

AR Capital Shuts Down Offerings, Quits Industry

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AR Capital, the non-traded alternative investment sponsor founded by Nicholas Schorsch, will stop offering and selling new investment products after December 31st. The company says it will continue to manage the \$19 billion of assets within its existing investment programs.

The affected offerings include: Business Development Corporation of America II, ARC Healthcare Trust III, New York City REIT II, ARC Hospitality Trust and ARC Global Trust II.

This news comes just days after Cetera Financial Group suspended sales of these same AR Capital-sponsored investment offerings through their entire broker-dealer network, including First Allied Securities, Girard Securities, Investors Capital, VSR Financial Services, and The Legend Group. An internal email circulated by the broker-dealer indicated that the suspension is due to the “recent news about AR Capital and RCS Securities.”



AR Capital says their decision is the result of “regulatory and market uncertainty affecting capital raising” for the direct placement investment industry.

William M. Kahane, the founding partner of AR Capital, explained further, “The proposed and pending regulatory changes suggested by the Department of Labor fiduciary standard as well as the valuation measures prescribed by FINRA’s 15-02 directive pertaining to the alternative investment industry remain largely opaque in terms of their implications and consequences for the alternative investment industry.”

An industry insider who requested anonymity stated, “This is like the kid who ‘refuses’ to go to the dance because they can’t get a date. No respectable broker-dealer in the industry wants to do business with them anymore – even the BDs they control have suspended them.”

AR Capital will continue to accept subscriptions for its open investment programs through year-end 2015, and will allow subscriptions in process to be delivered for up to 45 days after the suspension. The Dividend Reinvestment Programs and the Share Repurchase Plans will remain in place for all investment offerings.

AR Capital also announced that it has, effective immediately, directed Realty Capital Securities to discontinue all proxy activities on behalf of all AR Capital sponsored companies, “in light of the recent action taken by the State of Massachusetts.”

Last Thursday, the state of [Massachusetts charged RCS](#) with allegedly fabricating shareholder proxy votes for AR Capital’s Business Development Corporation of America, an investment fund distributed by RCS on behalf of AR Capital.