering documents, in addition to the annual plans described above, Brightstone's management will prepare quarterly written reports for Investment Vehicles and their investors. The reports will include unaudited financial statements, which will be prepared and reviewed by internal accounting professionals. Year-end financial statements will be audited by certified public accountants, usually one of the "big-four" accounting firms, all of which are independent according to AICPA standards. Capital items, including paid-in capital, invested capital and distributions, will be reviewed by internal accounting professionals as transactions occur to ensure that they are completed in accordance with the Investment Vehicle joint venture agreements, fund agreements and/or bylaws.

In general, written quarterly reports and financial statements will be issued to clients between 45 and 60 days after quarter end. Quarterly reports will contain a high level executive summary, financial schedules, property profiles and fair value-based financial statements. Investment Vehicle financial statements will detail the contributions, distributions and ownership amounts of each investor's interest.

Item 14: Client Referrals and Other Compensation

Item 14.A.

Brightstone currently does not engage in securities trading transactions on behalf of its Investment Vehicles or utilize the services of securities broker-dealers for transaction related services. If it requires the services of a securities broker-dealer, Brightstone will seek to obtain best execution on an overall basis.

Item 14.B.

Brightstone may enter into arrangements with placement agents, or solicitors, where in return for a referral of an investor to an Investment Vehicle, Brightstone would pay the placement agent a one-time or ongoing fee based upon the value of the referral's investment into the applicable Investment Vehicle. Any such arrangement with a placement agent will be disclosed to the applicable investor. Any such fees would be the responsibility of Brightstone and would not be reimbursed by the Investment Vehicle.

Item 15: Custody

Any investments that are represented or evidenced by a physical certificate will be held at an unaffiliated qualified custodian, as required by the rules adopted under the Advisers Act. The Firm will provide investors in each Investment Vehicle with annual audited financial statements prepared by an independent public accountant subject to the supervision of the Public Company

Accounting Oversight Board, together with the reports from Brightstone described in Item 13 of this brochure.

Item 16: Investment Discretion

Brightstone typically has full discretion over transactions in the portfolios of the Investment Vehicles, although as described above, the Investment Vehicles typically have limited mandates to make additional investments. This authority will be granted to Brightstone by means of the execution of the relevant organizational and/or advisory agreements that set forth the scope of the Firm's discretion with respect to each Investment Vehicle. Brightstone may also be engaged on a non-discretionary basis by advisory clients to whom Brightstone may make investment recommendations under an advisory agreement for that client.

Item 17: Voting Client Securities

Brightstone generally does not intend to invest in the equity securities of companies that regularly conduct shareholder meetings and solicit proxies for shareholder voting. However, Brightstone will adopt a proxy policy should a proxy solicitation be received or to handle any class actions. Should any matters arise that require a vote of the holders of any securities or investments held by the Investment Vehicles, senior management of Brightstone will review the issue or issues to be voted on and cast their votes in the best economic interest of the Investment Vehicles. A copy of the proxy voting policy and a record of all votes cast by Brightstone on behalf of the Investment Vehicles may be obtained by mailing the request to the attention of Douglas Lee at Brightstone Investment Advisors, 630 Fifth Avenue, 20th Floor, New York, NY 10111, or emailing the request to **DLee@brightstonecap.com**.

Item 18: Financial Information

Item 18.A.

Not Applicable. Brightstone does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

Item 18.B.

Brightstone is not aware of any financial condition that is reasonably likely to impact its ability to meet its contractual commitments to Investment Vehicles.

Item 18.C.

Not Applicable. Brightstone has not been the subject of a bankruptcy petition at any time during the past ten years.