

Item 1. Cover Page

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Firm Brochure
(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of Formation Capital, LLC (“Formation Capital”). If you have any questions about the contents of this brochure, please contact us at (770) 754-9660. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

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

Item 2. Material Changes

Formation Capital did not have any material changes since our last amendment to this brochure.

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

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Item 4. Advisory Business

Formation Capital was organized in 1999 in the State of Pennsylvania as a limited liability company and was re-domesticated in 2007 in the state of Georgia. As of January 2020, Formation Capital is 99% owned by HCCF Management Group, Inc. and 1% owned by Arnold Whitman. HCCF Management Group, Inc. is 100% owned by Arnold Whitman.

Our Services

Formation Capital, through various entities owned by, controlled by, or under common control with Formation Capital (each an “Affiliate”), provides investment advisory and asset management services to pooled investment vehicles (the “Funds”). Formation Capital predominately focuses on seniors housing, post-acute, and health care investments.

Asset management and investment management services are tailored to each individual Fund. Primary asset management functions generally include, but are not limited to, financial reporting, loan compliance, capital expenditure management, facility inspections, operator meetings, legislative review, and asset reporting. In addition, investment management services include accounting, tax compliance, treasury management, capital calls, distributions, investment reporting, governance, and compliance. Any restrictions on a Fund’s investments are set forth in its governing documents.

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

Regulatory Assets Under Management

As of December 31, 2020, Formation Capital manages total Fund assets of approximately \$2,975,557,497 all of which are managed on a discretionary basis. The calculation of regulatory assets under management is based on total invested capital, including leverage.

Item 5 . Fees and Compensation

Management Fees and Fee Payment

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

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

Additional Fund Fees and Expenses

The management fees payable above are exclusive of, and are in addition to, certain third-party fees, including, but not limited to, transaction fees, audit fees, legal fees, exit fees and other related costs and expenses that may be incurred by the Funds, as more fully described in the relevant Fund's Offering Documents. For information regarding conflicts of interest in the allocation of expenses and Formation Capital's business relationships please see the responses to Items 10 and 11 below.

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

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

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

Item 7. Types of Clients

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

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

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

Methods of Analysis and Investment Strategy

Formation Capital is an investment management firm that sponsors and manages several private investments concentrated in skilled nursing, senior housing, behavioral health, and ancillary healthcare services. Formation Capital raises capital and structures separate private funds for each investment platform within each investment strategy.

Healthcare Real Estate Investment Strategy – Formation Capital acquires value-added skilled nursing and senior housing real estate and partners with high-quality operators with proven clinical and financial track records. Formation Capital structures the skilled nursing real estate investments as triple-net leases with tenant operators and typically structures the senior housing real estate investments as RIDEA structures with third-party managers. Formation Capital underwrites each real estate investment in-house, conducts site visits and operator meetings, engages third-party service providers to complete quality of earnings, property condition, environmental, clinical, regulatory, market, legal, and tax diligence.

Healthcare Services Investment Strategy – Formation Capital acquires controlling interests in skilled nursing operators, senior housing managers, and ancillary healthcare service provider platforms. Formation Capital seeks platform investments for ongoing value-added capital investments, add-on acquisitions, and business transformations to drive growth and efficiency. Formation Capital underwrites each private investment in-house, conducts management meetings, engages third-party service providers to complete quality of earnings, clinical, regulatory, market, legal, and tax diligence.

Healthcare Leveraged Lending Investment Strategy – Formation Lending Group, a division of Formation Capital, originates and underwrites high leverage senior housing and skilled nursing real estate mortgage and mezzanine loans. The target borrowers are often transitioning facility operators and/or bridging to HUD refinancing. The mortgage loans are typically syndicated with traditional banks and finance companies. Formation Lending Group underwrites each real estate loan in-house, conducts site visits and borrower management meetings, engages third-party service providers to complete quality of earnings, property condition, environmental, clinical, regulatory, market, and legal diligence on the borrower and real estate collateral.

Material Risks

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

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

Investments in Companies with Smaller Capitalizations or Limited Coverage. A Fund may invest in the securities of companies with smaller capitalizations or that are the subject of little or no publicly-available analysis or research coverage. Investments in such companies may involve greater risk, in that they often have limited markets and/or financial resources, may be dependent for management on one or a few key

persons, may lack substantial capital reserves, may not have established performance records and/or may be more susceptible to losses.

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

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

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

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

Environmental Matters. Under various foreign, federal, state and local environmental laws and regulations, a current or previous owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances or wastes, petroleum products or other pollutants or regulated materials, or threatened releases of such materials, at such property, and may be held liable to a government entity

or to third parties for property damage and personal injury, and for investigation, cleanup and monitoring costs incurred by such parties in connection with the contamination.

Cybersecurity. Recent events have illustrated the ongoing cybersecurity risks to which Formation Capital and its portfolio companies may be subject. To the extent that a portfolio company is subject to cyber-attack or other unauthorized access is gained to a portfolio company's systems, such portfolio company may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or portfolio company financial information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; or (v) other items. In certain events, a portfolio company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Any of such circumstances could subject a portfolio company or the relevant Fund to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at Formation Capital or one of its service providers holding its financial or investor data, Formation Capital, its Affiliates or the Funds may also be at risk of loss, despite efforts to prevent and mitigate such risks under Formation Capital's information technology policies and infrastructure.

Force Majeure. Investments may be affected by force majeure events (*i.e.*, events beyond the control of the party claiming that the event has occurred), including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism, labor strikes, major plant breakdowns, pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, demographic changes, government macroeconomic policies, and social instability.

Item 9. Disciplinary Information

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

Item 10. Other Financial Industry Activities and Affiliations

There are certain actual or potential conflicts of interest that may exist or arise from the activities and affiliations of Formation Capital and its supervised persons. This Brochure, and specifically this Item, provides an overview of some of these activities and material conflicts of interest, as well as some of the policies and procedures in place that are reasonably designed to mitigate these conflicts and to help ensure that Formation Capital always acts in the best interests of the Funds.

While Formation Capital expects its policies and procedures to mitigate conflicts of interest, it cannot eliminate all conflicts of interest. Please refer to the materials you have received with respect to a particular Fund for additional information regarding the conflicts of interest that may be applicable to your investment in that Fund. Please also refer to discussion of Formation Capital's Code of Ethics in Item 11.

As of December 31, 2020, the following Formation Capital Affiliates act as a general partner or managing member of a Fund or receive the carried interest distributions discussed in Item 6 above:

- a. FC Eclipse Investment, LLC, the managing member of Eclipse Investment, LLC;
- b. FC Domino General Partner, LLC, the general partner of Safanad Senior Care Investment Partnership VI, LP;
- c. FC Midlands General Partner, LLC, the general partner of Safanad Senior Care Investment Partnership VIII, LP;
- d. FC Skyfall GP Limited, the general partner of FC Skyfall, LP;
- e. FCE Lending Manager, LLC, then manager of FCE Lending, LLC; and
- f. Formation Capital Profit Sharing III LLC, which receives profit sharing opportunities;

Furthermore, Formation Capital personnel engage in outside business activities and have personal investments that may create potential conflicts of interest. For example, Mr. Whitman is a shareholder on the Board of Directors of Genesis HealthCare, Inc. (NYSE:GEN). Similarly, Mr. Whitman is a partial owner of and serves on the management committee of Formation Development Group, LLC, which is an entity that may provide building project management services for new construction of senior housing facilities, including those that may be acquired by portfolio companies of a Fund or may be invested in directly by the Funds.

Formation Capital personnel owe a fiduciary duty to the Funds managed by Formation Capital and its affiliates and, if an employee sits on a Fund board or Investment Committee, the employee also owes a fiduciary duty to the specific Fund. Formation Capital and its personnel must fulfill their fiduciary duties without regard to their outside business activities and personal investments. Formation Capital requires all of its employees to periodically report and update as necessary their outside business activities and personal investments, and requires prior approval of certain outside business activities and personal investments that may create a potential or actual conflict of interest with respect to Formation Capital, a Fund or a portfolio company. Certain Fund documents contain provisions that, among other things, may impose additional voting restrictions or requirements that apply to matters where a board or investment committee member may have an actual or potential conflict of interest. Under certain circumstances, Formation Capital may have its employees who are conflicted voluntarily recuse themselves with respect to a particular transaction or decision for a Fund.

Another area in which conflicts of interest may arise is with respect to transactions involving a Fund, or an entity in which the Fund has an interest, and an affiliate of Formation Capital or its personnel. For example, Formation Lending Group, LLC is a subsidiary of Formation Capital, and provides financing and loan origination services to third parties, including a third-party that may be buying assets from a Fund.

Formation Capital has policies and procedures in place with respect to affiliated transactions that are intended to mitigate this potential conflict of interest. These policies and procedures, among other things,

require that all transactions between affiliated entities be conducted on terms that are consistent with market terms, and that all affiliations and related material conflicts of interest be disclosed to the board or other entity that evaluates transactions on behalf of a Fund. Furthermore, a Fund's governing documents will often contain special procedures that must be followed in order for a Fund to enter an agreement with an entity that has an affiliation with Formation Capital or the Fund.

Service providers to the Funds, their portfolio companies and the portfolio companies' directors, officers and employees, may be investors in a Fund. This could present a conflict of interest in deciding whether to utilize the services of such service providers, or to pay such service providers higher fees out of the Fund's assets. Formation Capital has a policy that transactions, including transactions with Affiliates or its employees or that otherwise implicate conflicts of interest, should be conducted on terms no less favorable than if they were conducted with third parties at arms' length.

Formation Capital has a Conflicts Committee, which assists Formation Capital in its efforts to help ensure that appropriate disclosure regarding potential or actual conflicts of interest is made to the Funds and their boards, investment committees or other decision-making bodies, as applicable, to help them make informed decisions. The Conflicts Committee may also review reports identifying potential or actual conflicts of interest in connection with employees' outside business activities, receipt of gifts and entertainment and personal securities investments.

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

Formation Capital has adopted a Code of Ethics (the "Code") that is incorporated into our compliance policies and procedures and sets forth the basic policies of ethical conduct for all employees of Formation Capital and their fiduciary duty to the Funds. Formation Capital's employees are required to adhere to the highest standards with respect to any potential conflicts of interest with the Funds and must always act in each Fund's best interests. We have established policies relating to, among other things, the confidentiality of investor and Fund information, a prohibition on insider trading and mitigating or eliminating conflicts of interest. The Code states that no employee shall purchase or sell any security listed on Formation Capital's restricted list. In addition, Formation Capital has implemented certain policies and procedures to restrict access to material non-public information.

Additionally, we have established policies that require pre-approval of certain personal securities transactions, prohibit investment in certain instruments and related-party loans, and require quarterly and annual reporting of personal securities transactions. Employees are also required to make quarterly and annual reports regarding their receipt of gifts and entertainment, outside business activities, investments in limited offerings, and political contributions to foreign officials. Employees must receive prior approval from the CCO prior to engaging in any outside business activity that implicates a potential conflict of interest.

Certain knowledgeable employees may also invest in the Funds. As discussed above, certain employees

may also have a financial interest in or relationship with entities in which a Fund may invest or with which a Fund may have a relationship. Please refer to Item 10 for a description of conflicts of interest that arise in connection with employees' investments and outside business activities, and the policies and procedures in place that are reasonably designed to mitigate such conflicts of interest.

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

Item 12. Brokerage Practices

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

Item 13. Review of Accounts

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

Item 14. Client Referrals and Other Compensation

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

Item 15. Custody

Formation Capital is deemed to have custody of all Funds' assets as a result of an Affiliate acting as a general partner or managing member of the Funds. As a result, Formation Capital maintains any marketable securities, cash or cash equivalents at a qualified custodian, with the exception of certain Fund assets that are defined as "privately offered securities" per Rule 206(4)-2 under the Advisers Act. If a Fund is subject to an annual financial audit by an independent accounting firm registered with, and subject to inspection by, the Public Company Accounting Oversight Board, the audited financial statements are prepared in accordance with US Generally Accepted Accounting Principles and are distributed to investors within 120 days of the Funds' fiscal year end. If a Fund is subject to an annual surprise audit by an independent accounting firm, investors will receive, at a minimum, quarterly account statements from the Fund's qualified custodian. Fund investors should carefully review those statements for any errors or discrepancies and compare them against any reports received from Formation Capital.

In addition, FCE Lending, LLC serves as the administrative agent for the loans which it manages and services. As such, cash receipts from debt service and escrows for these loans are deposited and commingled in a single bank account for that purpose along with funds attributable to other lenders participating in these loans (the "Agent Account"). This Agent Account was established by Formation

Lending Group, LLC for such loans, and this account is held with a qualified custodian in the name of FCE Lending, LLC and holds only cash. As administrative agent, FCE Lending, LLC must apply the terms of the loan agreements and intercreditor agreements in dealing with funds held for the benefit other lenders in the Agent Account, and FCE Lending, LLC has no authority to determine how such funds held for the benefit of other lenders are used, allocated or disbursed. In light of recent SEC Staff guidance, Formation Capital is considered to have custody over the funds in the Agent Account for purposes of Rule 206(4)-2 under the Advisers Act due to its affiliation with FCE Lending, LLC, and will implement the controls outlined in that guidance.

Item 16. Investment Discretion

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

Item 17. Voting Client Securities

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

Item 18. Financial Information

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