

Part 2A of Form ADV: Firm Brochure

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# IRA Capital Management, LLC

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March 16, 2023

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**This brochure (this “Brochure”) provides information about the qualifications and business practices of IRA Capital Management, LLC, a Delaware limited liability company (“IRA”). If you have any questions about the contents of this Brochure, please contact us at 949-258-7400 or [amalas@iracapital.com](mailto:amalas@iracapital.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. Please note that registration with the United States Securities and Exchange Commission (“SEC”) does not imply a certain level of skill or training of IRA or its employees and that Additional information about IRA is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

Item 2 – Material Changes

There are no material changes to our Form 2A as this Brochure is the initial version being filed with our initial filing.

Item 3 – Table of Contents

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Item 4 – Advisory Business

**FIRM OVERVIEW**

IRA was formed in December 2022 and commenced operations on January 1, 2023. IRA provides continuous and regular supervisory or management services with respect to real property assets.

The principal office and place of business for IRA and certain related persons is 3121 Michelson Drive, Suite 500, Irvine, CA 92612. Any references in this Brochure to “advisory affiliate” or a “related person” of IRA is considered to be a person or entity that controls IRA, is controlled by IRA or is under common control with IRA.

**FOUNDING PARTNERS**

IRA is owned and member-managed by five individuals (together, the “Founding Partners”): Mohannad Malas, Amer Elkasm, Amer Malas, Jay Gangwal and Samir Patel. Their ownership interests are not equal.

IRA’s investment policies are set by the Founding Partners. Other executive officers participate in determining investment recommendations on an as needed basis. These professionals may be referred to in this Brochure as the “IRA Investment Professionals”.

**INVESTMENT SUPERVISORY SERVICES**

As of March 16, 2023,<sup>1</sup> IRA’s main business objective is to provide investment advice to IRA Capital Healthcare Real Estate Fund, L.P., a Delaware limited partnership that makes private healthcare real estate investments (the “HRE Fund” and together with any other, future pooled investment vehicle operated as a private fund and advised by IRA, the “Funds” and each, a “Fund”).

The underlying investors of a Fund are referred to as “investors” in this Brochure. Some investors may consist of our related parties due to common ownership and/or control between IRA’s owner and the general partners or managers of those entities. Some investors may also be funds of funds that may or may not be related parties. Additionally, we expect all of our future, private funds to be closed-end, drawdown funds with capital committed by investors and contributed over time to purchase real estate property investments and pay expenses.

We look for investments that meet the stated objectives, strategy and investment guidelines of each Fund. We supervise the entire investment process and monitor the performance of each investment held by each Fund. In addition, we execute our recommendations to buy,

hold and sell investment opportunities.

We primarily provide advice with respect to real estate property investments and real property secured debt. We also provide advice regarding various equity and debt interests in or secured by real estate.

Our investment management and advisory services are provided to each investor pursuant to the terms of the offering memoranda and investment management agreements of the applicable Fund. We may enter into side letters with investors to provide them with special terms related to their investment in the applicable Fund, which are not offered to other investors in such Fund.

We do not participate in wrap fee programs.

IRA has submitted its initial filing in anticipation of having sufficient regulatory assets under management and will update this Brochure within 120 days of its registration.

#### Item 5 – Fees and Compensation

##### **MANAGEMENT FEE**

IRA receives annual advisory fees that generally range from 0.25% to 1.5% per year based on total capital committed to HRE Fund. IRA may be granted a direct or indirect interest in capital accounts (at no charge) in the HRE Fund as an indirect payment of advisory services.

In most cases, there is no independent person who negotiates IRA's advisory fees. However, the specific fee arrangements, exact fee start date, exact calculation of the base asset management fee, and other types of fees and expenses paid by each investor are described in the applicable Fund's offering memorandum or joint venture or other agreement negotiated directly with an investor. Therefore, investors will be informed of the fees that will be charged on their investments prior to deciding to make an investment in a Fund.

IRA intends to charge fees that are fair and reasonable in amount based on the type and complexity of the services provided. We generally expect to select a fee start date that coincides with (i) when we started performing advisory services, (ii) the date of the initial investor closing, and (iii) when the investor's first investment was made.

In cases where IRA has delegated certain advisory responsibilities to a related adviser, IRA may share a portion of its fees with respect to certain accounts with those advisers who are performing specific services.

We or the general partner of a Fund will also typically be entitled to receive an incentive distribution or "carried interest" in an amount equal to a specified percentage of the returns for such Fund. The specific percentage and amount of the incentive distribution

or “carried interest” will vary depending on the terms arranged for the Fund. The general partner of a Fund may, in its sole discretion, cause such Fund to waive, reduce or modify the carried interest applicable to any investor, including the share of carried interest allocated to certain investors in such Fund (but without any concurrent increase in another investor’s share of such carried interest in such Fund).

### **OTHER COMPENSATION, FEES, AND EXPENSES**

If other types of fees and expenses are paid by a Fund, they will be described in such Fund’s offering memorandum or joint venture or other agreement negotiated directly with an investor, if applicable.

With respect to HRE Fund, some of the other types of fees and expenses that usually will be paid by HRE Funds are: (i) all expenses, costs and liabilities incurred in connection with identifying, structuring, negotiating, making, monitoring, operating, holding, management, sale, proposed sale, other disposition or valuation of HRE Fund investments, including broken deal expenses; (ii) legal, auditing, administrative, consulting and accounting fees and expenses (including any fees or expenses of the general partner of the HRE Fund acting in its capacity as HRE Fund’s “partnership representative”); (iii) insurance expenses; (iv) extraordinary expenses (such as litigation, if any); (v) any actuaries, accountants, advisors, auditors, administrators, brokers (including prime-brokers), counsel, custodians, valuation experts and other service providers that provide services to or with respect to HRE Fund, and legal expenses incurred in connection with claims or disputes related to one or more actual, unconsummated or proposed HRE Fund investments; (vi) all taxes, fees and other governmental charges payable by HRE Fund (excluding any U.S. or non-U.S. withholding taxes that are attributable to some but not all Partners as well as any imputed underpayment, interest and penalties imposed pursuant to partnership income tax audit rules for U.S. federal tax purposes or any comparable state, local or foreign income tax audit rules that are allocable to specific investors, in each case, as determined by the general partner of HRE Fund); (vii) communications expenses; (viii) all expenses and costs associated with meetings of the investors (including travel and travel-related expenses in connection with any such meetings); (ix) all expenses and costs of the LP Advisory Committee of HRE Fund; (x) compensation and other similar expenses of professionals (including consulting (and its overhead) and any industry executives, advisors, consultants, operating executives, subject matter experts or other persons acting in a similar capacity) who provide services to or in respect of HRE Fund or an HRE Fund investment (including with respect to potential HRE Fund investments); (xi) obtaining research and other information for the benefit of the HRE Fund, including information service subscriptions, as well as expenses incurred to operate and maintain market information systems and information technology systems used to obtain such research and other related information; (xii) developing, implementing or maintaining computer software for the benefit of HRE Fund, its investors and HRE Fund investments (including potential HRE Fund investments); (xiii) maintaining HRE Fund and any of its subsidiary entities (including alternative investment vehicles (“AIVs”)), including those incurred in the organization, operation and restructuring of such subsidiary entities (including their AIVs); (xiv) HRE Fund’s indemnification obligations (including those incurred in connection with

indemnifying Indemnitees (as defined below), including advancing such amounts); (xv) complying with any applicable law or regulation (including legal fees, costs and expenses, regulatory filing or other expenses of HRE Fund, the general partner of the HRE Fund or IRA, including Form PF filings and any compliance or filings related to the European Union and United Kingdom Alternative Investment Fund Managers Directive (if applicable) but not including the IRA's Form ADV filings) or any governmental inquiry, investigation or proceeding involving or otherwise applicable to HRE Fund, including the amount of any judgments, settlements or fines paid in connection therewith; (xvi) a default in certain circumstance identified in HRE Fund's governing documents by an investor; (xvii) a transfer of an investor's interest in HRE Fund or an investor's withdrawal or admission permissible under HRE Fund's governing documents (but only to the extent not paid by the transferee or the applicable investor, as applicable); (xviii) any amendments, modifications, revisions or restatements to the constituent documents of HRE Fund, the IRA or the general partner of HRE Fund (other than any such amendments, modifications, revisions or restatements related solely to affairs of the general partner of HRE Fund, IRA and their respective members or partners and not related to the affairs of HRE Fund); (xix) distributions to investors; (xx) any costs of IRA to oversee and manage such third-party administrator and fees, costs and expenses incurred in the organization of AIVs; (xxi) negotiating and entering into and compliance with side letters and "most favored nations" election processes in connection therewith; (xxii) the liquidation and dissolution of HRE Fund; (xxiii) the repayment of principal, interest and other obligations of, the posting of cash margin in respect of, and all expenses incurred in connection with, any indebtedness of HRE Fund or other obligation or credit arrangement (including any credit facility, line of credit, loan commitment, letter of credit or bank guaranty for HRE Fund or related to any HRE Fund investment (or any underlying asset) or any repurchase agreement related to any Fund investment (or any underlying asset)); (xxiv) expenses incurred in connection with the maintenance of HRE Fund's books of account and the preparation of audited or unaudited financial statements required to implement the provisions of HRE Fund's governing documents or by any governmental authority with jurisdiction over HRE Fund, the preparation of tax returns and K-1 forms, cash management expenses, insurance and legal expenses and other routine administrative expenses of HRE Fund or its subsidiaries, including, but not limited to, fees and expenses of independent auditors, accountants and legal counsel, the costs and expenses of preparing and circulating any reports called for by HRE Fund's governing documents and any fees or imposts of a governmental authority imposed in connection with such books and records and statements; and (xxv) organizational expenses of HRE Fund.

HRE Fund also will reimburse IRA or an advisory affiliate for the services performed by IRA's attorneys and accounting professionals directly to or for the benefit of HRE Fund (whether the services relate to general administrative matters or the business operations of HRE Fund). These will be paid only if HRE Fund would otherwise have engaged outside professionals to perform the services. The fees that are charged do not exceed rates customarily charged by outside attorneys or accounting professionals.

### **BILLING PROCEDURES**

We charge advisory fees monthly in advance, but sometimes we charge fees quarterly or semi-annually in advance. If an advisory contract is terminated before the end of a billing period, IRA will refund any overpayment of fees to the investor.

If cash is not available to pay advisory fees in the period earned, the fees may be accrued and their payment deferred. IRA will collect deferred fees when cash becomes available before cash distributions are made to investors, unless we waive payment of those fees at the sole discretion of IRA. If IRA does not deploy all of the capital originally committed by investors, and as a result elects to reduce the amount of such uncalled capital commitment, advisory fees that have already been paid or accrued on such uncalled capital will not be refunded.

Given that the IRA and the HRE Fund are related parties, no independent person reviews the calculation of advisory fees. However, an independent certified public accounting firm will prepare annual audited financial statements for the HRE Fund.

IRA may provide certain investors with a discount on their applicable advisory fees. These discounts, if applicable, are disclosed in detail in the applicable Fund's offering memorandum and limited partnership agreement or joint venture or other agreement, and would be negotiated directly with the investor with respect to its investment.

Neither IRA nor any of its supervised persons are compensated for the sale of securities or other investment products.

#### Item 6 – Performance Based Fees and Side-by-Side Management

IRA understands that there exist certain potential conflicts of interest associated with the presence of performance-based fees (including carried interest payments). Such a fee may create an incentive for IRA to cause a Fund to make investments that are riskier or more speculative than would be the case if there were no performance fee or where the performance fees of different funds have varying rates. IRA provides investment services to a Fund in accordance with such fund's governing documents such that the investors in such funds are aware of the applicable investment strategy, restrictions, risks and other discloses.

IRA, as the general partner of the HRE Fund, receives a portion of the profits generated by the investments of the HRE Fund (i.e., carried interest). The carried interest is disclosed in detail in the HRE Fund's offering memorandum and limited partnership agreement or joint venture or other agreement, and would be negotiated directly with the investor with respect to its investment.

#### Item 7 – Types of Clients

IRA provides investment advice to pooled investment vehicles operated as private funds. Investors in such private funds advised by IRA (i.e., the Funds) generally consist of accredited investors, publicly traded real estate investment trusts, public and private investment funds, hedge funds and other institutional investors, specialty investors (such



as mortgage banks, pension funds, sovereign wealth funds and real estate operating companies), various types of financial institutions and their affiliates, family groups and wealthy individuals. Investors may also consist of related persons structured as limited partnerships or limited liability companies; such investors may be related to IRA due to common ownership and/or common control between IRA's Founding Partners or an advisory affiliate and the general partners or managers of those investors. Other investors may include funds of funds or closed-end investment funds. Most of our investors do not offer redemption rights or liquidity to their underlying investors.

Item 8 – Method of Analysis, Investment Strategies and Risk of Loss

**METHOD OF ANALYSIS AND INVESTMENT STRATEGY**

IRA advises its Funds primarily about making investments in real estate. Each Fund will have a specific strategy and investment focus that is described in such Fund's offering memorandum or joint venture or other agreement. One Fund may have a strategy similar to another Fund. Each Fund's offering memorandum, limited partnership agreement, operating agreement, joint venture and/or similar agreement may include specific guidelines or restrictions on its investments.

IRA's investment process is to (i) find investment opportunities that fit a Fund's specific strategy, (ii) diligently investigate each investment's benefits and risks (i.e., conduct due diligence), (iii) make recommendations to such Fund on whether to buy, hold or sell an investment, (iv) execute the Fund's investment strategy and (v) monitor the performance of Fund's investments. IRA will review its recommendations against any specific guidelines or restrictions on each Fund's investments.

Final investment decisions are made by the Founding Partners or managers of IRA.

**DUE DILIGENCE**

Professional employees of IRA, or its affiliates, or engaged third party consultants, advisors, and legal counsel perform due diligence on each investment opportunity. Due diligence will vary depending on the type of investment but will usually include some or all of the following:

- Review, preparation and/or analysis of business plan
- Review and negotiation of legal documents relevant to the real estate to be held
- Review of insurance coverage
- Review of historical financial information
- Research and analysis of market information
- Research and review of competition
- Review, preparation and/or analysis of financial projections
- Interviews and/or background checks of key company management and joint venture partners

- Lien searches of company assets and real estate
- Review of material contracts and other company data

The above is not an exhaustive list, nor does every item on the list apply to all investment opportunities. Our professional employees use their experience and expertise to review each investment opportunity in a diligent way. For certain items on the list that require special expertise, consultants may be engaged on behalf of a Fund to perform research and prepare reports. Our employees then review and analyze those third-party reports. In addition, IRA engages legal counsel as appropriate to prepare, review and/or negotiate legal documents with reasonable and customary provisions to protect the interests of the applicable Fund. Each Fund pays the fees and costs of consultants and legal counsel for matters relating to such Fund. To the extent affiliated consultants or legal counsel are engaged to provide services, the fees that are charged do not exceed rates customarily charged by third party consultants or legal counsel.

### **RISK OF LOSS AND RISK FACTORS**

***Investing in real estate involves risk of loss that investors should be prepared to bear. There can be no possibility of profit without risk of loss, including the risk of loss of one's entire investment.***

There is no guarantee that our recommendations will turn out to be profitable to our Funds or their investors. A Fund may not be able to sell or liquidate recommended assets if they need capital for other purposes. HRE Fund does not offer redemption rights or other liquidity options to its investors. IRA anticipates that other Funds will have similar liquidity profiles.

There are certain risk factors that may apply generally to the types of investments we make on behalf of our Funds. There are also numerous risk factors that may apply to the specific investment program or strategy to be followed by a particular Fund. These general and specific risks are described in the offering materials or memorandum of the applicable Fund or joint venture or other agreement. All risk factors should be considered by any prospective investor prior to making a decision to invest.

No Operating History. The HRE Fund and IRA are newly created entities and have no operating history upon which prospective investors can evaluate to estimate future performance. Although the principals and executive officers of IRA have substantial experience in real estate investments, the past performance of the principals and executive officers of IRA is not intended to be, and should not be construed as, an indication of the likely future performance of a Fund (including the HRE Fund). A Fund's results of operations depend upon the availability of suitable investment opportunities, which in turn depends upon adequate subscriptions for interests in such Fund, and the actual performance of such Fund's investments. There can be no assurance that a Fund will achieve its investment objectives.

Dependence on Certain Personnel. All decisions with respect to the management of the assets of a Fund will be made by IRA. IRA's personnel are required to devote only the time and attention to the business of a Fund as IRA in its sole discretion deems necessary or appropriate with respect to such Fund. Clients have no right to participate in the day-to-day management of a Fund or to make any decisions with respect to the investments to be made by such Fund. Further, there can be no assurances as to the continuity of IRA's personnel. Certain individuals employed by IRA are responsible for the day to day operations of a Fund and their departure from their respective employers may have a material adverse impact on the operations of such Fund, in particular regarding such Fund's ability to source, manage and deliver value to investors from investment opportunities.

General Investment Risks. Any investment in real estate is subject to risks. These risks include fluctuations in value due to issuer, political, market, regulatory and economic developments. Fluctuations can be dramatic over the short or long term. Different parts of the market and different types of equity securities can react differently to these developments. These developments can affect a single issuer, many issuers within an industry or economic sector or geographic region, or the market as a whole. Terrorism, global health events, political and regulatory developments, and economic developments (caused by natural disasters or a pandemic, for instance) have increased short-term market fluctuations and may have long-term effects on world economies and markets generally. Specifically, in December 2019, a novel strain of coronavirus spread globally, including to the U.S., and substantially impacted the U.S. economy. The extent to which the coronavirus, or any new outbreak, epidemic or pandemic could impact IRA's or a Fund's operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence. Specifically, the continued spread of the coronavirus or any new outbreak, epidemic or pandemic could adversely impact both tenants and their ability to pay rent, as well as the value of the HRE Fund's real estate investments on the whole.

General Risks Associated with Debt Markets. The types of investments made by our Funds can be affected by the debt markets. The value and marketability of investments may depend upon the availability and cost of credit to finance operations or acquisitions. Current conditions in the debt markets include reduced credit availability and increased debt costs for many market participants. These conditions, which increase the cost and reduce the availability of debt, may continue or worsen in the future. Continued and future disruptions in the debt markets could have an adverse impact on investment values and on acquisition and exit opportunities.

General Risks of Investing in Private Companies. There typically is little or no publicly available investment information about privately-held companies. The information that is available may be more limited or less reliable for small private companies than is typically the case for a larger private or public company. The due diligence investigation undertaken by IRA and/or its affiliates, if applicable, may not uncover all material information about a private company necessary to make a fully-informed investment decision. In addition, the valuation of securities of privately-held companies is less certain

than public companies and may be subject to substantial market variations. Such investments involve a high degree of business and financial risk that can result in substantial losses.

Illiquid Securities. Almost all of the investments made by IRA will be private assets for which there is no public market. As a result, these securities are illiquid and are subject to sale restrictions due to contractual obligations. In addition, these investments may take several years to mature. During the investment holding period, there may be no cash distributions to a Fund's investors. These limitations on sale could make it difficult to sell an investment or may reduce the amount of sale proceeds.

Unidentified Investments - Blind Pool. In some cases, IRA's investments are blind pools meaning that the investments are not fully identified at the time of a Fund's equity offering. As a result, a prospective investor considering an investment in a Fund will not know or be able to evaluate all investments to be made by such Fund prior to making an investment decision. Rather, a prospective investor generally relies upon the ability of a Fund's general partner or manager based upon advice provided by IRA to such Fund to select appropriate investments on behalf of such Fund. In the case of a Fund structured as a fund of funds, a prospective investor may need to rely upon the ability of such Fund's underlying manager(s) to select appropriate investments on behalf of such Fund.

General Risks of Investing in Real Estate. All real estate assets, whether structured as equity or debt, are subject to risk. For example, real estate is relatively illiquid and, therefore, the HRE Fund will be limited in its ability to vary its assets promptly in response to changes in economic or other conditions. Because real estate, like many other types of long-term investments, historically has experienced significant fluctuation and cycles in value, specific market conditions may result in occasional or permanent reductions in the value of the assets. In addition, the ability of the HRE Fund to realize anticipated rental or other income on its investments will depend on many factors which may be beyond the control of the HRE Fund, including on the financial reliability of the property's tenants and borrowers, the location and attractiveness of properties, the supply of comparable space in the areas in which its properties are located (affected, for instance, by over-building) and general economic conditions. There is no assurance that the HRE Fund's acquisitions will be profitable or that cash flow will be available for distribution to investors. Other risks include (a) changes in general economic or local conditions; (b) changes in or promulgation and enforcement of zoning, land use, building, environmental protection, occupational safety and other governmental laws and regulations; (c) changes in operating expenses; (d) changes in real estate tax rates; (e) changes in interest rates; (f) changes in costs and terms of mortgage loans; (g) unavailability of mortgage funds which may render the construction, leasing, sale or refinancing of a property difficult; (h) fluctuations in energy prices and energy and supply shortages; (i) changes in the relative popularity of properties; (j) changes in the number of buyers and sellers of properties; (k) the financial condition of borrowers and of tenants, buyers and sellers of property; (l) the imposition of rent controls; (m) the ongoing need for capital improvements; (n) cash-flow risks; (o) construction risks; (p) natural catastrophes; (q) acts of war, terrorism or civil unrest; (r) various uninsured or uninsurable risks and uninsurable losses; and (s) other factors beyond the control of the HRE Fund.

Additionally, the HRE Fund typically will be responsible for structural repairs, improvements and general maintenance of real property. The expenditure of any sums in connection therewith beyond those budgeted by the HRE Fund will reduce the cash available and may require the HRE Fund to fund deficits resulting from the operation of a property. These factors and any others that would impede the HRE Fund's ability to respond to adverse changes in the performance of its assets could significantly affect their financial conditions and operating results.

Competitive Market. The activity of identifying, consummating and realizing property acquisitions is highly competitive and involves a high degree of uncertainty. Our Funds generally compete for acquisitions with other established investors with substantial resources and experience. Many of the Funds' competitors may be substantially larger, have more capital and other resources than the Funds. Some of our Funds' current and potential competitors may be better able to leverage their existing resources to source and structure acquisitions more efficiently or on better terms than those offered by our Funds. It is possible that competition for acquisitions may increase, thus reducing the number of acquisitions available to the Funds and adversely affecting the terms upon which acquisitions can be made. Our Funds may incur significant expenses in connection with identifying acquisition opportunities and investigating other potential acquisitions which are ultimately not consummated, including expenses relating to due diligence, transportation, legal expenses and the fees of other third-party advisers. There can be no assurance that the Funds will be able to locate or consummate acquisitions that satisfy their respective objectives and strategies, or that the Funds will be able to fully invest their capital.

Reliance on Day-To-Day Management Teams. The day-to-day operations of each investment property in which the HRE Fund acquires an interest in will be the responsibility of HRE Fund's and IRA's management team. Although IRA will be responsible for monitoring the performance of each investment property, there can be no assurance that the existing management team, or any successor, will be able to operate HRE Fund or its business successfully. The success of HRE Fund or its business is heavily dependent on its management team. There can be no assurance that the management team of HRE Fund or its business will continue to manage HRE Fund or its business through the life of HRE Fund's holdings, or that HRE Fund or its business will be able to recruit and retain successor management teams that are capable of operating HRE Fund or its business successfully. In addition, instances of fraud, other deceptive practices and/or other misconduct committed by a member of HRE Fund's management team may adversely affect the operations of HRE Fund or its business. If fraud, other deceptive practices and/or other misconduct is discovered, it could adversely affect the valuation of HRE Fund's holdings.

Dependence on Property Managers. The HRE Fund is expected to rely on the expertise of property managers who are responsible for the day-to-day management of properties. However, no assurances can be provided that HRE Fund will be able to identify any appropriate property managers. In addition, the selection of property managers is inherently based on subjective criteria, making the true performance and abilities of a

particular property manager difficult to assess. The reliance on third parties to manage or operate investments poses significant risks. For example, a property manager may suffer a business failure, become bankrupt or engage in activities that compete with investments. These and other problems, including the deterioration of the business relationship between HRE Fund and the property manager, could have an adverse effect on HRE Fund. There can be no assurance that HRE Fund will be able to establish or continue these relationships with respect to HRE Fund as desired with respect to any sector or geographic market and on terms favorable to HRE Fund. In addition, the fees and expenses of these property managers that are borne by HRE Fund may be significant, which could have a material adverse effect on HRE Fund's performance.

Additional Capital Requirements of Properties, Companies or Businesses. Certain investment properties and related businesses which HRE Fund may operate or in which HRE Fund may acquire interests in, especially those in a development phase, may require additional financing to satisfy their working capital requirements or acquisition strategies. Each round of financing (whether from HRE Fund or other investors) is typically intended to provide an investment property or business with enough capital to reach the next major corporate milestone, and the amount of additional funding will depend upon the maturity and objectives of HRE Fund or its business. If the funds provided are not sufficient, HRE Fund may have to raise additional capital at a price unfavorable to the existing investors, including HRE Fund. The HRE Fund also may make additional debt and equity investments or exercise warrants, options or convertible securities it acquired during its initial acquisition of its interest in the investment property in order to preserve HRE Fund's proportionate ownership when a subsequent financing is planned, or to protect HRE Fund's interest when the performance of the investment property or its business does not meet expectations. The availability of capital is generally a function of capital market conditions that are beyond the control of HRE Fund. There can be no assurance that HRE Fund will be able to predict accurately the future capital requirements necessary for success or that additional funds will be available from any source.

Healthcare Industry and Regulation. The HRE Fund's investment strategy is to invest in healthcare related properties. Healthcare is heavily regulated and new laws or regulations, changes to existing laws or regulations, loss of licensure or failure to obtain licensure could result in the inability of our businesses to operate and our tenants to make rent payments to us. Adverse trends in healthcare provider operations may negatively affect our lease revenues and our ability to pay distributions to you.

The healthcare industry is currently experiencing:

- Changes in the demand for and methods of delivering healthcare services;
- Changes or reductions in third party reimbursement policies;
- Possible reductions in reimbursement from third party payors, including Medicare and Medicaid;
- Significant unused capacity in certain areas, which has created substantial competition for patients among healthcare providers in those areas;
- Increased expense for uninsured patients;
- Increased liability insurance expense;
- Continued pressure by the private and governmental payors to reduce payments to



- providers of service;
- Increased scrutiny of billing, referral and other practices by federal and state authorities;
- Changes in federal and state healthcare program payment models; and
- Increased emphasis on compliance with privacy and security requirements related to personal health information.

These factors may adversely affect the economic performance and profitability of some or all of HRE Fund's properties and tenants and hinder tenants' abilities to make rent payments and, in turn, adversely affect lease revenues and HRE Fund's ability to pay distributions to its limited partners.

Follow-On Interests. Following the initial acquisition of an investment property or interest therein, HRE Fund may be called upon to provide additional funds or have the opportunity to increase its interest in the investment property. There is no assurance that HRE Fund will do so, or that HRE Fund will have sufficient funds to, or be permitted to, acquire follow-on interests. Any decision by HRE Fund not to acquire follow-on interests or its inability to make follow-on investments may have substantial negative impact on HRE Fund or its business, or may result in dilution of HRE Fund's interest in the investment property.

Co-Investments. Additionally, third parties, which may include other entities that are affiliates of IRA, may, from time to time, co-invest with a Fund in one or more investments, including through jointly held partnerships, joint ventures or other entities. Each Fund generally anticipates that it will have entered into various co-operation terms intended to protect its interests in these arrangements and, in most cases, the terms of the venture will constitute control, shared control or significant influence over operations in favor of such Fund.

Notwithstanding those terms, investing alongside one or more other third parties will involve risks not present in investments where a third party is not involved, including the possibility that a third-party partner or co-venturer may have financial difficulties resulting in a negative impact on the asset, may have economic or business interests or goals which are inconsistent with those of a Fund, or may be in a position to take (or block) action in a manner contrary to such Fund's investment objectives, or the increased possibility of default by, diminished liquidity or insolvency of, the third party, due to a sustained or general economic downturn. Furthermore, if a co-venturer defaults on its funding obligations, a Fund may be required to make up the shortfall. The occurrence of any of the foregoing may have a material adverse effect on a Fund and its investments. In addition, a Fund may in certain circumstances be liable for the actions of its third-party partners or co-venturers. Investments made with third parties in joint ventures or other entities may involve carried interests and/or other fees payable to such third-party partners or co-investors.

Leverage. The HRE Fund expects to utilize leverage as part of its acquisition program or otherwise, either directly and/or indirectly through the underlying entities, as determined by IRA in its sole discretion. The HRE Fund will have the flexibility to borrow funds and utilize leverage for these purposes (including to make and improve investments (including construction and property development loans), meet operational needs or fund anticipated expenses of HRE Fund), at times and in amounts as IRA may determine in its sole

discretion from time to time. Leverage may take the form of borrowed money, asset or subscription based credit facilities, trading on margin and other forms of borrowing. In order to secure any borrowings, HRE Fund may pledge its assets. The rights of any lenders to HRE Fund to receive payments of interest or repayments of principal will be senior to those of HRE Fund's investors, and the terms of any borrowings may contain provisions that limit certain activities of HRE Fund and further limit the ability of a limited partner to transfer its interests in HRE Fund.

The HRE Fund may guarantee the obligations of its investments and/or investment vehicles, including in respect of customary key principal, non-recourse carve-out, "bad acts," equity commitment or other performance-related matters (including, for example, completion, construction, environmental, leasing cost, etc.), principal repayment, cost-overrun, carry obligations, permitted hedging activities or other similar guarantees. There can be no assurance that these guarantees or letters of credit will not have adverse consequences for HRE Fund. If an investment defaults on its obligations, HRE Fund will be required to satisfy the obligation, in which case HRE Fund may make a larger investment in the investment than initially expected. In order to do so, HRE Fund may liquidate some or all of its investments prematurely at potentially significant discounts to fair value.

The use of leverage by HRE Fund can substantially increase the adverse impact to which HRE Fund's assets may be subject. In addition, HRE Fund will incur expenses in connection with any leverage it utilizes (e.g., interest charges and commitment fees), which expenses could be significant.

There can be no assurance that HRE Fund will be able to obtain indebtedness on terms similar to terms available to competitors, including terms which may be currently available in the market, or that indebtedness will be accessible by HRE Fund at any time, and to the extent that it is available there can be no assurance that this indebtedness will be on terms favorable to HRE Fund. The failure by HRE Fund to obtain indebtedness on favorable terms (or at all) could adversely affect the returns of HRE Fund.

There can be no assurance that HRE Fund will have sufficient cash flow to meet its debt service obligations. In addition, certain types of financing obtained by HRE Fund may include mandatory prepayment provisions that allow the financing provider to demand partial or full repayment of the financing if certain events occur, such as a significant reduction in the value of the investments provided by HRE Fund to secure or otherwise support the financing. If HRE Fund is unable to meet a prepayment obligation, it may forfeit its interest in the collateral securing the financing and/or may be required to liquidate investments at disadvantageous prices in order to raise the funds needed to repay the financing. Moreover, lenders could require HRE Fund to sell some or all of its investments, or could foreclose on those investments prematurely, causing HRE Fund to suffer losses.

The Partnership May Reinvest Distributions. Subject to applicable tax regulations and restrictions in HRE Fund's offering documents, HRE Fund may invest and reinvest, in its sole discretion, all or a portion of its available cash (including cash received from subscriptions, dispositions of or distributions from investments, and proceeds from



leverage) in accordance with its investment program.

To the extent amounts are reinvested, a limited partner will remain subject to investment and other risks, including the risk of loss. The objective of reinvesting amounts is to provide ongoing additional capital to potentially increase the total return from investments to the limited partners of HRE Fund. If reinvested proceeds are lost, the loss would offset at least a portion of any gains, and may exceed any prior gains that may have been realized from prior investments.

No Right of Redemption. Neither HRE Fund's limited partners nor any other person holding interests in HRE Fund acquired from a limited partner have the right to require HRE Fund to redeem its interests. No public market for HRE Fund's interests exists, and none is expected to develop in the future. Consequently, HRE Fund's limited partners may not be able to liquidate their respective investments.

Dependence on Technology; Cybersecurity. Our Funds and their service providers depend on computer systems, including hardware and software, in the management and operation of the Funds' funds, including for research, valuation and trading. The use of computer systems is subject to a number of inherent and unpredictable risks resulting from malfunctions and errors, such as telecommunications failures, software related "system crashes," deterioration and failure of hardware and power loss. In addition, the Funds' service providers' computer systems may be vulnerable to cyber-attacks, including computer viruses, malicious code and unauthorized data breaches. These events could cause interruptions in the operations of a Fund, may result in the improper use or disclosure of confidential information relating such Fund and/or its limited partners, and could result in significant losses and/or reputational harm to the Fund and its limited partners. While each Fund takes reasonable precautions to prevent, identify and treat errors, malfunctions and cyber-attacks, there can be no assurance that such Fund or any of its service providers will be able to respond in a timely manner as a result of technological advancements and issues that may go undetected for a significant period of time. Moreover, the Funds will have no control over, and will have no ability to prevent malfunctions or cyber-attacks to, its service providers' computer systems. Similar risks apply at the level of any underlying vehicles and properties or businesses in which each Fund invests.

#### Item 9 – Disciplinary Information

IRA and its employees have not been involved in any legal or disciplinary events that would be material to the evaluation of IRA or the integrity of its management.

#### Item 10 – Other Financial Industry Activities and Affiliations

There are various related investment advisory, broker-dealer, insurance and real estate management businesses described below.

#### **General Partners or Managers of Investment Clients or Related Private Funds**

Generally, IRA's and its related parties' private fund's general partners or managers are under common control with IRA. Affiliates of those general partners or managers, and affiliates of IRA, typically form separate investment partnerships for related party investments (e.g., employee partnerships) and other special-purpose entities involved in the organizational structure of an investment transaction. Related parties participating in an investment opportunity are disclosed to investors before they make a decision to invest.

The professionals of IRA may from time to time form and/or invest in special purpose entities that are not advised Funds and are not part of IRA's organizational structure for various reasons. Such special purpose entities may include limited partnerships or limited liability companies that own the fee interest in real property or the carried interest in an investment opportunity or may be an operating business.

#### Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading

##### **CODE OF ETHICS**

IRA has adopted a Code of Ethics pursuant to Rule 204A-1 (the "Code of Ethics") of the Investment Advisers Act of 1940, as amended (the "Advisers Act") that sets forth fiduciary principles and certain standards of business conduct. The Code of Ethics applies to all of IRA's investment professionals and associated persons that have access to nonpublic information about our Funds and their securities or asset holdings (collectively, called access persons). All access persons must sign the Code of Ethics when hired, and then annually thereafter.

The Code of Ethics addresses IRA's ethical standards in the following areas:

- Fiduciary duties
- Compliance with securities laws
- Compliance with IRA supervisory policies and procedures
- Insider trading and handling of nonpublic information regarding IRA's Funds and their investments
- Requirements of access persons to report securities holdings, transactions, board affiliations and outside business activities
- Requirements of access persons to obtain prior approval of certain investments and outside business activities
- Confidentiality requirements
- Restrictions on accepting gifts or gratuities on behalf of IRA or a Fund

These matters are designed to set forth a standard of business conduct that IRA requires of its supervised persons which reflects the fiduciary obligations of IRA and its supervised persons, as well as compliance with the federal securities laws. Upon request, a copy of the Code of Ethics will be provided to a current or prospective investor.

In summary, IRA's Code of Ethics requires each access person to acknowledge certain matters such as: (i) the requirement to comply with IRA's policies and procedures; (ii) IRA's fiduciary duties; (iii) the requirement to disclose securities holdings, transactions,

board affiliations and outside business activities; (iv) the requirement for pre-approval of certain security purchases and outside business activities; (v) confidentiality requirements; and (vi) restrictions on accepting gifts or gratuities from current or prospective investors or on making or accepting loans from such investors.

IRA's Chief Compliance Officer is responsible for various aspects of the Code of Ethics' administration, including, without limitation, the monitoring and review of personal securities transactions and is available for questions that access persons may have.

### **CERTAIN CONFLICTS OF INTEREST**

IRA has a number of material relationships with its affiliates and other industry participants, and various potential and actual conflicts of interest may arise from the investment activities of IRA and those persons. IRA has affiliates in the advisory business, real estate acquisition and management, and other businesses. IRA attempts to resolve conflicts of interest in a fair and equitable way to all parties consistent with its fiduciary duties. However, it is not always possible for the outcome to be equally favorable to all parties. This section describes certain conflicts of interest that may arise.

Transactions between our Funds may create conflicts of interest. Examples of such transactions include:

- (i) Two or more Funds may participate in the same transaction if the investment is appropriate for both Funds. If the transaction is entered into at the same time and on the same terms, the conflict is minimized. However, if one Fund purchases at a different time and/or on different terms, the conflict is heightened.
- (ii) One Fund may sell an investment to, or purchase an investment from, another Fund.
- (iii) One Fund may make a loan to, or acquire debt or preferred equity securities, in an investment entity in which another Fund holds common equity.
- (iv) One Fund may have a contractual relationship with another Fund, such as landlord/tenant, lender/borrower, customer/supplier, and other relationships.
- (v) One Fund may invest in another Fund.
- (vi) Any of the above examples may occur between a Fund and a private fund managed by an advisory affiliate.

In all cases, IRA intends to structure the transaction so that it is fair to all Funds involved in the transaction and is on terms that are comparable to an arms' length transaction between unrelated parties. In some cases, IRA may obtain an independent third-party valuation of the asset involved in the transaction or obtain advisory board approval. When conflicts of interest arise, it may not be possible to be fair to all Funds involved in all cases. A transaction structure, performance or outcome may turn out to be more favorable to one Fund over another.

Additionally, IRA may participate in principal transactions in accordance with Section 206 under the Advisers Act, which generally regulates transactions among an investment adviser and its affiliates, on one hand, and the investment vehicles in which they manage, on the other hand. Generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, one of its investment vehicles (i.e., a “principal transaction”), the adviser must make certain disclosures to the underlying investors of the terms of the proposed transaction and obtain such investors’ consents to such transaction in accordance with the applicable governing document. In connection with IRA’s management of its Funds, IRA and its advisory affiliates may engage in such principal transactions whereby IRA will seek to disclose such transaction to, and obtain the consent of, the underlying investors in accordance with the terms of the relevant Fund’s governing documents.

IRA may advise that a security may be sold or bought by a Fund to or from another one of IRA’s funds (i.e., a cross trade) when it believes, in its sole discretion, that such a transaction would be advantageous or otherwise beneficial to each of the Funds involved. In such instances, IRA will confirm that it (i) considers its respective duties to each fund, (ii) determines whether the purchase or sale and price or other terms are comparable to what could be obtained through an arm’s length transaction with a third party on commercially reasonable terms and (iii) obtains any required approvals of the transaction’s terms and conditions.

Sometimes a real estate broker-dealer or agent related to IRA may act as a broker or agent for compensation in buying or selling assets for or among our Funds or investors. In such cases, the commissions or other compensation charged are comparable to the commissions and other compensation that would be charged by independent third parties.

For the avoidance of doubt, conflicts of interest that are applicable to a particular Fund and are known at the time of the offering of interests in such Fund are or will be disclosed in such Fund’s offering memorandum or joint venture or other agreement negotiated directly with an investor.

The Founding Partners or any related parties may serve from time to time on the boards of portfolio companies in which a Fund invests. As a result, the ability of the Founding Partner or any related parties to engage in other business activities may reduce the time they spend on managing a Fund’s business. Similarly, principals of IRA may serve as executive officers of portfolio companies in which a Fund invests. These positions are negotiated or accepted when it is believed to be in the best interests of the applicable Fund. However, a board member of a portfolio company typically has a fiduciary duty to the company and to all of the shareholders or members of the company and, therefore, it is possible that conflicts of interest might exist between the board member’s duties to the portfolio company and his or her duties to a Fund.

IRA and its personnel may engage common third-party service providers for a Fund, or the portfolio investments of such Fund, on either a long-term basis or in connection with

a specific transaction. Such third-party service providers include, without limitation, real estate brokers, leasing brokers, outside legal counsel, accountants and auditors. In certain circumstances, the service provider may charge varying rates or engage in different arrangements for services provided to IRA, its personnel, a Fund and/or such Fund's portfolio investments. This may result in IRA or its personnel receiving a more favorable rate on services provided to it by such common service provided than those payable by a Fund and/or its portfolio investments, or IRA or its personnel receiving a discount on services even through a Fund and/or its portfolio investments receive a lesser, or no, discount. This creates a conflict of interest between IRA and its personnel, on the one hand, and a Fund and/or its portfolio investments, on the other hand, in determining whether to engage such service providers.

In addition, service providers often charge varying amounts or may have different fee arrangements for different types of services provided. For instance, fees for various types of work often depend on the complexity of the matter, the expertise required and the time demands of the service provider. As a result, to the extent the services required by IRA, its affiliates or their personnel differ from those required by a Fund and/or its portfolio investments, IRA, its affiliates and their personnel will pay different rates and fees than those paid by such Fund and/or its portfolio investments.

IRA and one of its Funds may engage common legal counsel and other service providers in a particular transaction, including a transaction in which there may be conflicts of interest. Members of the law firms engaged to represent a Fund may also represent one or more portfolio investments or investors in another Fund. In the event of a significant dispute or divergence of interest between a Fund, IRA and/or its affiliates, the parties may engage separate counsel in the sole discretion of IRA and its affiliates, and in litigation and other circumstances separate representation may be required.

#### Item 12 – Brokerage Practices

The HRE Fund will invest primarily in private investments, although the HRE Fund retains the authority to acquire, sell or distribute public securities in the future. As set forth in HRE Fund's governing documents, IRA would have full discretion to determine the broker or dealer to be used for any securities transaction for HRE Fund's accounts and would seek to obtain best execution for HRE Fund by placing orders for the purchase and sale of securities with brokers and dealers based on HRE Fund's evaluation of the ability of the broker or dealer to execute orders in a prompt and effective manner as well as a consideration of factors as, including but not limited to, the financial stability and reputation of brokerage firms, and the brokerage or other services provided by such brokers.

Based on the investment strategy and investment for HRE Fund, IRA does not currently engage in and does not anticipate engaging in the use of soft dollars with respect to HRE Fund.

IRA does not participate in selecting or recommending brokers or dealers in exchange for client referrals.

Because IRA only provides services to private fund clients, IRA does not offer directed brokerage to such clients.

#### Item 13 – Review of Client Accounts

IRA periodically reviews the investments made for HRE Fund and provides ongoing advice and recommendations to HRE Fund on whether to hold or sell those investments.

If requested and as specified in the offering documents, IRA or a related adviser is primarily responsible for valuations of HRE Fund's holdings. Valuations are updated on a quarterly basis; full valuation reviews are performed on at least an annual basis. IRA determines the valuation of each asset in accordance with its valuation procedures.

Investors in HRE Fund will receive, among other things, a copy of audited financial statements of HRE Fund annually, and it is IRA's expectation that such audited financial statements will be delivered within 120 days after the fiscal year end of HRE Fund. In addition, investors in HRE Fund will typically receive written reports containing unaudited summary financial information regarding their HRE Fund investments quarterly.

#### Item 14 – Client Referrals and Other Compensation

IRA does not receive economic benefits from any party other than the HRE Fund for providing investment advice or other advisory services.

If IRA compensates a person who is not related to IRA for referring an advisory relationship, such arrangements are disclosed in the offering memorandum or otherwise in writing to the investors in the applicable Fund.

#### Item 15 – Custody

Under Rule 206(4)-2 of the Advisers Act (the "Custody Rule"), in connection with the advisory services provided IRA, certain affiliated entities are deemed to have custody of the cash and/or securities of HRE Fund. IRA and its affiliates are exempt from many of the requirements of the Custody Rule because (i) HRE Fund is audited in accordance with U.S. generally accepted accounting principles on an annual basis by an independent public accountant that is registered with, and subject to regular inspection by the Public Company Accounting Oversight Board, and (ii) IRA distributes HRE Fund's audited financial statements to investors in HRE Fund within 120 days of the HRE Fund's fiscal year end. Investors should carefully review the annual audited financial statements and quarterly reports provided by HRE Fund.

#### Item 16 – Investment Discretion

IRA has executed an investment management agreement with HRE Fund that grants IRA discretion to manage HRE Fund's investments. We have discretionary authority for the investment of the commitments and cash assets, subject to HRE Fund's investment

guidelines, investment approval authority retained for legal compliance purposes, and the restrictions set forth in HRE Fund's limited partnership agreement and confidential private placement memorandum.

#### Item 17 – Voting of Client Securities

To the extent proxy voting is part of a particular investment strategy, IRA has adopted policies and procedures designed to comply with the requirements of Rule 206(4)-6 under the Advisers Act. IRA votes client assets in the best interests of its clients without regard to IRA's interests or related persons.

Because client securities typically are privately held equity interests, voting rights are usually specified in the partnership agreement or other document governing a Fund. Therefore, votes are usually cast directly at a meeting or by written consent and not by proxy. IRA will typically vote any securities or proxy in a manner consistent with the investment objectives of the applicable Fund, typically to maximize investment returns within the guidelines established by such Fund, and subject to any investment restrictions and other constraints set forth in such Fund's offering memorandum or partnership agreement or joint venture or other agreement negotiated directly with such Fund.

IRA's proxy voting policies and procedures are reviewed periodically and may be amended from time to time. Upon written request by any investor, a copy of the full policy and procedures on proxy voting will be provided as well as a proxy voting record for any specific proxies voted on behalf of a Fund in which that investor purchased securities.

#### Item 18 – Financial Information

IRA is not required to include financial statements in this Brochure because IRA does not require nor solicit prepayment of more than \$1,200 in fees per Fund, six months or more in advance. There is no financial condition which is reasonably likely to impact our ability to meet our contractual commitments to our Funds and underlying investors.

IRA has not been the subject of a bankruptcy petition at any time since its inception.