

**Form ADV, Part 2A**



**Carter-Haston Investment Partners II GP, L.L.C.**

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**February 20, 2023**

This Brochure (Form ADV, Part 2A) provides information about the qualifications and business practices of Carter-Haston Investment Partners II GP, L.L.C. (the "Investment Manager"). If you have any questions about the contents of this Brochure, please contact Michael Fielder at (615) 279-9200 or [mfielder@carterhastonfunds.com](mailto:mfielder@carterhastonfunds.com). The information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the "SEC") or by any state securities authority.

\* \* \*

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

\* \* \*

The Investment Manager is registered with the SEC as an "investment adviser." An investment adviser's registration with the SEC does not imply any level of skill or training.

## ITEM 2. Material Changes

This Brochure, also known as Form ADV, Part 2A, has been prepared according to SEC rules relating to information that must be disclosed to clients and prospective clients of certain investment advisers, such as the Investment Manager.

You may request a copy of the most recent version of this Brochure free of charge by contacting Michael Fielder at (615) 279-9200 or [mfielder@carterhastonfunds.com](mailto:mfielder@carterhastonfunds.com). At any time, you may view the current Firm Brochure online at the SEC's Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

If you are a client of the Investment Manager, you will receive an updated Brochure (or a summary of any material changes since the Brochure's last annual update and information on how to request an updated Brochure) within 120 days of the close of the Investment Manager's fiscal year. As the Investment Manager's fiscal year closes on December 31, you should expect to receive an updated Brochure or the summary of material changes by April 30 of the following year. From time to time, we also may provide you with information that, as a client, could affect our advisory relationship with you. Any update of this Brochure or any information sent to you that could affect our advisory relationship with you will be sent without charge.

The following is a summary of the material changes since the last Brochure update dated March 22, 2022, which are reflected in this updated Brochure.

- Item 4(a) – The Investment Manager has updated the amount of its assets under management.

### ITEM 3. Table of Contents

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#### **ITEM 4. Advisory Business**

(a) *General Description of Advisory Firm*

The Investment Manager was organized as a Delaware limited liability company in 2011. It is owned in equal shares by L. Marc Carter and C. Harris Haston, the principal founders of the Carter-Haston family of companies (collectively, “Carter-Haston”), as well as Amanda V. Speed, Michael A. Fielder, John T. Carter, and James A. Shanks, the executive officers of Carter-Haston. Carter-Haston serves investors as an integrated real estate firm that primarily sources, underwrites, acquires, sells and manages multi-family real estate properties. The Investment Manager provides investment advice primarily relating to real estate-related securities.

(b) *Description of Advisory Services*

The Investment Manager recommends purchases and sales of real estate-related securities. Real estate-related securities are one type of investment used by Carter-Haston in its implementation of its real estate investment strategies. Carter-Haston offers real estate investment advisory services relating to direct and indirect investments in real estate and real estate related securities. Such investments are typically direct and/or indirect interests in real estate, such as: (a) fee interests in real estate, (b) interests in single purpose vehicles (SPVs) holding real estate and real estate-related assets, and (c) real estate-related securities, including securities of real estate joint ventures, real estate operating companies, and other entities directly or indirectly involved in the acquisition, development, ownership, management or disposition of real estate.

Carter-Haston’s strategies are generally to invest in multi-family real estate properties located in approximately 16 U.S. states and 35 local markets throughout the Southeast, Southwest, and Midwest. Carter-Haston’s investment recommendations are typically characterized within the real estate industry as “value-add” or “opportunistic.” See “Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss.”

The Investment Manager currently serves as the investment manager only to certain collective investment funds to which the Investment Manager or an affiliate serves as the general partner or the manager (each, an “Affiliated Fund”). Each Affiliated Fund relies on an exclusion from the definition of an “investment company” pursuant to Section 3(c) of the Investment Company Act of 1940, as amended, principally Sections 3(c)(1), 3(c)(5), and 3(c)(7). Interests in each Affiliated Fund are offered only to investors who meet certain eligibility standards, including that each is a sophisticated investor who meets the standards of an accredited investor in Regulation D under the Securities Act of 1933, as amended (the “Securities Act”). The Investment Manager currently does not manage separate investor accounts. No investment is made for or recommended to an Affiliated Fund unless the investment is consistent with the investment objectives, guidelines and restrictions of the Affiliated Fund.

(c) *Availability of Tailored Services for Individual Clients*

Each Affiliated Fund is a blind pool with, among other things, its principal investment strategy described in a confidential placement memorandum. Investors in an Affiliated Fund generally do not have any right or opportunity to select or evaluate prior to implementation or acquisition any fund strategy or investment.

(d) *Wrap-Fee Programs*

The Investment Manager currently does not participate in any wrap-fee program.

(e) *Client Assets Under Management*

As of December 31, 2022, the Investment Manager had total discretionary assets under management of approximately \$467,452,473. As of that date, the Investment Manager only managed assets on a discretionary basis.

**ITEM 5. Fees and Compensation**

(a) *Advisory Fees and Compensation; Payment of Advisory Fees*

The Investment Manager's fees for serving as the discretionary investment manager and/or the general partner or manager to any Affiliated Fund are typically a percentage of the value of the Affiliated Fund's assets under management. The percentage rate is generally 1 percent per annum, although the rate may be higher or lower. The Investment Manager's fees are typically paid quarterly or monthly in arrears. The fee applicable to an Affiliated Fund, including the percentage rate and how it is calculated, is disclosed in the Affiliated Fund's confidential placement memorandum.

The Investment Manager's fees for serving as the non-discretionary investment adviser to any Affiliated Fund are typically nominal fees, either in a fixed, pre-determined amount per year or an amount solely intended to compensate the Investment Manager for certain expenses incurred by the Investment Manager (but not salaries or other compensation payable to Carter-Haston principals, members of its senior management team, and employees). Neither the Investment Manager nor any of its supervised persons receives compensation based solely on the sale of interests in the Affiliated Funds to investors.

Some, if not all, management fees received by the Investment Manager are paid to affiliates of the Investment Manager.

(b) *Other Fees and Expenses*

The Investment Manager, as well as other Carter-Haston affiliated entities, also may enter into other compensation arrangements with an Affiliated Fund, such as:

- Performance-based fees, typically profit allocations that are made by an Affiliated Fund upon the Affiliated Fund's disposition of an asset or portfolio or after an Affiliated Fund investor receives a specified negotiated return set forth in the Affiliated Fund's confidential placement memorandum;
- Investment acquisition and disposition fees, which are charged upon the creation and disposition of an investment, are generally based upon the amount of client capital invested in the project and/or the value of the subject real property; and
- Fees specifically negotiated for services provided, for example fees in connection with property financings or restructurings.

Affiliated Funds also are responsible for all fund-related costs, such as fund administration, transfer agency, audit, taxes and preparation of tax returns, costs of communications with investors, government fees, and legal services. Except as described above, the Investment Manager bears only its own operating costs and expenses.

**ITEM 6. Performance-Based Fees and Side-By-Side Management**

As described in Item 5, the Investment Manager has several compensation arrangements with Affiliated Funds, including asset management fees, performance-based fees, or a combination of an asset-based fee and a performance-based fee. *See* "Item 5 - Fees and Compensation" for more information about the types of fees received by the Investment Manager.

From time to time, the Investment Manager may concurrently manage Affiliated Funds that pay only an asset-based or nominal fee and Affiliated Funds that pay a performance-based fee (or combination of both). As a result, the Investment Manager may face potential conflicts of interest in that there could be an incentive to favor an account for which the Investment Manager receives a performance-based fee. Affiliated Funds typically do not own interests in the same real estate, and it is rare that more than one Affiliated Fund are pursuing investment opportunities at the same time. As a result, actual conflicts of interest are infrequent. The Investment Manager maintains allocation policies and procedures that are intended to mitigate any actual or potential conflict by ensuring that investment opportunities (including sale opportunities) are allocated over time in a fair and equitable manner.

## **ITEM 7. Types of Clients**

The Investment Manager currently provides investment advisory services only to Affiliated Funds. Interests in each Affiliated Fund are offered only to investors who meet certain eligibility standards, including that each is a sophisticated investor who meets the standards of an accredited investor in Regulation D under the Securities Act. The Investment Manager does not manage separate investor accounts.

## **ITEM 8. Methods of Analysis, Investment Strategies and Risk of Loss**

The Investment Manager recommends purchases and sales of real estate-related securities. Real estate-related securities are one type of investment used by Carter-Haston in its implementation of its real estate investment strategies.

Carter-Haston's real estate investment strategies are to primarily invest in multi-family properties that have been characterized within the real estate industry as "value-add" or "opportunistic." Value-add/opportunistic multi-family investment opportunities typically have the following characteristics: (a) they are located in secondary or tertiary real estate markets, (b) they generally have been overlooked by other institutional buyers, (c) they are in need of corrective maintenance or renovation, (d) they are financially distressed or subject to absentee ownership, (e) they have experienced poor or ineffective property management, (f) they are located in weak or struggling local rental markets, and/or (g) they are subject to assumable debt that may be unattractive to other institutional buyers. Carter-Haston has extensive experience identifying and acquiring value-add/opportunistic multi-family properties for investment, as well as more generally identifying and reacting to opportunities and risks in the marketplace.

Carter-Haston generally targets investment opportunities located in Alabama, Florida, Georgia, Indiana, Missouri, North Carolina, Ohio, South Carolina, Tennessee, Texas and Virginia. We may, at our discretion, expand our scope to any investment opportunity in the U.S.

### *Risk of Loss*

The risks associated with the Investment Manager's investment strategies are substantially similar to the risks associated with Carter-Haston's investment strategies.

Carter-Haston's task of identifying and successfully structuring an investment in one or more multi-family properties is difficult. Many organizations operated by persons of competence and integrity have been unsuccessful in this industry. It is often difficult for Carter-Haston to locate attractive multi-family property investment or acquisition candidates. Even if Carter-Haston does locate a potential opportunity, there is no assurance that Carter-Haston will be able to structure an investment in such property on attractive terms.

- *Risks Associated with Real Estate Investing.* The risk inherent in Carter-Haston's investment strategies (and thus, in the Investment Manager's investment strategies) are substantially similar to the inherent risks of ownership and financing of real estate and interests in real estate, many of which relate to the general illiquidity of real estate investments. These risks include:
  - Changes in general or local economic conditions;
  - Increased competition;
  - Changes in buyer or renter habits;
  - Changes in interest rates and the availability of permanent mortgage financing which may render the purchase, sale or refinancing of a multi-family property difficult or unattractive and which may make debt service burdensome;
  - Changes in demand for real estate generally and in specific areas;
  - Changes in real estate and zoning laws, increases in real estate taxes, and federal or local economic or rent controls;
  - Energy shortages, floods, earthquakes, hurricanes and other acts of God, acts by terrorists, and other factors beyond the control of Carter-Haston.

The illiquidity of real estate investments may also impair the ability of Carter-Haston to respond promptly to changing circumstances.

- *Risks Associated with Property Renovation.* The renovation of multi-family properties involves risks associated with the construction and renovation of real property, including the possibility of construction and renovation cost overruns and delays due to various factors (including inclement weather, labor or material shortages and the unavailability of construction and permanent financing) and market or site deterioration after acquisition or renovation. Any unanticipated delays or expenses in connection with the renovation of multi-family properties could have an adverse effect on the results of operations and financial condition of a multi-family property.
- *Competition.* The real estate industry is highly competitive, and Carter-Haston competes with numerous entities engaged in similar real estate activities, many of which have greater financial resources than those available to Carter-Haston. Success against such competition is dependent upon a variety of factors, which differ from location to location, but which include the geographic location of the properties in the portfolio, the performance of the affiliated property managers in areas such as marketing, collections and control of operating expenses, the amount of new construction in the area and the maintenance and appearance of the multi-family properties. Additional competitive factors with respect to multi-family properties are the ease of access to the multi-family properties,

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the physical layout of the infrastructure, demand for space, the adequacy of related facilities such as parking, and sensitivity to market conditions in setting rent levels.

- *Lack of Availability of Investment Opportunities.* It is often difficult to locate attractive investment properties or acquisition candidates, and even if Carter-Haston does identify a candidate, there is no assurance that it will be able to structure or finance an investment on attractive terms.
- *Borrowing; Use of Leverage.* In managing real estate assets, Carter-Haston may finance certain transactions, creating leverage (directly or indirectly) in the Affiliated Fund's portfolio. Using leverage increases the amount of gain that an Affiliated Fund may receive, but it also increases any loss that Affiliated Fund may have. Borrowing generally may expose the leveraged assets to claims from the lender if the borrowing entity defaults. Defaults may occur for various reasons, including if operating income from leveraged assets is insufficient to cover the loan-repayment obligations. Borrowing also increases (directly or indirectly) the expenses of an Affiliated Fund, primarily as compensation paid to the lender. Carter-Haston relies on the services of an affiliate to provide financing for most of its short-term transaction financing (i.e., non-mortgage debt), creating a conflict of interest between Carter-Haston and the borrowing entity. Carter-Haston attempts to minimize this conflict by using what it believes are commercially standard lending terms.
- *Risks Related to Regulation.* Laws and regulations affecting Carter-Haston's business and the Affiliated Funds change from time to time, and Carter-Haston is currently operating in an environment of significant regulatory reform, both in the U.S. and globally. Many investment properties which Carter-Haston recommends are subject to government regulations, such as zoning, environmental and other laws (e.g., the Fair Housing Act and the Americans with Disabilities Act of 1990). Changes in laws or regulations may affect operations in ways that cannot be anticipated today.
- *Potential Environmental Liabilities.* Environmental laws may impose liabilities on investment properties held by Affiliated Funds. The Affiliated Funds could become liable for the costs of removing environmentally hazardous substances even after acquiring a property. In addition, the due diligence and investigations of potential environmental liabilities could be incomplete, thereby giving rise to additional unanticipated remediation costs. Any such costs could materially and adversely affect the success of the investment in the pre-stabilized multifamily property.
- *Reliance on Key Management Personnel.* The Investment Manager is heavily dependent upon the skills, talents, abilities, real estate management and investment experience, and activities of the Carter-Haston principals and members of its senior management team, and on the effectiveness and successful operations of affiliated entities. For more information regarding affiliated entities, see "Item 10 – Other Financial Industry Activities and Affiliations."

## **ITEM 9. Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of the Investment Manager's advisory business.

## **ITEM 10. Other Financial Industry Activities and Affiliations**

Affiliates of the Investment Manager in the financial industry include the following entities. These entities are under common control with the Investment Manager. Fees and other amounts paid to such affiliates may be paid by the Investment Manager from the fees received by the Investment Manager from the Affiliated Fund.

- Carter-Haston Real Estate Services, Inc. ("CHRES") and CH Real Estate Services, LLC ("CH RES LLC") provide property management and administrative services to properties held by the Affiliated Funds. CHRES and CH RES LLC perform its services pursuant to management agreements, and charges fees and commissions that Carter-Haston believes are customary and market-competitive in the multi-family property management industry.
- Carter-Haston Financial Partners, LLC ("FinPar") provides credit enhancement or bridge financing to single purpose vehicles (SPVs) that hold real estate and which are owned by one or more Affiliated Funds. FinPar may arrange for and provide temporary loans and credit facilities to the SPVs or to the Affiliated Fund for the benefit of the SPVs. The purpose of such loans and/or credit facilities is to fund the costs and expenses of initial pre-acquisition pursuit activities, acquisition selection, due diligence, negotiation, contracts for purchase and debt financing, closing and, if necessary, post-acquisition short-term working capital and/or credit enhancements.
- Certain principals and members of the Carter-Haston senior management team are real estate brokers and/or real estate dealers. Such principals and members, however, do not receive commissions or other compensation other than as it pertains to their activities with Carter-Haston.

Neither the Investment Manager nor any of its principals, members of the Carter-Haston senior management team, or employees is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

## **ITEM 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

The Investment Manager has established a comprehensive Code of Ethics that is applicable to all of its employees. The Code of Ethics establishes guidelines for professional conduct, particularly with respect to limitations of potential conflicts of interest and personal trading procedures, including pre-clearance and reporting obligations.

The Investment Manager's employees may not trade in real estate securities or limited offering securities without preclearance from the Investment Manager's chief compliance officer. The Investment Manager's employees who recommend or execute trades in securities for client accounts may not purchase the same investments for their own accounts. The Code of Ethics also prohibits employees from engaging in, or helping others engage in, insider trading and from trading with respect to a particular security or issuer at a time when he or she knows or should know that he or she is in possession of material nonpublic information about the issuer or security. Certain principals, officers and employees have periodic reporting requirements including annual disclosure of all covered securities holdings and all brokerage accounts for which they exercise discretion and quarterly disclosure of all transactions in covered securities for the quarter. Notwithstanding the forgoing, the Investment Manager does not recommend securities that are subject to risks common with many types of widely distributed securities, such as front-running or insider trading.

Additionally, the Investment Manager's policies and procedures also includes a gift and entertainment policy that is designed to provide reasonable oversight of potential conflicts associated with giving or receiving gifts and/or entertainment, and a political contributions policy that is designed to prevent conflicts relative to public or government entities or officials.

The discussion above is a summary and is qualified in its entirety by the Investment Manager's Code of Ethics, and policies and procedures, all of which or a summary of which are available from the Investment Manager upon request.

### *Interest in Client Transactions*

In connection with providing investment management and advisory services to the Affiliated Fund, the Investment Manager acts independently of other affiliated investment advisers and manages the assets of each of Affiliated Fund in accordance with the investment mandate selected by such Affiliated Fund.

Related persons of the Investment Manager may be engaged in securities transactions concurrently with one or more Affiliated Funds. The Investment Manager or its related persons also may transact in the same securities that the Investment Manager purchases or sells to the Affiliated Funds. The Investment Manager and its related persons (to the extent they have independent

relationships with the Affiliated Fund) may give advice to and take action with their own accounts or with other Affiliated Fund accounts that may compete or conflict with the advice the Investment Manager may give to, or an investment action the Investment Manager may take on behalf of, another Affiliated Fund or may involve different timing than with respect to an Affiliated Fund.

The Investment Manager will not act as investment adviser to any of the investors in the Affiliated Funds with respect to their decision to invest in any such products. Each investor has made and will make an independent decision to so invest. From time to time, in the course of its investment advisory services to other clients, the Investment Manager or its related persons may recommend the purchase or sale by such other clients of securities purchased, owned or sold by these entities. The Investment Manager or its related parties will not recommend or cause a client to enter into transactions for the purpose of knowingly benefiting from the direct or indirect securities holdings of the Investment Manager or its related parties.

#### **ITEM 12. Brokerage Practices**

The Investment Manager typically does not recommend securities that are traded in a secondary market or which are placed by brokers or dealers. As a result, the Investment Manager has not adopted brokerage-selection policies, soft-dollar policies, or directed brokerage policies. If the Investment Manager were to begin recommending those types of securities, it would adopt policies and procedures to address those issues.

The Investment Manager typically invests all of an Affiliated Fund's committed capital, or closes an Affiliated Fund to future investments, before it sponsors another Affiliated Fund. Thus, there are few, if any conflicts of interest relating to the allocation of an investment opportunity between or among Affiliated Funds. If the Investment Manager were to sponsor Affiliated Funds that could concurrently invest in the same property, the Investment Manager will adopt appropriate investment allocation policies and procedures.

#### **ITEM 13. Review of Accounts**

The portfolios of each Affiliated Fund are reviewed to determine whether the Affiliated Fund is expected to meet its investment objective and whether it is complying with any applicable investment limitation or restriction. As the portfolios turnover of each Affiliated Fund tends to be low, periodic reviews tend to be infrequent.

#### **ITEM 14. Client Referrals and Other Compensation**

The Investment Manager does not receive compensation for referring clients and potential clients to other investment advisers.

The Investment Manager entered into a referral arrangement with Shelter Rock Capital Group, LLC to solicit investors for a new Affiliated Fund launched in 2021. Shelter Rock is a FINRA-registered broker-dealer. The referral arrangement requires that the Investment Manager pay Shelter Rock a monthly retainer fee plus a percentage of the advisory fee generated by the investors Shelter Rock solicits for the Affiliated Fund.

#### **ITEM 15. Custody**

The Investment Manager may from time to time be deemed to have custody of Affiliated Fund assets because it or a related person serves as the General Partner or in a similar capacity to the Affiliated Fund. Investors in an Affiliated Fund will receive at least once per year financial statements of the Affiliated Fund which have been prepared in accordance with U.S. generally accepted accounting principles and audited by an independent auditor.

#### **ITEM 16. Investment Discretion**

The Investment Manager typically has investment discretion to manage the assets of the Affiliated Funds that are securities. In certain cases, it also may have non-discretionary authority. Any investment limitation or restriction on how the Investment Manager may manage those assets or its investment recommendations is described in the Affiliated Fund's confidential placement memorandum.

#### **ITEM 17. Voting Client Securities**

The Investment Manager does not recommend securities that have voting rights. As a result, the Investment Manager has not adopted proxy voting policies. If the Investment Manager were to begin recommending such securities, it would adopt proxy voting policies and procedures.

#### **ITEM 18. Financial Information**

Registered investment advisers are required to provide certain financial information or disclosures about their financial condition. The Investment Manager has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to its clients, and has not been the subject of any bankruptcy proceeding.