

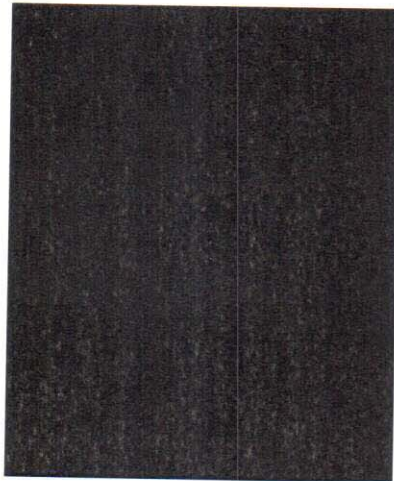


UNITED STATES
SECURITIES AND EXCHANGE COMMISSION



September 29, 2014

DELIVERY VIA OVERNIGHT MAIL AND SECURE EMAIL




Re:

SEC File No.

Dear Messrs.

The staff at the [REDACTED] Regional Office (the "Staff") conducted an examination of [REDACTED] ("Registrant"). The examination evaluated compliance with certain provisions of the federal securities laws, and focused on Registrant's activities during the period from January 1, 2012 through December 31, 2013 (the "Examination Period"). The examination identified certain deficiencies that were described in a letter dated December 24, 2013, and the Staff informed Registrant in that letter that additional matters related to Registrant's activities pertaining to its [REDACTED] business segment and related audited financial statements were under further review and may be addressed with Registrant in subsequent correspondence. Such additional matters are described in this letter and the attached Examination Findings, which were discussed during an exit interview with Mr. [REDACTED] on September 23, 2014.



The Staff is bringing these deficiencies to your attention for immediate corrective action, without regard to any other action(s) that may result from the examination. The Examination Findings are based on the Staff's examination and are not findings or conclusions of the Commission. You should not assume: that the firm's activities discussed in the Examination Findings do not



constitute deficiencies under any other federal securities law or other applicable rules and regulations not discussed above; or that the firm's activities not discussed in the Examination Findings are in full compliance with federal securities laws or other applicable rules and regulations.

Note that the descriptions of the law and related interpretations in the Examination Findings may be paraphrased or abbreviated. Go to our website at <http://www.sec.gov/divisions.shtml> for complete information related to these regulatory requirements.

Please respond in writing to each of the matters described in the Examination Findings within thirty days of the date of this letter, describing the steps Registrant has taken or intends to take with respect to each of these matters.

Thank you for your cooperation. If you have any questions, please contact 


Sincerely,



Assistant Director

Attachment: Examination Findings

EXAMINATION FINDINGS

Rule 206(4)-2 under the Investment Advisers Act of 1940 ("Advisers Act")

Rule 206(4)-2 under the Advisers Act (the "Custody Rule") imposes certain requirements on registered investment advisers that have custody of client securities or funds. For purposes of the Custody Rule, "custody" means holding, directly or indirectly, client funds or securities, or having the authority to obtain possession of them. Custody also includes any capacity (such as general partner of a limited partnership, managing member of a limited liability company or a comparable position for another type of pooled investment vehicle, or trustee of a trust) that gives an adviser or one of its related persons¹ legal ownership of or access to client funds or securities.

Under the Custody Rule, an adviser with custody of a client's assets is generally required to adhere to certain provisions for safekeeping of client funds and securities. However, an investment adviser with custody of the assets of a client that is a limited partnership, limited liability company, or other pooled investment vehicle need not comply with paragraphs (2) through (4) of Rule 206(4)-2(a) if the limited partnership, limited liability company, or pooled vehicle is (i) audited in accordance with generally accepted auditing standards ("GAAS") at least annually by an independent public accountant that is registered with and subject to regular inspection by the Public Company Accounting Oversight Board and (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles ("GAAP") to all limited partners (or members or other beneficial owners) within 120 days of the end of its fiscal year (the "Audit Provision" of the Custody Rule) (see *Staff Responses to Questions about the Custody Rule* at http://www.sec.gov/divisions/investment/custody_faq_030510.htm).

The Staff reviewed Registrant's custody practices with respect to certain entities and advisory clients that invest indirectly in [REDACTED] real estate and assets related to residential real estate, as part of Registrant's [REDACTED] business. These entities and clients include, but are not limited to, [REDACTED]

[REDACTED] together, the REITs). The Staff acknowledges that Registrant may not consider all of these entities as advisory clients. However, the Staff notes that all of these entities, with the exception of [REDACTED]

¹ "Related person" means any person, directly or indirectly, controlling or controlled by [the adviser], and any person that is under common control with [the adviser]. Advisers Act Rule 206(4)-2(d)(7).

EXAMINATION FINDINGS

██████ appear to be advisory clients that have outside investors (investors that are not controlled and owned by Registrant or an affiliate) consistent with the manner in which pooled investment vehicles and special purpose vehicles are discussed in the SEC's Division of Investment Management ("IM") Guidance Update No. 2014-07, described later in this letter.

For reference, the Staff learned through interviews and documents obtained from Registrant that ██████ pools the investments of several different advisory clients of Registrant (its investors are made up of several advisory clients that are themselves pooled investment vehicles). ██████ invest indirectly in ██████ through certain pass-through structures and the Parent REITs, while other pooled investment vehicles invest directly in ██████. In turn, ██████ invests indirectly in various ██████ and related businesses (e.g., providing financial services with respect to ██████) through Subsidiary REIT and other special purpose vehicles established for each state in which it acquires ██████ properties or conducts other business activities. The examination disclosed that, between January 1, 2012 and December 31, 2013 (two fiscal years), Registrant sought to comply with the Custody Rule through the Audit Provision. However, the examination disclosed that Registrant does not appear to have complied with the Custody Rule as further described below.

I. Distribution of Audited Financial Statements

Registrant has custody of certain client assets through legal ownership of, or access to, client funds or securities, because Registrant or a related person served as managing member or an equivalent. Because Registrant relied upon the Audit Provision, Registrant was required to distribute audited financial statements of affiliated pooled investment vehicles to respective beneficial owners within 120 days of each vehicle's fiscal year-end. The examination disclosed that Registrant did not distribute audited financial statements to investors in certain affiliated pooled investment vehicles (e.g., pass-through entities or special purpose vehicles) or otherwise complied with the Custody Rule.

IM Guidance Update No. 2014-07 (released in June 2014)² provides assistance to investment advisers considering certain implications of the Audit Provision. The document describes various investment scenarios in which pass-through entities or special purpose vehicles that are controlled by investment advisers or persons related to the investment adviser are utilized. The fourth scenario describes a pass-through entity with outside investors that invests in one or more investments. In its response to this scenario, the staff at the Division of Investment Management stated:

² The Guidance provides additional clarification and did not change the Custody Rule or the Commission's interpretation thereof.

EXAMINATION FINDINGS

While the investment fund may exhibit certain characteristics of an Investment SPV [pass-through entity], it has owners other than the adviser, the adviser's related person(s) or pooled investment vehicles controlled by the adviser or the adviser's related person(s). Therefore, the investment fund should be treated as a separate client for purposes of the custody rule. In that case, the custody rule requires, among other things, the adviser to comply separately with the custody rule's audited financial statement distribution³ requirements with respect to the investment fund.

This guidance does not contemplate whether a client pays fees to the investment adviser, because entities are not required to pay advisory fees in order to be considered investment advisory clients.⁴ Accordingly, this guidance indicates that Registrant must distribute the audited financial statements of all pass-through entities or special purpose vehicles that are controlled by Registrant or a related person and have outside investors to each such entity's beneficial owners.

Registrant's related persons⁵ control the REITs' operating activities, but Registrant did not prepare and distribute audited financial statements for any of the REITs for fiscal year 2013. Rather, of the advisory clients noted earlier, Registrant prepared audited financial statements for only the [REDACTED]. Registrant treated the assets of the REITs as assets of the [REDACTED] for the purposes of the Custody Rule. Registrant had sought to comply with the Custody Rule by distributing audited financial statements of [REDACTED] to their beneficial owners, among other client funds that are also indirect, beneficial owners of certain REITs. However, as of January 3, 2013, the REITs each had over 100 direct, outside preferred equity investors. Therefore, the Custody Rule's Audit Provision would require Registrant to prepare and distribute the audited financial statements of the REITs to these beneficial owners within 120 days of the REITs' fiscal year end. The Custody Rule does not provide any de minimus exception with respect to the value of investment interests for the distribution of audited financial statements under the Audit Provision. Finally, preferred equity investors are not excluded from the delivery requirements.

Thus, it appears that Registrant did not comply with the Custody Rule with respect to the REITs in 2013.

³ Advisers Act Rule 206(4)-2(b)(4) and (c).

⁴ The Instructions to Form ADV states that the definition of client includes "clients from which your firm receives no compensation."

⁵ [REDACTED] serve as the two directors of the REITs.