

OZ Real Estate Advisors LP

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Form ADV Part 2 — March 31, 2011

Item 1 – Cover Page

This brochure provides information about the qualifications and business practices of OZ Real Estate Advisors LP. If you have any questions about the contents of this brochure, please contact us at (212) 790-0041 or by email at ADV@ozcap.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about OZ Real Estate Advisors LP also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

On July 28, 2010, the SEC adopted amendments to Form ADV and the rules concerning delivery of brochures to clients of registered investment advisers. This brochure, dated March 31, 2011, is a new document prepared according to the SEC’s new requirements and rules. As such, this document is materially different in structure and requires certain new information that our previous brochure, dated July 1, 2010, did not require.

In the future, we will use this Item to discuss material changes that are made to the brochure as part of our annual update.

Pursuant to the new rules, we will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our business’ fiscal year. We may also provide you with additional updates or other disclosure information at other times during the year in the event of any material changes to our business.

You may request the most recent version of this brochure by contacting us at ADV@ozcap.com.

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Item 4 – Advisory Business

OZ Real Estate Advisors LP (the “**Registrant**”), and its affiliates, Och-Ziff Real Estate Capital L.P. and Och-Ziff Real Estate Capital II L.P. (collectively, “**OZRE**,” “**us**,” or “**we**”) provide investment advisory and other services. The Registrant was founded in 2003, and is indirectly owned by Och-Ziff Capital Management Group LLC (“**OZCMG**”), a publicly traded company listed on the New York Stock Exchange (NYSE: OZM). The Registrant is also owned in part by its limited partners, who are principals of the Registrant or of other affiliated entities, including Daniel S. Och, who is the Senior Managing Member of the Registrant and Steven E. Orbuch, Managing Member of the Registrant.

We serve as the management company for real estate funds (the “**Funds**”). We provide portfolio management and administrative services to the Funds, including analyzing structuring and negotiating potential investments, monitoring the performance of portfolio investments and advising the Funds as to disposition of investment opportunities. The Funds generally invest in individual real estate assets, multi-property portfolios, joint ventures, operating companies and public and private real estate related securities. Fund investments may be structured in various forms including equity, preferred equity, debt, participating debt and any other financial structures which are consistent with each Fund’s investment objectives.

As of March 1, 2011, OZRE had approximately \$925.0 million in assets under management to which it provides advice on a discretionary basis.

Throughout this brochure, we disclose a number of conflicts of interest and provide summaries of a number of our policies and procedures designed to detect and address these conflicts and others. We encourage Fund investors to review our policies and procedures and inquire directly with us about our conflicts. Our compliance policies and procedures are available for review by Fund investors in our New York office. In addition, conflicts of interest and specific risks are identified in the offering materials of Funds that we manage. Please request a copy of the relevant Fund’s most current offering materials for a description of other conflicts and risks that might exist.

Item 5 – Fees and Compensation

Funds pay us a management fee based on the amount of capital contributed by each investor. Management fees are generally determined based on the following fee schedule:

<u>Amount Invested</u>	<u>Management Fee</u>
Up to and including \$50,000,000	1.50%
\$50,000,001 to \$100,000,000	1.25%
\$100,000,001 to \$199,999,999	1.00%
Greater than \$199,999,999	0.75%

The management fee is generally accrued monthly and billed quarterly in advance. We also receive incentive income, typically up to 20% of the profits from each Fund, subject to certain limitations. Management fees and incentive allocations are calculated based on the terms set forth in each Fund’s offering materials and other constituent documents. In addition, because we (or our partners, principals, or employees) may invest in certain of the Funds, we participate alongside other investors in the investments of those Funds *pro rata* in accordance with our capital accounts in the Fund.

We may negotiate different fee arrangements for Funds and may reduce or waive fees for certain Fund investors.

Directors' Fees, Monitoring Fees and Breakup Fees

We may charge directors' fees, monitoring fees, break-up fees and other similar advisory fees directly to a portfolio investment held by a Fund. As a general matter, any fee assessed against a Fund portfolio investment is an indirect expense of the Fund. An amount equal to 100% of all such fees (other than break-up fees), and at least 80% of break-up fees (such amount varies by Fund), paid to us by portfolio investments, net of any related expenses, is applied to reduce our management fee otherwise payable.

Additional Expenses

Our fees are exclusive of brokerage commissions, transaction fees, custodial fees, clearing and settlement charges, borrowing costs, interest expense, pricing services, consulting and other professional fees relating to particular investments (including consulting fees and expenses payable to our affiliates), travel expenses incurred in connection with due diligence and the expenses related to investments in real estate assets, legal expenses, systems and technology expenses, audit and tax preparation expenses, corporate licensing, organizational expenses, and other related costs and expenses, all of which are incurred by the Fund. In addition, Funds also bear expenses incurred in connection with the offering and sale of interests in the Fund and the ongoing expenses of service providers to the Funds. To the extent that we initially bear any of these expenses, Funds reimburse us.

Please refer to Item 12 for additional information regarding the factors we consider in selecting broker-dealers for Fund transactions, and in determining the reasonableness of their compensation.

Related Conflict:

Affiliated and Unaffiliated Sub-Advisers. As discussed in Item 8 below, from time to time, we may retain sub-advisers to provide investment research and analysis and/or discretionary management to the Funds (directly, or through investment funds, managed accounts or other structures) with respect to discrete portions of Fund assets. Compensation (including, without limitation, management and other fees, carried interest, profit participation and reimbursement of operating and other expenses) to sub-advisers that are not affiliated with us will be borne by the Funds, and we will not offset, or pay such sub-advisers from, our management fees or incentive income. However, we do offset the compensation we receive against compensation received by sub-advisers that are our wholly-owned subsidiaries.

Item 6 – Performance-Based Fees and Side-By-Side Management

As noted in Item 5 above, all Funds pay us certain performance-based fees in the form of incentive income—typically 20% of the profits from each such Fund, subject to certain limitations. Our incentive income may be reduced by preferred returns payable to Fund investors and any applicable hurdles or other limitations.

All performance-based income is calculated and paid in accordance with Section 205 and Rule 205-3 under the Investment Advisers Act of 1940. Because all Funds pay us equivalent performance-based fees, we generally believe that we do not have an incentive to favor one account over another because of performance-based fees. However, we recognize that conflicts related to side-by-side management may exist for other reasons.

Our receipt of incentive income may motivate us to make investments that are riskier or more speculative than we would make if we did not receive incentive income. This incentive may be particularly acute when our incentive fee is payable only upon exceeding a hurdle rate or high water mark and performance of Client accounts is below any such hurdle or high water mark.

We and our affiliates sponsor or manage other investment funds and managed accounts, some of which have objectives that are similar to, or which overlap with, those of other Funds. Additionally, we and our affiliates typically own interests in those investment funds. In certain circumstances, particularly when we or our affiliates sponsor a new product or platform (because we and our affiliates typically provide most of the initial seed money), such product or platform may be wholly or majority owned by us or our affiliates.

We and our affiliates may give advice and recommend securities to clients which differs or conflicts with advice given to, or securities recommended or bought for, other clients, even though the investment objectives of the respective clients are the same or similar. We and our affiliates seek to allocate investment opportunities fairly and equitably across clients to the extent such opportunities are appropriate for such clients. However, there may be certain situations in which a client has a specific geographical, sector or strategy focus, or situations where an agreement exists with an unaffiliated co-sponsor or joint venture partner or other client, such that investment opportunities that may be appropriate for one client are first referred to and/or allocated to another client, with any remaining portions allocated to other clients, as appropriate. Client accounts that receive investment opportunities in priority to other clients may have been initially seeded by us or our affiliates, and, at the time of a referral or priority allocation, may, to the extent there has been only limited investment by third party investors, remain wholly or principally owned by us or our affiliates. If a client does not receive an investment opportunity, it will not benefit from, and will have no right to profits arising out of, investments made by clients that did receive the investment opportunity.

Sometimes, following an investment by a client, we have the opportunity to make an additional or follow-on investment in the same entity or a related entity. Occasionally, rather than allocate these additional or follow-on investment opportunities to the client(s) that made the original investment, we may allocate the opportunity among other clients (including Funds that may be wholly or principally owned by us or our affiliates) and one or more strategic investors (which may include third parties and/or Fund investors). Typically, we make these allocations in circumstances where the additional investment opportunity or follow-on investment could not, because of available capital, risk limits, size, tax considerations, concentration or other reasons, be allocated in the same manner as the original investment to which it relates. Additional investment opportunities and follow-on investments may be more or less profitable than the original investment to which they relate.

The portfolio strategies we and our affiliates use for certain clients could conflict with the transactions and strategies we employ in managing other clients and may affect the prices and availability of the assets in which clients invest.

Item 7 – Types of Clients

As noted in Item 4 above, we provide portfolio management services to the Funds (which may be organized as domestic or foreign partnerships, corporations, incorporated or unincorporated entities, or other similar entities). Certain Funds require a minimum initial investment of \$10 million, which minimum may generally be waived in our discretion.

Generally, the Funds' investment advisory contracts may be terminated upon 60 days' prior written notice by either party, although certain Funds' advisory contracts may be terminated under other conditions set forth in each specific contract.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

In managing the Funds, we employ a value-based, situationally-opportunistic investment rationale, investing primarily throughout the United States, although we may invest outside of the United States. We generally pursue investments with one or more of the following characteristics:

- Distressed situations both at the ownership level and asset level, in which alternative capital sources are unavailable or unwilling to participate in highly-complex restructurings, notwithstanding attractive underlying property fundamentals;
- Current returns opportunities where we anticipate returning a substantial amount of invested capital and profits through operating distributions, significantly reducing dependence on exit valuations;
- Value enhancement opportunities where we can identify and reposition underperforming assets with correctable, temporary flaws including volatile tenancies, physical problems, disjointed ownership structures and liquidity constraints;
- Custom-tailored capital to meet a seller's objectives distinct from valuation that may offer more attractive risk return profiles;

- Timely macro-fundamental investments where supply/demand imbalances exist in given markets or asset classes;
- Relative inefficiencies where less efficient privately-negotiated real estate assets offer compelling investment opportunities on price or structure; and
- Contrarian asset classes where a particular geographic area, industry or asset type is out of favor and therefore mispriced due to fluctuations in capital flows.

We also seek to preserve capital and mitigate risk by (i) avoiding competitive situations, (ii) proprietary sourcing, (iii) discretion in deal selection, (iv) engaging in thorough due diligence, (v) having multiple defined exit strategies and structured downside protection. We believe that our continual monitoring of Fund investments should allow us to proactively manage the risks and adapt our investment strategies in anticipation of changes in capital market and property market conditions. Finally, we generally seek to diversify investments across geography, asset types and transaction structures to actively balance portfolios.

Related Risks:

Investing in securities involves risk of loss that Fund investors should be prepared to bear. In addition, the investment strategy described above may also involve the following risks:

General Real Estate Considerations. Real property investments are subject to varying degrees of risk. Real estate values are affected by a number of factors, including changes in the general economic climate, local conditions, the quality and philosophy of management, competition based on rental rates, attractiveness and location of the properties, physical condition of the properties, financial condition of buyers and sellers of properties, quality of maintenance, insurance and management services, and changes in operating costs. If investments do not generate sufficient revenues to meet their operating expenses, including debt service and capital expenditures, a Fund's cash flow and ability to pay distributions to investors will be adversely affected. Certain significant expenditures associated with each equity investment (such as mortgage payments, real estate taxes, lease obligations and insurance and maintenance costs) are generally not reduced when circumstances cause a reduction in income from such investment. Real estate historically has experienced significant fluctuations and cycles in value and a Fund may buy and/or sell investments at less than optimal times. Real estate values are also affected by such factors as government regulations (including those governing usage, improvements, zoning and taxes); interest rate levels; the availability of financing; participation by other investors in the financial markets; potential liability under changing laws; acts of God, including earthquakes, hurricanes and other natural disasters; acts of war; and acts of terrorism (any of which may result in uninsured losses).

Investment in Troubled Assets. A Fund may make investments in non-performing or other assets utilizing leveraged capital structures. By their nature, these investments can involve a high degree of financial risk, and there can be no assurance that there will be any return of capital. Investments in troubled assets are sometimes subject to certain additional potential liabilities which may exceed the value of a Fund's original investment. For example, under certain circumstances, lenders that have inappropriately exercised control of the management and policies of a debtor may have their claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. Numerous other risks also arise in workout and bankruptcy contexts, including the possibility that payments to a Fund and distributions by the Fund to investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Investments in Real Estate Development. A Fund may acquire for development direct or indirect interests in undeveloped real property, which is initially non-income producing property. To the extent that a Fund invests in such assets, it will be subject to the risks normally associated with such assets and development activities. Such risks include those relating to the availability, expense and timely receipt of zoning and other regulatory approvals, the cost and timely completion of construction (including risks beyond the control of the Fund, such as weather or labor conditions or material shortages) and the availability of both construction and permanent financing on favorable terms. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could have an adverse effect on the financial condition and results of operations of the Fund and on the amount of funds available for distribution to investors. Properties under development or properties acquired for development may receive little

or no cash flow from the date of acquisition through the date of completion of development and may still experience operating deficits well after the date of completion. In addition, market conditions may change during the course of development that make such investments less attractive than at the time they were commenced.

Potential Environmental Liability. The properties that we target for investment by Funds will be subject to a variety of U.S. federal, state and local statutes, ordinances, rules and regulations concerning the protection of health and the environment. The particular environmental laws that apply to any given community vary greatly according to the community site, the site's environmental conditions and the present and former use of the site. Environmental laws may result in delays, may cause a Fund to incur substantial compliance and other costs and may prohibit or severely restrict development in certain environmentally sensitive regions or areas. Under various environmental laws, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Such enactments often impose such liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. For example, the current owner of a parcel of land may be liable for environmental problems at, or emanating from, the parcel of land that were caused by a past owner or current operator of the site. The cost of any required remediation and the owner's liability in respect thereof is generally not limited under such enactments and could exceed the value of the property and/or the aggregate assets of the owner. The presence of such substances, or the failure to properly remediate such substances, may adversely affect the owner's ability to sell the real estate or to borrow using such property as collateral. In addition, remediated property may attract a limited number of potential purchasers because of the property's history of contamination, which might also adversely affect the owner's ability to sell the property. Further, a transfer of property does not relieve from liability a person who owned the property at a time when hazardous or toxic substances were disposed of on, or released from, such property. Also, noncompliance with environmental regulations may allow a governmental authority to order the owner/operator to cease operations at the property or to incur substantial costs and expenses to bring the property into compliance through the implementation of burdensome remediation or prophylactic measures. It is also possible that the owners of properties with significant contamination could be exposed to property damage in personal injury claims by adjoining or nearby landowners or residents. Finally, there can be no assurance that environmental laws relating to real estate transactions will not be amended in the future in ways that could adversely affect the Fund's investments.

Government Regulation. The real estate industry is extensively regulated and subject to frequent regulatory change. The adoption of new legislation or changes in existing laws or new interpretations of existing laws can have a significant impact on methods of doing business, costs of doing business and amounts of reimbursement from governmental and other agencies. The real estate industry is and will continue to be subject to varying degrees of regulation and licensing by federal and state regulatory authorities in various states and localities.

Use of Leverage. In employing our investment strategy, we may cause a Fund to leverage its investments with non-recourse debt financing, in which case a third party lender would be entitled to the cash flow generated by such investment prior to the Fund receiving a return of or on its investment. A Fund may also obtain recourse debt financing to allow the Fund to close transactions quickly and/or obtain more favorable terms. Although the use of leverage may enhance returns and increase the number of investments that can be made, it involves a heightened degree of risk, is inherently more sensitive to adverse economic factors (such as a significant rise in interest rates, a downturn in the economy, deterioration in the condition of such investments, declines in revenues and increases in expenses) and can exaggerate the financial effect of any increase or decrease in the value of such investments.

Funds could be subject to material risks that are not described above. Additional risks regarding Funds are disclosed in the offering materials of each Fund. We encourage investors to carefully review the full description of risk factors presented in their Fund's offering materials.

Methods of Analysis

In evaluating potential investments, we conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, we may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment bankers may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, we rely on the resources available to us, including information provided by the

target of the investment and, in some circumstances, third-party research. The due diligence that we carry out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity, and such an evaluation will not necessarily result in the investment being successful. Moreover, the level of due diligence conducted with respect to a particular investment will vary and we may not properly assess the appropriate amount of diligence for each investment, which may result in losses to Funds.

Risk management is central to the operation of our business. We use both quantitative and qualitative analyses to monitor financial and event risk and manage volatility. We may seek to hedge credit, interest rate, currency and market exposures; however, there can be no assurances that appropriate hedges will be available or in place to successfully limit losses.

Sub-Advisers

We may allocate a portion of Fund assets to other affiliated or unaffiliated portfolio managers for management through managed accounts, investment funds, or other structures. Some of these allocations may take the form of investments in public or private real estate investment trusts ("REITs"). For additional information regarding the fee arrangements related to sub-advisory relationships, please see Item 5 above.

Other Related Procedures and Conflicts:

Valuation of Holdings. We value Fund investments at fair market value. The fair value of an investment is the amount at which we reasonably believe the investment could be exchanged between willing parties, other than in a forced liquidation or sale. If quoted market prices are not readily available, we base fair value on our estimate of amounts that could be realized.

The Funds' investments are initially carried at cost, as an approximation of fair value. These values are adjusted for any distributed and undistributed results of operations of the Funds plus, if appropriate, an estimate of any unrealized appreciation/depreciation. These estimates are often based upon discounting the expected cash flows from the investment or a multiple of earnings. We also will consider recent sales as well as offers on investments that we believe are likely to close in the near future. In reaching our determination of fair value, we consider many factors including, but not limited to, the operating cash flows and financial performance of the properties relative to budgets or projections, property types and geographic locations, expected exit timing and strategy and any specific rights or terms associated with the investment. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the values that would be determined by negotiations held between parties in a sale transaction. Our valuation methodology is described more fully in the offering memorandum for each Fund.

Due Diligence Trips. From time to time, our analysts may go on due diligence trips related to a prospective investment. The expenses related to these trips may be paid for by the company in which the prospective investment would be made. To the extent we believe it appropriate, we may invest Fund assets in these companies.

Item 9 – Disciplinary Information

Form ADV Part 2 requires investment advisers such as OZRE to disclose legal or disciplinary events involving the firm or our partners, officers, or principals that are material to your evaluation of our advisory business or the integrity of our management. We have no information to report that is applicable to this item.

Item 10 – Other Financial Industry Activities and Affiliations

The Registrant has a number of material relationships with its affiliates. OZ Management LP, an affiliate of the registrant, is responsible for implementing the Registrant's compliance policies and procedures. In addition, Och-Ziff Real Estate Capital L.P. and Och-Ziff Real Estate Capital II LP, affiliates of the Registrant, serve as general partners to the Funds.

OZ Management LP and OZ Management II LP, another affiliate of the Registrant, each serve as the investment manager to pooled investment vehicles and managed accounts. OZ Advisors LP and OZ Advisors II LP, other affiliates of the Registrant (or wholly owned subsidiaries thereof) serve as the direct or indirect general partner of pooled investment vehicles advised by the Registrant's affiliates. OZ Management LP and OZ Management II LP are each registered investment advisers. OZ Management LP, OZ Management II LP, and OZ Advisors LP are each registered as commodity pool operators.

Och-Ziff Management Europe Limited, an affiliate of the Registrant regulated by the U.K.'s Financial Services Authority, and Och-Ziff Capital Management Hong Kong Limited, an entity regulated by the Hong Kong Securities and Futures Commission, serve as sub-advisers to certain pooled investment vehicles managed by the Registrant's affiliates. Och-Ziff India Private Limited and Och-Ziff Consulting (Beijing) Limited provide research services to affiliates of the Registrant and to Och-Ziff Capital Management Hong Kong Limited. As noted in Item 5 above, we pay affiliated sub-advisers from the compensation we receive.

Other Related Conflict:

Publicly Held Company. OZCMG, our indirect parent company, is a publicly traded company listed on the New York Stock Exchange. OZCMG has significant economic and business interests and objectives that are different than or conflict with those of Funds. Accordingly, the interests of shareholders of OZCMG may not be aligned with the interests of Fund investors. In situations where these interests are not aligned, we face a conflict of interest when we act or fail to act.

In this regard, OZCMG has direct relationships with Fund counterparties—certain counterparties provide underwriting, consulting, administration and financing services to OZCMG. In particular, a financial services firm which provides a significant amount of services to funds advised by OZ Management LP and OZ Management II LP (such as prime brokerage, custodial, administration, and other services) has been a major source of liquidity for OZCMG through a term loan facility, the terms of which are disclosed in OZCMG's public disclosure documents which are available at www.sec.gov. Moreover, certain Fund counterparties have in the past, and may in the future, underwrite and analyze OZCMG's Class A shares.

In addition, third party service providers and counterparties that provide services to, or engage in transactions with, OZCMG or its subsidiaries also provide services to, or engage in transactions with, Funds. These service providers and counterparties also provide services to, or engage in transactions with, our partners and principals. We have a conflict of interest in selecting these service providers and counterparties on behalf of Funds because we may favor service providers and counterparties that provide service to OZCMG or its principals or subsidiaries for attractive fees or other terms of service.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics and Personal Trading. We strive to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust, and we have adopted a Code of Ethics (the “**Code**”) to help us meet these standards. The Code incorporates the following principles, among others:

- Employees must place the interests of clients first at all times;
- All personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an employee's position of trust and responsibility must be avoided;
- Employees must not take any inappropriate advantage of their positions; and
- Information concerning the identity of securities and financial circumstances of clients (and Fund investors, as applicable) must be kept confidential (except in furtherance of client investment objectives and goals).

The Code places restrictions on personal trades by employees. Employees are required to disclose their personal securities holdings and transactions to us on a periodic basis. Employees are also required to preclear certain personal securities transactions. As such, provided that they comply with the Code, our personnel are permitted to engage in personal securities transactions (including transactions in securities currently held in Fund accounts or that

may be appropriate for investment in such accounts). Fund investors, and prospective investors may obtain a copy of the Code by contacting us at the address or telephone number listed on the first page of this document.

Personal Trading. Subject to the Code, as described above, we and our partners, principals, employees, and other affiliates may engage in investment activities for our own account or for family members and friends. These activities may involve the purchase and sale of assets that are similar to or the same as, but in different concentrations or effected at different times and prices than, those purchased or sold for Fund accounts. These activities may also involve the purchase and sale of assets that are different from those purchased for Fund accounts.

As noted above, our partners, principals, employees and those of our affiliates invest in the Funds—in fact, many investors insist upon such personal investments in a Fund before committing their own capital. The amount of proprietary investment by our partners, principals, employees and other affiliates differs from Fund to Fund, with the highest percentage of aggregate proprietary versus non-proprietary investments tending to occur in the early, start-up phase of a Fund. To the extent that third party investments in such Funds are limited, a substantial level of proprietary ownership may continue for an indefinite period. Because our allocation policies are designed to facilitate getting new Fund accounts to a fully invested posture, we may make greater allocations of investment opportunities (including limited investment opportunities) to new Funds, even if such Funds are predominantly comprised of affiliated capital. In making these allocations, we face a potential conflict of interest with other Funds for whom the same investments would be appropriate, because the over-allocation to the new Fund could be seen as allocating investment opportunities to the proprietary accounts of our partners, principals, and employees, or those of our affiliates, to the extent they comprise a substantial portion of the investor base of the new Fund. In addition, certain Funds in which our partners, principals and employees invest are sector or geographic specific Funds; under our allocation policies, these types of Funds receive increased allocations based on their more focused investment strategy, which generally continues for the life of the Fund. Please also see Item 12 below for additional information regarding our allocation policies.

Other Related Conflicts and Practices:

Conflicts Committee. From time to time, under circumstances addressed in this brochure or as otherwise appropriate, we bring issues that raise conflicts of interest before our internal conflicts committee (“**Conflicts Committee**”) to determine how we will proceed. The Conflicts Committee is composed of our Chief Financial Officer, Chief Legal Officer, Chief Operating Officer, Fund Controller, Chief Compliance Officer and General Counsels responsible for various business units. The Committee is responsible for reviewing conflicts and potential conflicts between us and our Funds and/or the public shareholders of our parent company, OZCMG. Committee meetings may involve participation by outside parties or our employees including, but not limited to, members of our research, portfolio management, accounting, legal, compliance or internal audit group. However, only members of the Committee are permitted to vote on any actions put before the Committee.

Side Letters. We and our affiliates sometimes enter into agreements with prospective investors that allow for different terms of investment in a Fund than the terms applicable to other Fund investors. As a result of such side letters, certain Fund investors may receive additional benefits that other investors in the same Fund will not receive. In general, we will not notify Fund investors when we enter into these agreements.

Disclosure of Portfolio and Other Information. We sometimes provide portfolio holdings information to entities that have been retained by Fund investors to evaluate portfolio risk. We provide this information in our sole discretion, and reserve the right to cease providing information at any time. We make reasonable efforts to preserve the confidentiality of the information we provide, such as by entering into non-disclosure agreements, but we cannot ensure that the entities to which we provide information will fulfill their confidentiality obligations.

In the course of conducting due diligence, Fund investors periodically request information pertaining to their investments, and pertaining to us and our affiliates. We may respond to these requests, and may provide information that is not generally made available to other Fund investors. When we provide this information, we do so without an obligation to update any such information provided.

Gifts and Entertainment; Political Contributions. Brokers, counterparties, service providers and other third parties with whom we do business occasionally provide gifts and entertainment to our partners, principals, and employees.

We and our affiliates may enter into business transactions and relationships on behalf of a Fund with such entities. Such gifts and entertainment create a conflict of interest in our selection and retention of these donors. To address this conflict, we have adopted policies and procedures to: 1) monitor all gifts and entertainment received by our partners, principals, and employees; and 2) limit the value of gifts and entertainment received. We also have policies and procedures in place to help us monitor, and in certain cases limit, the political contributions that our partners, principals, and employees make to public officials and candidates for elected office.

Item 12 – Brokerage Practices

General Brokerage Practices

We are delegated the responsibility for implementing all investment decisions on behalf of each Fund, including identifying, structuring and negotiating investments as well as determining all other management decisions, such as sales and refinancings.

We allocate portfolio transactions for Fund accounts to broker-dealers and other transaction service providers on the basis of best execution available—i.e., execution in a manner that the Fund's total cost or proceeds in each transaction is most favorable under the circumstances.

Funds investors should understand that Fund transactions may generate brokerage commissions and other costs, all of which are borne by the Fund, and not us. We generally have complete discretion to decide what investment banks, brokerages, broker-dealers or other counterparties will be used in executing transactions for Funds, and we negotiate the rates of compensation that Funds will pay. Some of these counterparties we select have (or are affiliates of entities that have) other material business relationships with us or our affiliates, with our parent company OZCMG, or with our principals.

Research and Other Soft Dollar Benefits

We do not currently receive or use soft dollars in connection with any transactions for the Funds, although we may determine to do so in the future. Our affiliates may pay for research services using soft dollars. To the extent that we also use such services, we make a good faith allocation between us and our affiliates, and will pay for our portion of the services with cash. We may face a conflict of interest in making these good faith allocations. Examples of these services may include: consultant services and market research products.

Brokerage for Client Referrals

Please refer to Item 14 below regarding our brokerage practices with respect to capital introduction events sponsored by broker-dealers.

Trade Aggregation

When buying and selling securities for Funds, we generally aggregate multiple transactions into one order so that as many eligible Funds may participate equally over time on a fair and equitable basis, in terms of best available cost, efficiency and terms under the circumstances. We also may aggregate orders for Funds together with orders for the various pooled investment vehicles and managed accounts advised by our affiliates.

The accounts that participate in an aggregated order will generally participate at the average price for all of the transactions in that security with respect to each buy/sell program on a given business day, with transaction costs generally shared pro rata based on the participation in the transaction. Notwithstanding the foregoing, because of the diversity of objectives, risk tolerances, client-imposed limitations, applicable laws and regulations, tax matters and differences in the timing of capital contributions and withdrawals among the participating accounts and because of other factors we consider, there may often be differences among the particular accounts in the weighting of particular positions and in the particular securities and other instruments held. Examples of reasons why *pari passu* allocations may not occur in every situation may include, but are not limited to:

- Whether a Fund has a sector or geographic regional focus
- Individual Fund relationships and counterparties
- Degree of leverage employed
- Timing of capital contributions and withdrawals
- Tolerance for volatility/risk
- Domicile of the Fund
- Fund-specific limitations or requirements
- Availability of credit facilities (and their terms)
- Tax matters
- Available capital
- Liquidity needs of the Fund
- Other relevant factors

We do not earn any additional compensation as a result of aggregating orders and allocating them consistently with our procedures.

Allocation of Aggregated Orders and Other Investment Opportunities

If an aggregated order is filled in its entirety, it will be allocated among the participating accounts in the manner in which it was originally placed. If the order is partially filled, it will generally be allocated pro rata in proportion to the size of the orders placed for each participating accounts to the extent practicable. Notwithstanding the foregoing, an aggregated order may be allocated on a different basis if we determine that all participating accounts receive fair and equitable treatment.

To the extent possible, all Funds participating in a buy or sell program receive equivalent treatment based on their available capital. However, a “fill” may be allocated among participating Funds in “round lots”, i.e., a “fill” does not have to be broken into “odd lots” in order to achieve parity of allocation.

Risk Assessment. When we make an investment decision, we assess the amount of risk the Funds should bear. Our risk assessment is an inherently subjective determination—we do not follow a pre-established formula to determine or modify Fund risk. Because allocation of investment opportunities is based on these risk assessments, a portion of our allocation decision is itself subjective as a result.

Pre-Settlement Order Adjustments. From time to time, circumstances arise before settlement of a transaction that result in us adjusting the original order to make securities settle into a different account than was called for under the original order. This is generally done to avoid a violation of Fund investment restrictions or guidelines, to avoid a negative tax consequence for a Fund, or for other similar reasons.

Over-Allocations to Funds With Substantial Proprietary Investments. Our allocation procedures factor in the need to get new Funds to a fully invested position as quickly as possible. This objective may raise a conflict of interest between us and our clients to the extent that we and our partners, principals, and employees have contributed the majority of a new Fund’s capital. Our proprietary interest in new Funds may remain substantial for an extended period of time, depending on the degree of investments by third party investors. The same issue applies to investments by our partners, principals, and employees also in other, more seasoned Funds, which also may be substantially comprised of proprietary investments.

New Issues. We will only allocate appreciation and depreciation from “new issues,” as defined under Rule 5130 of the Financial Industry Regulatory Authority, as amended, supplemented and interpreted from time to time, and other restricted investments, to investors in a Fund and to separately managed accounts in which beneficial owners are eligible to participate therein. As a matter of fairness to Fund investors who do not participate in the Fund’s investments in new issues and other restricted investments, we may debit a use-of-funds charge to the capital accounts of those investors who do participate in new issues and credit that amount to the capital accounts of all investors. We are not required to debit, and in the past have not debited, any such use-of-funds charge as described above.

Dilution of Investment Opportunities. We have entered into, and will enter into, business relationships with entities that provide us with investment ideas and opportunities that are appropriate for one or more of our Funds. To the extent our business expands in this and related ways, the investment opportunities given to any specific Fund will likely be diluted over time and more Funds and joint ventures (including joint ventures from which we derive an economic benefit) will compete for a limited pool of opportunities. As a result of this dilution, investment opportunities that are appropriate for a Fund may not be allocated to such Fund and may instead be allocated to other Funds and joint ventures (including joint ventures from which we derive an economic benefit). Fund investors should understand the extent of our business, and that they should only contribute capital to a Fund with the knowledge that the advisory services we provide are not exclusive.

We will provide additional detail about our order aggregation and allocation policy to current Fund investors upon request. Although the above discussion provides a summary of our policy, our actual practices are governed by the policy we currently have in place, and not by this summary. We may revise or amend our policy at any time, without notice to Fund investors. We encourage Fund investors to review the full text of our policy at our New York office.

Other Brokerage Practices, Issues, and Conflicts:

Step Out Transactions. We sometimes engage in “step-out” brokerage transactions. In a typical step-out trade, we direct the executing broker to allocate all or a certain number of shares of an executed trade to another broker-dealer (the “**stepped-out broker**”) for clearance and settlement. The executing broker receives a commission on the number of shares of an order that it executes, clears and settles while the stepped-out broker negotiates and receives the commission for the number of shares it clears and settles. The executing broker may not know what commission is paid to the stepped-out broker or what services (other than clearance and settlement) the stepped-out broker provides to us. In a step-out trade, Funds will generally not be paying the lowest commission possible.

OTC Transactions. When we place OTC transactions, we generally employ primary market-makers, except when we believe that we can obtain better executions from other market participants. From time to time, we may execute OTC trades on an agency basis rather than on a principal basis. In these situations, the broker we select may acquire or dispose of a security through a market-maker. The transaction may thus be subject to both a commission (from the agency broker) and a mark-up or mark-down (from the market maker) and, therefore, the net price may be greater than what might otherwise be available. We believe that the use of a broker in such instances is consistent with our duty of obtaining best execution for Funds, in light of the factors we consider. For example, the use of a broker can provide anonymity in connection with a transaction, and a broker may, in certain cases, have greater expertise or greater capability in connection with both accessing the market and executing a transaction.

Cross Trades. We may effect “cross” transactions between Fund accounts, if permitted by applicable law. In a “cross” transaction, one client account will purchase securities held by another client account. We will only effect these transactions:

- (i) when we deem the transaction to be in the best interests of both Fund accounts; and
- (ii) at a price and under circumstances that we have determined by reference to independent market indicators, which we believe to constitute “best execution” for both accounts.

We do not receive any compensation in connection with cross transactions. “Inadvertent” cross transactions may also occur when trades cross in the market. For example, when we periodically rebalance Client accounts, certain accounts may sell securities into the market at the same time that other accounts are purchasing the same securities in the market, resulting in an inadvertent or “deemed” market cross. In these cases, we ensure that an independent broker-dealer establishes the price for the transaction. In these situations, we do not instruct the broker to directly move positions between Clients’ accounts.

Trade Errors. We have established policies and procedures regarding the handling of trading errors in Fund accounts (e.g., the purchase or sale of a security in the wrong amount, or contrary to Fund investment guidelines). Pursuant to these policies and procedures, we try to correct errors as soon as practicable after discovery to ensure

that Funds do not incur a loss. Where trading errors result in gains for the Fund account, the account is credited with such gains. On the other hand, if a trading error results in a loss, we make Funds whole by reversing out the trade at our own expense. To the extent that a Fund is regulated under a different regulatory regime, we will follow that regime's different policies and procedures regarding error correction.

Transactions with Fund Investors. We and our affiliates sometimes enter into transactions with certain Fund investors. The terms of these transactions are negotiated on an arm's-length basis. However, we and our affiliates are subject to a conflict of interest when determining such terms because we may ultimately benefit from retaining the investor.

Allocation of Our Time and Resources. Generally, we are not subject to specific obligations or requirements concerning the allocation of our time, efforts, resources, or investment opportunities to any particular Fund. Our personnel devote time to the affairs of our Funds as they, in their discretion, determine to be necessary for the conduct of our business.

Material Non-Public Information. As part of our investment advisory activities, we and our affiliates sometimes come into possession of material non-public information regarding other issuers. We are generally prohibited from using this information for the benefit of any Fund. As an example, we may obtain material non-public information if we are contemplating a transaction and, as part of that process, we are required to sign a non-disclosure agreement. If any Fund has an existing holding that is impacted by the non-disclosure agreement, we will not be able to sell or dispose of that position during the effectiveness of the agreement and as a result, the Fund may experience a loss in value, which may include a total loss, of the position during this confidentiality period. Furthermore, we will be unable to enter into new positions (or increase existing positions) in relevant securities during the confidentiality period. Our activities for a Fund's account may be affected by these restrictions even where we obtained the material non-public information with the intention of trading for a different Fund's account.

Complex Institutional Relationships. Throughout Item 12, and elsewhere in the brochure, we disclose conflicts of interest arising out of our and our affiliates' relationships with prime brokers and other counterparties and service providers. These conflicts may be exacerbated to the extent that we and our affiliates have multiple relationships, involving a variety of transactional work with the same or related entities. Our relationships with counterparties and other service providers are dynamic and evolve over time. Because of the number and nature of these relationships, conflicts of interest that arise in connection with any one transaction or relationship can be compounded when many different transactions and relationships develop at the same time.

Item 13 – Review of Accounts

We review Fund accounts and portfolios on a quarterly basis. This review is carried out by our analysts and portfolio managers. We also review on a monthly basis asset management reports on all of the Funds' underlying portfolio investments.

We typically provide Fund investors with annual audited financial statements for their relevant Fund and quarterly investment reports on each portfolio investment in such Fund.

Item 14 – Client Referrals and Other Compensation

We may execute Fund transactions with prime brokers that sponsor events, meetings or other communications between potential investors and us or our affiliates. These capital introduction services are provided incidental to other brokerage services. We and our affiliates are not compelled to engage broker-dealers that sponsor these capital introduction programs in order to be included at these events. However, these capital introduction events are typically sponsored by prime brokers that provide necessary services to the Funds or other pooled investment vehicles managed by our affiliates and they may create the appearance of using the execution services of these broker-dealers in order to be invited to their capital introduction programs.

We do not pay to participate in these programs and do not cause Funds to execute transactions or pay higher commissions or other transaction costs in connection with these programs or services (although Funds will not

necessarily pay the lowest possible commission when executing transactions through these broker-dealers—please see Item 12 above for additional information). However, we do pay to attend certain conferences, seminars and other events that are attended by prospective investors, but are not specifically designed as capital introduction events. Furthermore, broker-dealers or their affiliates may introduce us to prospective investors and will continue to have business relationships with, and execute brokerage transactions on behalf of, our Funds.

In addition, certain counterparties, including affiliates of broker-dealers, have established platforms to allow their clients and customers to invest in our Funds through feeder funds. On a fully disclosed basis, we pay a portion of the management fee to platform sponsors out of the fees we receive from Funds with respect to the assets invested through each respective platform.

Item 15 – Custody

We generally provide Fund investors with the Fund’s annual audited financial statements prepared by an independent public accountant.

Item 16 – Investment Discretion

We generally receive and exercise discretionary authority to manage investments on behalf of Funds. We typically assume this authority through the constituent documents of a Fund.

Item 17 – Voting Client Securities

We have adopted proxy voting policies and procedures (the “**Proxy Policies**”). Under our Proxy Policies, our general policy is to vote proxy proposals, amendments, consents or resolutions relating to Fund portfolio securities, including interests in private investment funds, if any (collectively, “**proxies**”), in a manner that serves the best interests of Fund accounts. In determining how to vote proxies, we consider the following factors: (1) the impact on the value of the securities; (2) the costs and benefits associated with the proposal; (3) the effect on liquidity; (4) the customary industry and business practices; and (5) any other factors we deem relevant.

We may decide to vote consistent with management recommendations or the recommendation of a proxy voting service if we do not otherwise have a view with respect to a particular proxy. Under certain circumstances, we may abstain from voting specific proxies if we believe that doing so is in the best interests of our Funds. Furthermore, under our Proxy Policies, we may not vote proxies issued by companies if our Funds no longer have any economic exposure to the issuer of the proxy or if we believe that the subject matter of the proxy has no material impact on the Funds. If we (or one of our partners or principals) has a conflict with respect to a proxy, the Proxy Policies require that we refer the vote to our internal Conflicts Committee (described in Item 11, above) for review and resolution.

We do not permit Funds to direct how we will vote on specific proxies. You may request a copy of our Proxy Policies and the proxy voting record relating to your account by contacting us at the address or telephone number listed on the first page of this document.

Item 18 – Financial Information

Form ADV Part 2 requires investment advisers such as OZRE to disclose any financial condition reasonably likely to impair the our ability to meet contractual commitments to clients. We have no information to report that is applicable to this item.