

Introduction

Ernst Capital Securities, LLC (Ernst Capital Securities) is registered with the U.S. Securities and Exchange Commission (SEC) as a broker-dealer and is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC). Brokerage and investment advisory services and fees differ and it is important for you to understand these differences. Free and simple tools are available to research firms and financial professionals at [Investor.gov/CRS](https://www.investor.gov/CRS), which also provides educational materials about broker-dealers, investment advisers, and investing.

What investment services and advice can you provide me?

We offer brokerage services to retail investors, including selling membership units in companies (or partnerships) formed to invest in commercial real estate. These companies are real estate funds or single-property investment groups issued as private placement securities. We do not sell any products other than private placement securities and we do not have discretionary authority. Our investors make the sole decision whether or not to invest in these membership units. We do not hold customers' funds, and we do not monitor investors' brokerage accounts. Our private placements are only offered to accredited investors. Additional information about accredited investor requirements can be found at: [Investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins/updated-3](https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins/updated-3).

Conversation Starter: Ask your financial professional...

- Given my financial situation, should I choose a brokerage service? Why or why not?
- How will you choose investments to recommend to me?
- What is your relevant experience, including your licenses, education and other qualifications? What do these qualifications mean?

What fees will I pay?

Specific fees paid to Ernst Capital Securities or one of our affiliates are stated in the Private Placement Memorandum for that company. Generally, our firm or one of our affiliates may be paid a fee or commission for specific services rendered to the company.

Investment Sales and Offering Preparation - Our firm is paid a commission for selling the investment when investors purchase membership units in private placement securities. This commission is typically up to 5% of the investment made and paid by the company. However, the investment offering uses investor funds to pay part of this cost. An affiliate of our firm, Ernst Capital Group, LLC (Ernst Capital Group), is paid a consulting fee of \$10,000 for due diligence and preparation of the offering materials.

Real Estate Asset Management - Ernst Capital Group may be paid an asset management fee of up to 0.125% of the company's value annually for providing administrative services related to running the day-to-day business of the company including: reviewing and approving property budgets, monitoring financials, managing communication, and financing or re-financing activities, among others. This fee is typically charged based upon the annual asset value of the investment entity, calculated first by appraising the real estate owned by the entity and then generally increased 2% annually. Ernst Capital Group may be paid a fee to appeal the property tax assessments if it is successful in reducing the company's property taxes from the assessed value. This fee may be up to 50% of the first-year tax savings. If the assessment is not reduced, no fee is paid.

Real Estate Brokerage and Acquisition Due Diligence - Affiliates of our firm may receive fees for performing real estate services during the normal operations of our investments for procuring buyers, sellers, or tenants for the properties involved. This fee may be up to 3% of the sales price or lease income. Ernst Capital Group may be paid an acquisition fee of up to 0.5% of the purchase price for any real estate acquisitions. These fees are not guaranteed and are charged only if and when the services are provided.

General Partner/Class B Ownership - Additionally, affiliates of our firm may receive an ownership share in the company. As part of this share, affiliates of the company may participate in a developer's fee, if applicable, for new real estate developments of the company.

Customer Relationship Summary

Ernst Capital Securities – Form CRS

You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.

Conversation Starter: Ask your financial professional...

- Help me understand how these fees and costs might affect my investments. If I give you \$100,000 to invest, how much will go to fees and costs, and how much will be invested for me?

What are your legal obligations to me when providing recommendations? How else does your firm make money and what conflicts of interest do you have?

When we provide you with a recommendation, we have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they affect the recommendations we provide you. Here are some examples to help you understand what this means.

- Private Placement Securities – we earn money (as sales commissions) when we sell investments in private placement securities. While we are required to make recommendations that are in your best interest, we have an incentive to recommend our private placement securities, as we do not earn commissions unless we sell private placements.
- Proprietary Products – Affiliates of our firm are generally sponsors, officers, and managers of the investment offerings we sell. As such, affiliates of our firm have the potential to earn additional fees and receive equity ownership if a private placement security is successfully sold. Unless we successfully sell the required investments in a new private placement, we are unable to receive the equity and additional fees for asset management, real estate sales, real estate acquisitions, property tax appeals, and consulting. That provides additional incentives to sell the private placement investments.

Conversation Starter: Ask your financial professional...

- How might your conflicts of interest affect me, and how will you address them?

How do your financial professionals make money?

Our financial professionals (as registered representatives of our broker-dealer, Ernst Capital Securities, LLC) make money by earning commissions from the sale of securities. When investors choose to invest in one of our private placement securities offerings, the registered representative is paid a portion of the commission earned by our firm. Our registered representatives can earn a higher portion of the commission paid to our firm as their overall sales increase throughout our fiscal year.

Do your financial professionals have legal or disciplinary history?

No. Visit Investor.gov/CRS for a free and simple search tool to research our firm and financial professionals.

Conversation Starter: Ask your financial professional...

- As a financial professional, do you have any disciplinary history? For what type of conduct?

Additional Information

If you would like additional, up-to-date information or a copy of this disclosure, please call (605) 271-7172, visit our website at <http://ernstcapitalgroup.com>, or visit our office at 101 S. Reid Street, Suite 209, Sioux Falls, SD 57103.

Conversation Starter: Ask your financial professional...

- Who is my primary contact person?
- Is he or she a representative of an investment advisor or a broker dealer?
- Who can I talk to if I have concerns about how this person is treating me?