

# Bluerock Names Former Morgan Stanley Exec to Head National Accounts

Bluerock Capital Markets, a distributor of investment products and the dealer manager for Bluerock Real Estate, has hired former executive director and head of national accounts for Morgan Stanley Investment Management, Emily Calcagno, to serve as the executive vice president and head of its national accounts and relationship management group.

In her new role, Calcagno will be responsible for managing the national accounts team to further develop strategic partnerships with broker-dealers, increase Bluerock's brand awareness, open new distribution channels, and grow Bluerock Capital Markets' sales and distribution platform nationally.

Bluerock's offering platform includes an institutional closed-end real estate interval fund, Total Income+ Real Estate Fund; Bluerock Residential Growth REIT's preferred stock and warrants offering, and Bluerock Value Exchange's 1031-exchange programs.

"Emily's background and extensive experience in successfully managing a large team of national accounts managers in all channels of distribution including the major wirehouses, regional member firms, independent broker dealers, banks and registered investment advisors, completes the last leg of our latest strategic initiative to fully expand our institutional product offerings into all distribution channels as well as further accelerate our expansion into the wealth RIA markets," said Jeffrey Schwaber, CEO of Bluerock Capital Markets.

Calcagno has more than 18 years of capital markets experience and has held multiple leadership roles, most recently, serving as head of national accounts for Morgan Stanley Investment

Management since 2011.

Calcagno previously served as vice president of relationship management for RiverSource Investments and senior vice president and director of relationship management for J&W Seligman.

She earned a bachelor's degree in economics from Trinity College in Hartford, Connecticut and maintains an active certified investment management analyst designation and FINRA registrations 7, 24, and 63.

Bluerock, headquartered in Manhattan with regional offices across the U.S., is a national alternative investment management firm with more than \$5 billion in assets under management.

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**Sponsored: Bluerock Reports Record Capital Raise of Over \$75 Million for the Month of August; Continues Its Rapid**

# Rise Among Top Sponsors Within Direct Investment Industry

Bluerock Capital Markets, LLC (the “Company”), a distributor of institutional alternative investment products, and the dedicated dealer manager for Bluerock Real Estate (“Bluerock”), announced today that it accomplished another record capital raise of over \$75 million across all major business units for the month of August. The Company reported that a key contributor to this substantial growth in sales is Bluerock’s flagship ‘40 Act Fund, Total Income+ Real Estate Fund, which reported sales of over \$56 million for the month of August; setting a new record, which represents a 15% increase from its previous record capital raise attained in May.

Based on sales information obtained from industry third-parties, the Company also reports ranking as one of the Top 4 Sponsors within the Direct Investment Industry in new capital raised year-to-date through August and continues to be one of the fastest-growing distributors of real estate-related direct investment products marketed through broker-dealers and registered investment advisors†.

“In the investment management industry, it is well known that capital follows performance. Bluerock’s consistent and substantial increases in equity capital flows and AUM is clear corroboration that our conservative institutional approach toward providing investors access to best-in-class institutional managers and funds with a focus on income generation and growth is resonating in the marketplace”, said Jeffrey S. Schwaber, CEO of Bluerock Capital Markets.

Capital raised for Bluerock’s direct investment product suite

is up nearly 30% year-to-date through August 2018 as compared to the same period in 2017, which represented a nearly 40% increase in equity capital raise as compared to the same period in 2016, a breakout record for such period. The Company reports robust equity raises across all three of its product lines, which includes:

- **Bluerock's Total Income+ Real Estate Fund** (NASDAQ: TIPRX, TIPPX, TIPWX, TIPLX), a non-diversified closed-end interval fund, that provides individual investors with access to private, institutional real estate securities, enabling them to invest alongside large pensions and endowments without the high minimums;
- **Bluerock Residential Growth REIT** (NYSE American: BRG) Series B Preferred stock designed to deliver stability of current income and pricing plus potential capital appreciation with investments in the multifamily sector; and
- **Bluerock Value Exchange 1031 like-kind exchanges** that seeks to provide investors with tax deferral, current income and potential capital appreciation.

### **About Total Income+ Real Estate Fund**

Bluerock's The Total Income+ Real Estate Fund offers individual investors access to a portfolio of institutional real estate securities managed by top-ranked fund managers. The Fund's primary investment objective is to generate current income while secondarily seeking long-term capital appreciation with low to moderate volatility and low correlation to the broader markets. The Fund utilizes an exclusive partnership with Mercer Investment Management, Inc., the world's leading advisor to endowments, pension funds, sovereign wealth funds and family offices globally, with over 3,300 clients worldwide, and \$11 trillion in assets under advisement.

### **About Bluerock Residential Growth REIT**

Bluerock Residential Growth REIT, Inc. (NYSE American: BRG) is a real estate investment trust that focuses on developing and acquiring a diversified portfolio of institutional-quality highly amenitized live/work/play apartment communities in demographically attractive knowledge economy growth markets to appeal to the renter by choice. The Company's objective is to generate value through off-market/relationship-based transactions and, at the asset level, through Core+ improvements to properties and operations. The Company reports assets in excess of \$1.8 billion and more than 13,200 apartment units. The Company is included in the Russell 2000 and Russell 3000 Indexes. BRG has elected to be taxed as a real estate investment trust (REIT) for U.S. federal income tax purposes.

### **About Bluerock Value Exchange**

Bluerock Value Exchange is a national sponsor of syndicated 1031-exchange offerings with a focus on Class A assets that seek to deliver stable cash flows and potential for value creation. Bluerock has structured 1031 exchanges on \$1.2 billion in total property value and over 8 million square feet of property. With capacity across nearly all real estate sectors and the ability to customize transactions for individual investors, BVEX is available to create programs to accommodate a wide range of tax requirements.

### **About Bluerock**

Bluerock is a national alternative investment management firm with over \$5 billion on Assets Under Management and headquartered in Manhattan with regional offices across the U.S. Bluerock principals have a collective 80+ years of investing experience, have been involved with over \$10 billion in investments, and have helped launch leading private and public company platforms.

### **About Bluerock Capital Markets**

Bluerock Capital Markets, LLC serves as the managing broker dealer for Bluerock and is a member of FINRA/SIPC. Formed in 2010, BCM distributes a broad range of institutional investment products with potential for growth, income, and tax benefits exclusively through broker dealers and investment professionals including the Total Income+ Real Estate Fund, Bluerock Residential Growth REIT, Inc., and programs issued by Bluerock Value Exchange, LLC. BCM ranked #4 for capital fundraising in 2017 among all active managing broker-dealers in the Direct Investments Industry†.

† Sources: The Stanger Market Pulse™, Blue Vault, and Mountain Dell report equity sales of public DPP, interval fund, non-listed REIT, 1031-exchange and non-listed BDC products marketed through independent broker-dealers.

The Bluerock Residential Growth REIT and Bluerock Value Exchange are offered by Bluerock Capital Markets, LLC. The Total Income+ Real Estate Fund is distributed by ALPS Distributors Inc. Bluerock Capital Markets, LLC is not affiliated with Alps Distributors, Inc. or Mercer Investment Management, Inc.

### *Definitions*

*Direct Investment Industry: includes alternatives investments in public direct private placements, non-listed real estate investment trusts (REITs), non-listed business development companies (BDC)s, and closed-end interval funds.*

### *Disclosures*

#### *Total Income+ Real Estate Fund*

*Investing in the Total Income+ Real Estate Fund involves risks, including the loss of principal. The Fund intends to make investments in multiple real estate securities that may subject the Fund to additional fees and expenses, including management and performance fees, which could negatively affect*

returns and could expose the Fund to additional risk, including lack of control, as further described in the prospectus. The Fund's distribution policy is to make quarterly distributions to shareholders. The level of quarterly distributions (including any return of capital) is not fixed and this distribution policy is subject to change. Shareholders should not assume that the source of a distribution from the Fund is net profit. A portion of the distributions consist of a return of capital based on the character of the distributions received from the underlying holdings, primarily Real Estate Investment Trusts. The final determination of the source and tax characteristics of all distributions will be made after the end of each year. Shareholders should note that return of capital will reduce the tax basis of their shares and potentially increase the taxable gain, if any, upon disposition of their shares. There is no assurance that the Company will continue to declare distributions or that they will continue at these rates. There can be no assurance that any investment will be effective in achieving the Fund's investment objectives, delivering positive returns or avoiding losses.

Limited liquidity is provided to shareholders only through the Fund's quarterly repurchase offers for no less than 5% of the Fund's shares outstanding at net asset value. There is no guarantee that shareholders will be able to sell all of the shares they desire in a quarterly repurchase offer. Quarterly repurchases by the Fund of its shares typically will be funded from available cash or sales of portfolio securities. The sale of securities to fund repurchases could reduce the market price of those securities, which in turn would reduce the Fund's net asset value.

**Investors should carefully consider the investment objectives, risks, charges and expenses of the Total Income+ Real Estate Fund. This and other important information about the Fund is contained in the prospectus, which can be obtained online at**

***www.bluerockfunds.com. The Total Income+ Real Estate Fund is distributed by ALPS, Inc. The prospectus should be read carefully before investing. Bluerock Fund Advisor, LLC is not affiliated with ALPS, Inc.***

*Bluerock Residential Growth REIT*

*The discussion of BRG securities herein relates solely to BRG's Series B Preferred Stock, a non-traded security of BRG which has not been listed on any national exchange. The risks and rewards of investing in the Series B Preferred Shares are separate and distinct from an investment in BRG's common stock listed on the NYSE American. This is neither an offer to sell nor a solicitation of an offer to buy any securities. An offering is made only by the prospectus. Any prospective investor must be read the prospectus in order to understand fully all of the implications and risks of the Series B Preferred Shares.*

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**SEC: Merrill Lynch to Pay**

# **\$8.9 Million for Undisclosed Conflict in Advisory Decision**

Merrill Lynch, Pierce, Fenner & Smith has agreed to pay an approximately \$8.9 million settlement to the Securities and Exchange Commission for failing to disclose to investors a conflict of interest the firm had in offering products managed by an unnamed U.S. subsidiary of a foreign bank.

In December 2012, a unit of Merrill Lynch's Global Wealth & Retirement Solutions recommended terminating certain products that 1,500 Merrill's retail advisory clients had invested approximately \$575 million.

According to the SEC order, Merrill put new investments into these products on hold while its governance committee planned to vote on terminating the products and offering alternatives to investors. The product manager attempted to prevent termination and contacted senior Merrill executives, including making an appeal to consider the companies' broader business relationship.

Following those communications, and in a break from ordinary practices, the governance committee did not vote and chose to defer action on termination. The governance committee later lifted the hold and opened the third-party products to new Merrill accounts. The SEC's order found that Merrill failed to disclose to its clients the conflicts of interest in Merrill's decision-making process.

"By failing to disclose its own business interests in deciding whether certain products should remain available to investment advisory clients, Merrill Lynch deprived its clients of unbiased financial advice," said Marc Berger, director of the SEC's New York regional office. "Retail clients must feel confident that their advisors are eliminating or disclosing

such conflicts and fulfilling their fiduciary duties.”

Without admitting or denying the findings, Merrill consented to the SEC’s order, which finds that the firm was negligent in violating the antifraud and policies and procedures provisions of the Investment Advisers Act of 1940.

Merrill agreed to pay more than \$4 million in disgorgement, \$806,981 in prejudgment interest, and a more than \$4 million penalty, and to be censured and to cease and desist from further violations.

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## **SEC Obtains Final Judgement Against Investment Adviser’s Assistant Accused of Aiding and Abetting**

A federal district court in the Western District of New York entered a final judgment against Amherst, New York resident Lauramarie Colangelo, formerly an assistant to investment adviser Tarek Bahgat.

The Securities and Exchange Commission charged Bahgat with misappropriating money from seven of his investment advisory clients, in some instances through WealthCFO LLC, a company that he controlled.

The SEC claimed that Colangelo, WealthCFO’s operations manager, impersonated one of Bahgat’s clients during a telephone call with the broker-dealer holding the client’s

account. Colangelo was granted internet access to the account, allowing Bahgat to transfer money from the client's account to himself and WealthCFO.

The SEC's complaint charges Bahgat with violating various sections of the Advisers Act and Colangelo with aiding and abetting. Without admitting or denying the allegations, Colangelo consented to permanent injunctions and was fined \$7,500 to be paid in monthly \$100 installments.

Litigation is continuing against the remaining defendants in the case.

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## **SEC Charges Investment Adviser and Two Former Managers for Misleading Retail Clients**

The Securities and Exchange Commission has settled charges against New York-based investment adviser deVere USA Inc. related to its alleged failure to disclose conflicts of interest to its retail clients.

The company has agreed to pay an \$8 million civil penalty and establish a fair fund to distribute the penalty to affected clients. The SEC also announced the filing of a litigated action against two deVere USA investment adviser representatives, one of whom was the CEO of the firm.

According to the SEC's order, deVere USA failed to disclose

agreements with overseas product and service providers that resulted in compensation being paid to deVere USA advisers and an overseas affiliate.

The SEC claims that the undisclosed compensation—including an amount equivalent to 7 percent of the pension transfer value—created an incentive for deVere USA to recommend a pension transfer and particular product or service providers that were obligated to make payments. DeVere USA is also accused of making materially misleading statements concerning tax treatment and available investment options.

The SEC separately filed charges against the former deVere USA CEO, Benjamin Alderson, and a former manager, Bradley Hamilton. The SEC's complaint, filed in federal district court in Manhattan, alleges that Alderson and Hamilton misled clients and prospective clients about the benefits of pension transfers while concealing material conflicts of interest, including the compensation that the pair personally stood to receive.

"Investment advisers have an obligation to disclose direct and indirect financial incentives," said Marc Berger, director of the SEC's New York regional office. "DeVere USA brushed aside this duty while advising retail investors about their retirement assets, and the settlement will result in a fair fund distribution to deVere USA's retail clients who were deprived of important information."

Without admitting or denying the SEC's findings, deVere USA consented to the SEC's order, which finds that the firm violated the Investment Advisers Act of 1940, including the antifraud provisions, and imposes remedies that include an \$8 million penalty and engaging an independent compliance consultant. The SEC's complaint against Alderson and Hamilton alleges that they violated the Investment Advisers Act and seeks an injunction, disgorgement plus interest, and civil money penalties.

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