

ITEM 1 – COVER PAGE

PART 2A OF FORM ADV: FIRM BROCHURE

ARCHETYPE INVESTMENT MANAGEMENT LLC

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ADDITIONAL INFORMATION ABOUT ARCHETYPE INVESTMENT MANAGEMENT LLC IS ALSO AVAILABLE ON THE SEC'S WEBSITE AT WWW.ADVISERINFO.SEC.GOV.

ITEM 2 – MATERIAL CHANGES

None

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ITEM 4 - ADVISORY BUSINESS

Archetype Investment Management LLC, a Delaware limited liability company (the “**Adviser**”), began its investment management business in June 2011 and serves as investment and administrative manager to U.S. limited partnerships and limited liability companies, non-U.S. limited partnerships and non-U.S. corporations (collectively, the “**Private Funds**”), single investment special purpose investment vehicles and a managed account (collectively, with the Private Funds, the “**Clients**”) based on their respective investment objectives. The Adviser’s principal owner is Vornado Realty Trust, a Maryland real estate investment trust, which indirectly owns its interest in the Adviser through LNR Property LLC, a Delaware limited liability company.

The Adviser selects investments for the Clients across the full spectrum of the real estate market, including the acquisition, development, repositioning, management and operation of real estate and real estate-related assets in North America. The Adviser may also offer advice on the following securities, financial instruments and transactions consistent with the respective Client’s investment strategies and objectives, including (i) commercial mortgage-backed securities (“**CMBS**”), (ii) whole loans, (iii) commercial real estate corporate debt and loans, (iv) mezzanine loans, (v) commercial real estate mortgage loans, (vi) recapitalization and restructuring of real estate property, (vii) acquisitions of real property, and (viii) non-performing loans. In connection with certain investments, the Adviser may employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices, and currency exchange rates and may employ leverage in connection with the Clients’ investment activities. The Adviser may pursue additional opportunistic investment strategies on behalf of Clients consistent with the investment objectives set forth in the constituent documents of such Clients.

The investments of certain Clients are subject to diversification and geographic limitations as set forth in the constituent documents of the relevant Client, as well as limitations on the amount of leverage that the Adviser may utilize in connection with the investment activities of the Client.

The Adviser generally has full discretionary authority with respect to the investment decisions of its Clients; however, their advice is provided in accordance with the investment objectives and guidelines set forth in each Client’s private placement memorandum and constituent documents. Similarly, the Adviser’s investment decisions and advice with respect to a managed account (if any) will be in accordance with the investment objectives and guidelines in such managed account’s investment management agreement, as well as any other instructions provided by the managed account to the Adviser.

Further, the Adviser has the right to enter and has entered into agreements, such as side letters, with certain underlying investors of the Private Funds that may in each case provide for terms of investment that are more favorable to the terms provided to other underlying investors of the Private Funds. Such terms may include the waiver or reduction of management and/or incentive fees/allocations, the provision of additional information or reports, rights related to specific regulation requests of certain clients, more favorable transfer rights, and more favorable liquidity rights.

As of October 31, 2011, the Adviser managed \$1,689,050,732 of client assets on a discretionary basis and \$0 of client assets on a nondiscretionary basis.

ITEM 5 - FEES AND COMPENSATION

The Adviser and its affiliates may charge carried interest, management fees and other fees to Clients. The specific payment terms and other conditions of the management fee and carried interest compensation available to the Adviser are set forth in the relevant private placement memorandum and constituent documents. All performance fees payable to the Adviser and/or its affiliates will be effected consistent with the requirements of Section 205 of the Advisers Act and Rule 205-3 thereunder.

Fees charged to a managed account would be individually negotiated with the investor participating in any separately managed account and established pursuant to such account's investment management agreement. Management fees, performance fees and other fees paid by the Private Funds to the Adviser are not generally negotiated, although the Adviser may negotiate fees with limited partners in the Private Funds. With respect to Private Funds that the Adviser or an affiliate may raise in the future, certain limited partners may seek to negotiate terms (including fees payable to the Adviser or an affiliate) through the negotiation of the limited partnership agreement or through side letters. Because this Brochure will only be delivered to qualified purchasers as defined in section 2(a)(51)(A) of the Investment Company Act of 1940, as amended (the "**Investment Company Act**"), this brochure does not include a fee schedule.

The Clients generally bear all investment-related expenses (e.g., costs and expenses associated with the investigation of investment opportunities (whether or not consummated), negotiating, financing, sourcing, acquiring, holding, hedging, settling and disposing of its investments or proposed investments and other transaction costs, including travel expenses, transaction fees, consulting, advisory, investment banking, legal and other professional fees relating to investments or contemplated investments, brokerage commissions, information-related expenses, clearing and settlement charges, custodial fees, interest expenses, appraisal fees and expenses and certain expenses of the operations team as described below), expenses incurred in collection of monies owed to the Client, legal, auditing and accounting expenses (including expenses associated with the preparation of Client financial statements, tax returns and schedules K-1), reasonable expenses of such Client's advisory board and its members, insurance expenses (including directors' and officers' insurance, errors and omissions insurance and other similar policies), fees and expenses of such Client's administrator, if any, any entity-level taxes, fees or other governmental charges levied against the Client or any special purpose vehicle or alternative investment vehicle, all litigation-related and indemnification expenses, wind-up and liquidation expenses, extraordinary expenses and expenses comparable to any of the foregoing.

With respect to the Private Funds, management fees, incentive allocations, incentive fees and carried interests have been and may be waived or reduced by the Adviser with respect to certain investors in the Private Funds.

The timing of fee payments is negotiated with each managed account or is set forth in the Private Fund offering documents. Asset-based fees generally are paid monthly or quarterly, and are calculated on the value of net assets, committed capital and/or invested capital. Performance fees or other performance based compensation generally are based on exceeding specified yield or total return benchmarks or "hurdles" or an appropriate index and generally are payable (i) on a quarterly or annual basis and/or (ii) as investments are realized and/or capital is distributed. Certain Client accounts charge performance fees or allocations based on the relevant accounts' net profits without regard to any index or

performance hurdle. In other cases, certain Client accounts may have periodic or cumulative performance hurdles prior to the Adviser receiving a performance fee or allocation.

The Adviser is authorized to deduct its advisory fees from the accounts of Private Funds. The Adviser is also typically authorized by its managed accounts to deduct fees directly from the managed accounts. In some cases, the Client is asked to pay fees upon receipt of a fee statement. The Adviser generally bills Clients or deducts fees on a quarterly basis in arrears.

The Adviser's fees are payable in advance or in arrears, depending on the Client. However, no fee will be payable six or more months in advance of the services rendered.

The Adviser's investment management agreements with its clients generally do not have termination dates. Rather, the investment management agreements typically may be terminated by the Adviser or the Client with advance notice, as set forth in the relevant investment management agreement. In the event of the termination of a relationship, unearned fees, if any, paid in advance will be refunded to the Client. To the extent fees have been earned but not yet billed, such fees will be pro-rated and paid by the client upon termination. In certain cases (e.g., managed accounts with performance based fees), fees may continue to be paid after termination of the relationship in accordance with the relevant agreement.

The Adviser may have the right to receive certain fees in connection with its Clients' portfolio investments, such as break-up fees and/or transaction fees. Some or all of such break-up fees, transaction fees and/or monitoring fees generally reduce the management fee payable to the Adviser. The specific payment terms and other conditions of any such fees available to the Adviser are set forth in the relevant private placement memorandum and constituent documents.

Neither the Adviser nor its affiliates nor any of their supervised persons accept compensation for the sale of securities or other investment products.

ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As discussed in Item 5 above, the Adviser may charge carried interest, management fees and other fees to Clients. Each affiliate of the Adviser that serves as a general partner of a Private Fund is entitled to receive performance-based compensation from such Private Fund. In addition, the Adviser is also entitled to receive a management fee in consideration of advisory services provided to the Private Funds.

The existence of carried interest with respect to Clients may create an incentive for the Adviser to make more speculative investments on behalf of Clients than they might otherwise make in the absence of such performance-based compensation. The carried interest may also incentivize the Adviser to dedicate increased resources and allocate more profitable investment opportunities to Clients who are charged a carried interest, as the Adviser and/or its affiliates have the opportunity to receive carried interest distributions based on the success of portfolio investments. Further, the Adviser is incentivized to allocate investment opportunities to Clients who either pay higher carried interest percentages to their general partners or to Clients whose current performance does not require them to reimburse limited partners for losses attributable to prior unprofitable investments before distributing carried interest to their general partners.

The terms of the carried interest could also give the Adviser an incentive to make decisions regarding the timing and structure of realization transactions that may not be in the best interests of investors. For example, the Adviser may be in a position to receive carried interest distributions earlier if profitable investments are liquidated prior to investments that are not profitable because, at the time proceeds from such profitable investments are liquidated, the Adviser would not be required to first distribute capital to limited partners to make up for prior losses associated with unprofitable investments.

For certain Private Funds, the existence of the carried interest creates a potential conflict of interest for the general partner and the Adviser in valuing investments. For example, because distributions to the partners in certain Private Funds are calculated in a "deal-by-deal" waterfall, the general partner will not receive a carried interest until the partners receive distributions equal to their share of write-downs not taken into account in prior distributions. This creates an incentive for the general partner and the Adviser to avoid writing down the value of assets that are not readily marketable or difficult to value, because the general partner will be in a position to receive a higher carried interest. The Adviser has adopted written valuation procedures intended to mitigate potential conflicts of interests in respect of the valuation of assets that are not readily marketable or are difficult to value.

The Clients may invest in securities or other assets that are illiquid and lack a readily assessable market value. Such illiquid investments are typically subject to the management fees described above and are valued pursuant to the Adviser's valuation policies and procedures, unless specific valuation procedures have been agreed upon between the Adviser and the Client. For example, a Client's private equity and private equity-like assets may be valued at fair value for financial statement reporting purposes and at historical cost unless the asset has suffered a permanent impairment in value for purposes of calculating fees and carried interest distributions. Valuing assets at historical cost absent a permanent impairment of value results in more stable asset values over time and may result in the Adviser receiving higher management fees than would otherwise be received if assets were valued at fair value, especially during periods when asset values are generally declining. In addition, valuing assets at historical cost may result in the general partner of a Client receiving a higher carried interest distribution or performance

allocation earlier than it would if assets are valued at fair value. If Client assets are valued at other than fair value, the Client's constituent documents will disclose the applicable valuation methodology.

ITEM 7 - TYPES OF CLIENTS

The Clients to whom the Adviser provides or will provide investment management services and advice to are the Private Funds, single investment special purpose investment vehicles and managed account arrangements. The offering documents of each Private Fund may set minimum amounts for investment by prospective investors in such Private Funds. These minimum amounts may be waived by the Adviser or an Affiliate.

Generally, investors participating in the Private Funds are required to meet certain suitability and net worth qualifications, such as (i) an “accredited investor” within the meaning of Rule 501 of Regulation D under the Securities Act of 1933, as amended (the “**Securities Act**”), (ii) a “qualified purchaser” as defined in Section 2(a)(51) of the Investment Company Act, or (iii) a “knowledgeable employee” within the meaning of Rule 3c-5 of the Investment Company Act, depending on the applicable eligibility requirements of the respective Private Fund.

ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Method of Analysis and Investment Strategies:

The following is a summary of the investment strategies and methods of analysis employed by the Adviser on behalf of Clients. Specific descriptions of such strategies and methods are included in each Client's private placement memorandum, subscription agreement, or other constituent documents. In the case of separate accounts managed by the Adviser, the investment strategies and methods of analysis employed on behalf of each separate managed account will be set forth in the investment advisory agreement between the managed account and the Adviser or in other related documents.

1. **Distressed Securities and Assets.** The Adviser seeks to provide attractive risk-adjusted returns by opportunistically purchasing investment grade and below investment grade CMBS, b-notes, mezzanine loans, REIT bonds, NPLs, SPLs, distressed debt, whole loans, CLNs and other derivatives on commercial real estate assets. Such investments are backed by primarily by mortgages or, in the case of mezzanine loans, equity ownership interests in the borrowing entity, on office, industrial retail, and multifamily properties located throughout the U.S. and its territories. The Adviser focuses on opportunities where it believes it has a competitive advantage related to its areas of expertise and experience in real estate, and more specifically, its experience in loan underwriting, special servicing and workouts.

The Adviser attempts to maximize returns and mitigate risk in its transactions through intensive due diligence before the acquisition of its target investments, followed by thorough and disciplined management of assets after they are acquired. The Adviser's credit analysis prior to the acquisition of investments is based on an extensive property and loan level due diligence process. The Adviser also seeks to mitigate risk and add value once investments are made through thorough and disciplined management of the investments and the underlying collateral. The Adviser targets investments where it can appoint affiliates to serve as the special servicer, which enables it to control the workout process. The Adviser uses its extensive expertise in workouts, surveillance, shadow servicing and special servicing to maximize recoveries and reduce credit losses to its investments by improving the performance of the underlying assets.

2. **Real Estate.** The Adviser also engages in the development of commercial real estate properties and, in certain instances, the acquisition of existing properties, portfolios or companies with substantial real estate assets. From years of experience developing property, the Adviser has acquired a unique expertise it employs to source and execute investment opportunities including: (i) vertical developments; (ii) rehabilitation and repositioning situations; (iii) undervalued and/or distressed assets; (iv) use-change or re-entitlement opportunities; and (v) land developments.

The Adviser pursues its real estate strategy through investments in: (i) controlled and third-party land parcels; (ii) large and/or complex properties that attract limited competition; and (iii) corporate real estate portfolios and operating platforms. The Adviser strives to mitigate both development and market risk in transactions and seeks timely exits on an asset-by-asset basis. The Adviser has established a meticulous investment process that sources potential investments utilizing the Adviser's well-established local networks of owners, advisors, lenders, consultants and tenants, and emphasizes detailed due diligence at the onset of an investment and senior management involvement throughout

the project's life. The Adviser incorporates a high degree of teamwork, control, risk management, oversight and efficient information management.

3. Lending. The Adviser also originates mezzanine, mortgage and bridge loans. As with loans the Adviser purchases, the Adviser focuses on opportunities where it believes it has a competitive advantage related to its areas of expertise and experience in real estate, and more specifically, its experience in loan underwriting, special servicing and workouts.

The Adviser attempts to maximize returns and mitigate risk in its transactions through intensive due diligence before the acquisition of its target investments, followed by thorough and disciplined management of assets after they are acquired. The Adviser's credit analysis prior to the acquisition of investments is based on an extensive property and loan level due diligence process. This process includes a detailed underwriting of the assets, as well as a consistent and formalized analysis, evaluation and risk/reward assessment. The Adviser believes this allows it to obtain extensive knowledge regarding the assets it underwrites, which enables it target the riskiest assets in the pool for removal, with the goal of achieving superior risk-adjusted returns.

4. Temporary Defensive Positions. The Adviser may, from time to time, seek to adopt a temporary defensive investment strategy by investing in investment grade and/or U.S. government securities, money market funds, commercial paper, certificates of deposit and other money market instruments and interest-bearing accounts.

Risks Relating to Investment Strategies:

The investment programs for each of the Clients involve a substantial degree of risk of loss that clients should be prepared to bear. The Adviser has listed certain risks below; however, these risks are not comprehensive. Clients are strongly encouraged to review the risks of their investment program, as contained in the Client's private placement memorandum or as set forth in our Client's organizational documents and/or as set forth in our investment management agreement with such Client. In addition, while certain risks may be more important for certain investment strategies, certain risks may overlap investment strategies.

1. Risks Associated with Investments in Distressed Securities and Assets. There are various risks associated with investments in below investment grade and unrated debt securities and assets that have experienced or are contemplated to experience defaults on the underlying assets, downgrades of the ratings on the securities or on the underlying assets or losses on the underlying assets. Nationally recognized ratings organizations rate these securities and assets. A Client's portfolio is often invested in partial reliance on these ratings. Such ratings, however, are relative and subjective; they are not absolute standards of quality and do not evaluate the market value or liquidity risk of the securities. Such ratings also do not reflect macroeconomic or systematic risk, including the risk of increased illiquidity in the credit markets. It is also possible that a rating agency might not change its rating of a particular issue on a timely basis to reflect subsequent events. These securities are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in distressed securities is the fact that it frequently may be difficult to obtain information as to the true condition of the underlying assets. Further, declining real estate values or increasing default rates among borrowers, in particular, will increase the risk of loss upon default on collateral underlying mortgage-backed securities and mortgage loans, and may lead to a downgrading of the securities by rating agencies. The value of mortgage-backed securities

may also be affected by changes in the market's perception, or by changes in government regulations, tax policies and laws (relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the power of a court, receiver or liquidator to disallow, reduce, subordinate or disenfranchise particular claims). Such securities may be considered speculative, and could be negatively affected by adverse interest rate movements, changes in the general economic climate, economic factors, specific developments within the market or factors affecting the market generally. In addition, there is no minimum credit standard that is a prerequisite to investment in any instrument, and all or a significant portion of the obligations and securities invested in may be below investment grade. There is no assurance that the Adviser will correctly evaluate the value of the assets collateralizing the investments or the prospects for distribution on or repayment of such securities. In any reorganization or liquidation proceeding relating to distressed securities, the entire investment in those securities may be lost.

2. Risks Inherent to Real Estate Market. The Clients will primarily invest in debt and equity investments related to real estate. Real estate historically has experienced significant fluctuations and cycles in performance that may result in reductions in the value of the Clients' investments. The performance and value of a Client's investments once acquired depend upon many factors beyond such Client's control. The ultimate performance and value of a Client's investments are subject to varying degrees of risk generally incident to the ownership and operation of the properties in which the Client will invest and which collateralize or support its investments. The ultimate performance and value of a Client's investments depend upon, in large part, the ability to operate each investment so that it produces sufficient cash flows necessary either to pay the interest and principal due to such Client on its loans and investments or pay the Client as an equity investor. Revenues and cash flows may be adversely affected by:

- changes in national or local economic conditions;
- changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics;
- competition from other properties offering the same or similar services;
- changes in interest rates and in the state of the debt and equity capital markets;
- the ongoing need for capital improvements, particularly in older building structures;
- changes in real estate tax rates and other operating expenses;
- adverse changes in governmental rules and fiscal policies, civil unrest, acts of God, including earthquakes, hurricanes and other natural disasters, acts of war or terrorism, which may decrease the availability of or increase the cost of insurance or result in uninsured losses;
- adverse changes in zoning laws;
- the impact of present or future environmental legislation and compliance with environmental laws;

- the impact of lawsuits which could cause the Clients to incur significant legal expenses and divert management's time and attention from the day-to-day operations of the Clients; and
- other factors that are beyond the Client's control and the control of the property owners.

3. Risks Associated with Lending. There are various risks associated with lending. The ability of a borrower to repay a loan secured by an income-producing property typically is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower's ability to repay the loan may be impaired. Net operating income of an income-producing property can be affected by, among other things: tenant mix, tenant's operation of the property, the occurrence of any uninsured casualty at the property, changes in national, regional or local economic conditions and/or specific industry segments, declines in regional or local real estate values, declines in regional or local rental or occupancy rates, increases in interest rates, real estate tax rates and other operating expenses, changes in governmental laws or terrorism, social unrest, and civil disturbances. In the event of a default on a loan, full recovery on the face amount and any interest due on the loan may be impossible, which may result in a loss on such loan even if purchased at a discount. Exercise of foreclosure and other remedies in the event of a default may involve lengthy delays and additional legal and other related expenses on top of potentially declining property values. In certain circumstances, the creditor may also become liable upon taking title to an asset for environmental or structural damage existing at the property.

4. No Assurance of Investment Returns. The Adviser cannot give Clients assurance that investments will generate returns or that returns will be commensurate with the risks of investing in the type of transactions that fall within such Client's individual investment objectives.

5. General Market Risks. Since 2008, there have been significant and well-publicized dislocations in the market for collateralized debt obligations, structured product securities, bank loans and other fixed income instruments. Such market changes include, but are not limited to, increased delinquencies and defaults in residential mortgage backed securities, particularly, but not limited to, securities backed by "sub-prime" mortgage loans, bankruptcy filings by a number of residential mortgage originators, significant changes in credit spreads, an increased rate of downgrades of rated securities, significantly reduced liquidity for assets similar to those Clients may buy, steep reductions in the market value or a lack of verifiable market quotes for assets Clients may buy and an inability of funds investing in similar assets to meet increasing investor redemption demands due to reduced liquidity and uncertain market values. Such changes may materially and adversely affect the performance of Clients' portfolio investments.

The entire market or particular instruments traded on a market may decline even if earnings or other factors improve inasmuch as the prices of such instruments are subject to numerous economic, political, psychological and other factors that have little or no correlation to the performance of a particular company. A Client may elect to hedge against market movements or the credit or other risks of any particular portfolio investment, whether by means of a derivative or other financial product or instrument. To the extent that a Client engages in certain hedging transactions, there can be no assurances that such hedging, even if undertaken, will insulate such Client from risks, and hedging

techniques, whether via a derivative or other product or instrument, may give rise to certain costs and additional risks, including a risk of the total loss of any amounts invested in hedging instruments.

6. Regulation & Enforcement; Litigation. The Clients are subject to regulation by laws at local and national levels and in multiple jurisdictions, including foreign countries. Specific and general regulations addressing capital markets and real estate related debt investments, including tax laws and regulations, whether in the United States or abroad, could increase the cost of acquiring, holding, or divesting portfolio investments, the profitability of investments, and the costs of operating the Clients. Additional regulation could also increase the risk of third-party litigation.

On July 21, 2010, the President signed into law major financial services reform legislation in the form of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “**Dodd-Frank Act**”). The Dodd-Frank Act, among other things grants regulatory authorities such as the Commodity Futures Trading Commission and the SEC broad rulemaking authority to implement various provisions of the Dodd-Frank Act, including comprehensive regulation of the over-the-counter derivatives market. It is unclear how these regulators will exercise these revised and expanded powers and whether they will undertake rulemaking, supervisory or enforcement actions that would adversely affect the Private Funds or investments made by the Private Funds.

In addition, Clients may invest in distressed investments and, as a result, there is a possibility that the Adviser may participate in restructuring activities. It is possible that Clients may become involved in litigation respecting creditor disputes and similar issues among classes of claimants. Litigation entails expense and the possibility of counterclaims against the Clients, including their general partners and the Adviser, and ultimately, judgments may be rendered against a Client for which such Client does not carry insurance.

7. Development and Construction Risks. The development and construction of real estate assets is subject to timing, budgeting and other risks that may adversely affect the Clients’ operating results. The Clients may acquire newly-developed and redeveloped properties as suitable investment opportunities arise, taking into consideration general economic conditions. Any renovation, redevelopment, development and related construction activities could subject the Clients to a number of risks, including risks associated with:

- construction delays or cost overruns that may increase project costs;
- receipt of zoning, occupancy and other required governmental permits and authorizations;
- development costs incurred for projects that are not pursued to completion;
- acts of God such as earthquakes, hurricanes, floods or fires that could adversely impact a project;
- ability to raise capital; and
- governmental restrictions on the nature or size of a project.

The Clients’ inability to complete a project on time or within budget may adversely affect their investment results.

8. Investments and Acquisitions Through Other Partnerships and Joint Ventures. Instead of purchasing properties directly, the Clients may invest as a partner or a co-venturer with an unaffiliated third party. Partnership or joint venture investments may, under certain circumstances, involve risks not otherwise present, including the possibility that the Clients will not be able to implement investment decisions or exit strategies because of limitations on the Clients' control of the property under applicable agreements with a partner or co-venturer, or that a partner or co-venturer may become bankrupt, or may at any time have economic or business interests or goals which are inconsistent with those of the Clients, may fail to fund their share of required capital contributions or otherwise default on their obligations, may make dubious business decisions or may block or delay necessary decisions. Such a partner or co-venturer may also be in a position to take action contrary to the Clients' objectives, including, but not limited to, forcing sale of a property prior to the Clients' optimal holding period. Such investments may also have the potential risk of an impasse on decisions if neither partner nor co-venturer has full control over the partnership or joint venture. The Adviser will, however, seek to maintain sufficient rights with respect to such partnerships or joint ventures to permit the Clients' objectives to be achieved.

In addition, disputes between the Clients and a partner or co-venturer may result in litigation or arbitration that would increase the Clients' expenses and prevent the general partners and their representatives from focusing their time and effort on the Clients' businesses and investments. Consequently, actions by, or disputes with, a partner or co-venturer might result in additional risks, including liability for the actions of a third party partner or co-venturer and the ability to enforce fully all rights one partner or co-venturer may have against the other. In the event of litigation, the Clients could be found liable to their co-venturer or partner for a range of damages available under applicable law under theories arising in contract, tort or otherwise, including consequential damages well in excess of amounts originally at stake.

9. Credit Risk of Tenants. The Clients may invest in properties in which tenant leases will generate a significant portion of the Clients' revenue. As a result, the Clients are subject to the credit risk of their tenants. In particular, local economic conditions and factors affecting the industries in which the Clients' tenants operate may affect the tenants' ability to make lease payments. In the event that the Clients' tenants default on their leases and fail to make rental payments when due, there could be a significant decrease in the Clients' revenues. This loss of revenues could adversely affect the Clients' profitability and their ability to meet their financial obligations. In addition, the Clients may be unable to locate replacement tenants in a timely manner or on comparable or better terms if tenants default on their leases.

10. Lack of Liquidity of Investments. Real estate investments are relatively illiquid and some are highly illiquid. Such illiquidity may limit the Clients' ability to vary their portfolios of investments in response to changes in economic and other conditions. Illiquidity may result from the absence of an established market for investments, as well as the legal or contractual restrictions on their resale. In addition, illiquidity may result from the decline in value of a property comprising a Client's investments. There can be no assurances that the fair market value of any property held by a Client will not decrease in the future, leaving any of such Client's investments relatively illiquid. In addition, the ability to exit an investment through the public market will depend on market conditions, and particularly the market for initial public offerings. The possibility of partial or total loss of capital will exist.

11. Possible Lack of Diversification. Client's investment portfolios may at times be concentrated in certain property types that are subject to higher risk of foreclosure, or secured by properties

concentrated in a limited number of geographic locations. By investing in a limited number of portfolio investments, the aggregate returns realized by a Client may be substantially affected by the unfavorable performance of a small number of such portfolio investments.

12. Leverage. Clients may borrow and may utilize various other forms of leverage, and generally expect to operate with a significant leverage ratio. Although leverage presents opportunities for increasing a Client's total return, it has the effect of potentially increasing losses as well. If income and appreciation on investments made with borrowed funds are less than the cost of the leverage, the total return of the leveraging fund will decrease. Accordingly, any event which adversely affects the value of a portfolio investment would be magnified to the extent a Client is leveraged. The cumulative effect of the use of leverage by Clients in a market that moves adversely to the Clients' investments or in the event portfolio investments experience credit quality deterioration could result in a substantial loss to Clients that could be substantially greater than if the Clients were not leveraged. In addition, contractual demands by lenders to a Client to reduce its leverage may force such Client to sell investments on an emergency basis at prices less than those obtainable in a more orderly liquidation. To the extent that a creditor has a claim on a Client, such claim would be senior to the rights of an investor in the Client. As a result, if a Client's losses were to exceed the amount of capital invested, an investor could lose its entire investment.

13. Financing Arrangements. To the extent that a Client enters into financing arrangements in the future, such arrangements may contain provisions that expose it to particular risk of loss. For example, any cross-default provisions could magnify the effect of an individual default. If a cross-default provision were exercised, this could result in a substantial loss for the Client. Also, Clients may, in the future, enter into financing arrangements that contain financial covenants that could require them to maintain certain financial ratios. If a Client were to breach the financial covenants contained in any such financing arrangement, it might be required to repay such debt immediately in whole or in part, together with any attendant costs, and the Client might be forced to sell some of its assets to fund such costs. The applicable Client might also be required to reduce or suspend distributions or dividends to stockholders, as applicable. Such financial covenants would also limit the ability of the Adviser to adopt the financial structure (e.g., by reducing levels of borrowing) which it would have adopted in the absence of such covenants. In addition, pursuant to the partnership agreements of certain Clients, the general partner is permitted to pledge the capital commitments of the limited partners to secure financing arrangements for the Client. The limited partners may be required to honor their capital commitments to permit the Client to pay debt rather than to make investments.

14. Securitizations. Clients may seek to enhance the returns of all or a senior portion of commercial mortgage loans through securitizations should the market to securitize commercial mortgage loans recover. To securitize portfolio investments, a Client may create a wholly-owned subsidiary and contribute a pool of assets to such subsidiary. This could include the sale of interests in the subsidiary on a non-recourse basis to purchasers whom the Client would expect to be willing to accept a lower interest rate to invest in investment grade loan pools, and the applicable Client would retain a portion of the equity in the securitized pool of portfolio investments. The successful securitization of portfolio investments might expose such Client to losses as the commercial real estate investments in which the Client does not sell interests will tend to be those that are riskier and more likely to generate losses.

15. Environmental Liability. The Clients may be exposed to substantial risk of loss arising from investments involving undisclosed or unknown environmental, health or occupational safety matters, or inadequate reserves, insurance or insurance proceeds for such matters that have been previously

identified. Through its interest in real estate, a Client may be subject to a wide range of environmental, health and safety laws, ordinances and regulations, including, without limitation, those relating to the investigation, removal, and remediation of past or present releases of hazardous or toxic substances. Such laws may impose joint and several liability, which can result in a party being obligated to pay for greater than its share, or even all, of the liability involved. Such liability may also be imposed without regard as to whether the owner or operator knew of, or caused, the presence or release of such substances. Environmental liabilities are generally not limited under such laws and could exceed the value of the relevant property and/or the aggregate assets of the responsible party. The presence of such substances, or the failure to properly remediate related contamination, may adversely affect the marketability of the real estate or the value of such property as collateral, which could have an adverse effect on returns on investments. Also, some environmental laws create a lien on contaminated property in favor of the government for costs it incurs in connection with the contamination. In addition to clean-up actions brought by governmental agencies and private parties, the presence of hazardous substances on a property may lead to claims of personal injury, property damage or other claims by private plaintiffs. Moreover, the ability of a Client to insulate itself against any such environmental liability through the performance of environmental due diligence of the nature customarily performed in the U.S. may be limited in certain foreign countries.

16. Hedging Policies/Risks. In connection with certain investments, Clients may employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices, and currency exchange rates. While such transactions may reduce certain risks, hedging transactions themselves may entail other risks. Thus, while Clients may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices or currency exchange rates may result in a poorer overall performance for the relevant Client than if it had not entered into hedging transactions.

17. Risks Associated with Investments in Commercial Mortgages and Mezzanine Loans. The Clients may be subject to risks associated with investments in commercial mortgage and mezzanine loans which are subject to delinquency, foreclosure and loss which could result in losses to the Clients. The commercial mortgage and mezzanine loans in which the Clients may invest will generally be secured by commercial property and related assets and will be subject to risks of delinquency and foreclosure, and risks of loss that are greater than similar risks associated with loans made on the security of other assets, such as single-family residential property. The ability of a borrower to repay a loan secured by an income-producing commercial property typically will be dependent primarily upon the successful operation of the property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower's ability to repay the loan may be impaired. Net operating income of an income-producing property can be affected by, among other things: tenant mix; success of tenant businesses; property management decisions; property location and condition; competition from comparable types of properties; changes in laws that increase operating expenses or limit rents that may be charged; any need to address environmental contamination at the property; changes in national, regional or local economic conditions and/or specific industry segments; declines in regional or local real estate values and declines in regional or local rental or occupancy rates; increases in interest rates, real estate tax rates and other operating expenses; and changes in governmental rules, regulations and fiscal policies, including environmental legislation, acts of God, terrorism, social unrest and civil disturbances.

Commercial mortgage loans generally are not amortizing or do not fully amortize, which necessitates the sale of the property or refinancing of the "balloon" amount at or prior to maturity of the mortgage

loan. Accordingly, investors bear the risk that the borrower will be unable to refinance or otherwise repay the mortgage at maturity, thereby defaulting on its obligation.

There may be limits to enforceability or to legal and financial recourse upon a default under the terms of the mortgage loan or applicable state law. Most commercial mortgage loans provide recourse only to specific assets, such as the property, and not against the borrower's other assets. Exercise of foreclosure and other remedies may involve lengthy delays and unforeseen expenses in the face of declining property values. In certain circumstances, the creditor may also incur environmental liability for conditions existing at or on the property.

The Clients' subordinated debt and related investments will involve the risks attendant to real estate investments, as well as additional risks attendant to investments in subordinated positions. Subordinate loans such as junior participations in mortgages and mezzanine loans (and participations therein) have a risk of credit loss that is significantly enhanced due to the subordinate nature of such investments. In the event of default, the net proceeds from a foreclosure or restructuring may not be sufficient to cover the expenses of foreclosure and payment in full of the debt. In such event, the holders of subordinate loans will realize a loss of up to all of their investment before the senior debt will suffer any loss.

18. Lender Liability Risks. The Clients may be exposed to lender liability risks including equitable subordination. In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed, "**lender liability**"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of certain of the Clients' investments, they could be subject to allegations of lender liability. In addition, under common law principles that, in some cases, form the basis for lender liability claims, if a lending institution (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as an equity holder to dominate or control a borrower to the detriment of the other creditors of such borrower, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination."

ITEM 9 - DISCIPLINARY INFORMATION

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of the Adviser's advisory business or the integrity of the Adviser's management.

ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

The Adviser and its management persons are not registered as a broker-dealer and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

The Adviser and its management persons are not registered and do not have any application to register as, a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

The Adviser or its affiliates may receive break-up and other fees in connection with a Private Fund's or managed account's investments. The amount received by the Adviser or its affiliates will typically reduce dollar-for-dollar the management fees, incentive allocations or carried interest to be received.

In some cases, the Adviser may have business arrangements with related person/companies that are material to the Adviser's advisory business or to the Clients. In some cases, these business arrangements may create a potential conflict of interest, or appearance of a conflict of interest between the Adviser and Client. Recognized conflicts of interest are discussed in Item 11.

LNR CPI Feeder, LLC, an affiliate of the Adviser, is the general partner of LNR Commercial Property Investment Fund Limited Partnership ("**CPI Fund**"). The Adviser is the investment manager for the CPI Fund. The CPI Fund is a closed-end commingled fund formed for the purpose of acquiring land, creating value through land entitlement and development, and pursuing selective commercial development and other opportunistic real estate investments.

LNR Partners, LLC, an affiliate of the Adviser, is the collateral administrator of each of the following Private Funds: (i) LNR CDO 2002-1 Ltd., (ii) LNR CDO 2003-1 Ltd., and (iii) Madison Square 2004-1 Ltd. (collectively, the "**CDO Fund**"). The Adviser is the investment manager for the CDO Fund. The CDO Fund is an off-shore financing trust that holds various debt investments that are directly or indirectly secured by commercial real estate.

Archetype Realty Corporation, an affiliate of the Adviser, is a licensed real estate broker and may from time to time be engaged to provide services to the CPI Fund and/or the CDO Fund with respect to the acquisition or disposition of real property.

Other than as described above, on the date hereof, the Adviser and its management persons have no relationships or arrangements material to the Adviser's clients or advisory business with any: broker-dealer, municipal securities dealer, government securities dealer or broker, investment company or other pooled investment vehicle (including mutual funds, closed-end investment companies, unit investment trusts, private investment company or "hedge fund," and offshore fund), other investment adviser or financial planner, futures commission merchant, commodity pool operator, commodity trading advisor, banking or thrift institution, accountant, accounting firm, lawyer, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or sponsor or syndicator of limited partnerships.

The Adviser and its affiliates manage a number of Clients, some of which have investment programs that are similar or substantially similar. In addition, the Adviser or its affiliates may in the future establish, sponsor and become affiliated with other pooled investment vehicles and companies that have

investment programs that are similar or substantially similar to the investment program of its current Clients. As a result of the foregoing, the Adviser and its personnel may have conflicts of interest in allocating their time and resources between clients, in allocating investments among Clients and other entities, and in effecting transactions between Clients and other entities, including ones in which the Adviser or its personnel may have a financial interest. Accordingly, the Adviser will devote so much of its time and will allocate the time and resources of its operations team to its Clients as in its judgment the conduct of each Client's account reasonably requires.

In addition, generally, the Adviser exercises investment responsibility on behalf of, or directly or indirectly purchases, sells, holds or otherwise deals with, any portfolio investment for the account of multiple Clients and multiple businesses. Clients will not have any right to participate in any manner in any profits or income earned or derived by or accruing for the Adviser or its affiliates from the conduct of any business or from any transaction in investments effected by the Adviser or its affiliates for any account other than its own.

To address these potential conflicts of interests in its material relationships, the Adviser has adopted policies and procedures, including a Code of Ethics and the Allocation Procedures. For a more detailed discussion of the Adviser's Code of Ethics and allocations and conflicts of interest policies, please see Item 11, "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading," below.

ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS
AND PERSONAL TRADING

A. Code of Ethics

The Adviser has implemented a personal securities trading policy, which is incorporated by reference to the Adviser's Code of Ethics and Business Conduct (the "**Code of Ethics**"), that prohibits employees from engaging in transactions with respect to the securities of any issuer, public or private, subject to certain limited exceptions. One of the exceptions to the prohibition on personal trading of certain types of securities (generally, governmental securities, money market instruments, money market funds, open-end mutual funds and unit investment trusts) where employees do not have any opportunity to benefit from any of the private, proprietary or confidential information of the Adviser or the Clients. Employees may also transact in exchange-traded funds and participate in private investments upon advance written notice to and written approval from the Chief Compliance Officer of the Adviser. Additionally, personnel of the Adviser and its affiliates may be entitled to utilize deferred compensation to invest in the Private Funds managed by the Adviser. Consistent with the foregoing policies, it is possible that employees of the Adviser will buy or sell securities or other instruments of the type or kind of securities or other instruments also recommended to Clients.

As these situations may involve potential conflicts of interests, the Adviser adopted policies and procedures relating to personal securities transactions, insider trading and other ethical considerations (the "**Investment Policy**") in accordance with Rule 17j-1 under the Investment Company Act and Rule 204A-1 under the Advisers Act (the "**Rules**"). These policies and procedures are intended to identify and prevent actual conflicts of interest with clients and to resolve such conflicts appropriately if they do occur.

In conformity with the Rules, the Investment Policy contains provisions regarding employee trading, reporting requirements, and supervisory procedures that are designed to address potential conflicts of interest with respect to employee transactions, activities, and relationships that might interfere or appear to interfere with making decisions in the best interest of the Clients. The Investment Policy requires employees to comply with the federal securities laws and regulations as well as fiduciary principles applicable to the Adviser's business, including that employees must avoid placing their own personal interests ahead of the Adviser Clients' interests.

The Investment Policy requires that employees at the Adviser conduct all of their personal investment transactions in a manner that is consistent with Federal Securities Laws, the Adviser's insider trading policy and other policies of the Adviser. These requirements prohibit employees from acquiring securities in initial public offerings and securities contained in a list periodically circulated by the CCO. Additionally, the Investment Policy also imposes "blackout" periods on certain employees prohibiting transactions in certain securities during time periods surrounding transactions in the same securities by Clients. The Investment Policy also generally prohibits employees from investing directly or indirectly in private offering of securities that are not registered under the Securities Act, and contains provisions that are designed to prevent conflicts relating to the use of inside information and to serving as a director of outside entities. All violations of the Investment Policies must be promptly reported to the Adviser's Chief Compliance Officer.

Any employee of the Adviser covered by the Investment Policy who fails to observe its requirements or those contained in related policies and procedures may be subject to remedial action, including, but not limited to, disgorgement of profits, imposition of a fine, censure, demotion, suspension or dismissal.

The Adviser is committed to the highest standards of ethical conduct. In furtherance thereof, the Adviser's Code of Ethics designates a Chief Compliance Officer charged with the implementation of the Code of Ethics. The Code of Ethics specifies and prohibits certain types of transactions deemed to create actual conflicts of interest, the potential for conflicts, or the appearance of conflicts, and establishes general guidelines for the conduct of the Adviser personnel as well as clearance and/or reporting requirements and enforcement procedures.

In recognition of the trust and confidence placed in the Adviser by the investors in the Private Funds, and by managed accounts, and to give effect to the Adviser's belief that its operations should be directed to the benefit of the Clients, the Adviser adopted the following general principles to guide the actions of their employees:

- (i) The interests of the Clients are paramount. All employees must conduct themselves and their operations to give maximum effect to this tenet by assiduously placing the interests of the Clients before their own.
- (ii) All permitted personal transactions in securities by employees must be accomplished so as to avoid the appearance of a conflict of interest on the part of such personnel with the interests of the Clients.
- (iii) All employees must avoid actions or activities that allow a person to profit or benefit from his or her position with respect to the Clients or that otherwise improperly bring into question the person's independence or judgment.
- (iv) All employees must report any violation(s) of the Code of Ethics or inappropriate conduct to the Chief Compliance Officer.
- (v) All employees must comply with all applicable laws, rules and regulations, including Federal securities law.

The Adviser requires that all Adviser personnel avoid any relationship or activity that might impair, or even appear to impair, such individual's ability to make objective and fair decisions when performing job functions. The Code of Ethics prohibits Adviser personnel from using Adviser property or information for personal gain or personally taking for themselves any opportunity that is discovered through their Adviser position. The Code of Ethics further requires that employees disclose any situation, including situations pertaining to the employee's family members, with reasonably could be expected to give rise to a conflict of interest. The Code of Ethics also contains general prohibitions against fraud, deceit and manipulation, as well as additional restrictions and requirements regarding gifts, entertainment and outside activities.

The Adviser has adopted a Securities Compliance Policy and have charged the Chief Compliance Officer with the implementation of such policy. The Securities Compliance Policy sets forth, among other things, policies and procedures regarding material nonpublic information and proprietary Adviser information, and employee accounts and trading. The policies and procedures contained in the Securities Compliance Policy are designed to (a) provide for the proper handling of both material nonpublic

information about companies or other issuers and proprietary information of the Adviser, (b) prevent violations of laws and regulations prohibiting the misuse of material nonpublic information about companies or other issuers and/or proprietary information of the Adviser, and (c) avoid situations that might create an appearance that material nonpublic information about companies or other issuers or proprietary information of the Adviser has been misused. In furtherance thereof, the Securities Compliance Policy prohibits employees from misusing material nonpublic information and/or nonpublic proprietary information, and sets forth general and specific procedures to restrict the flow of material nonpublic information from employees performing investment, transactional, lending, finance, private research and/or private analysis activities at the Adviser to employees responsible for or involved in the securities trading activities of the Adviser.

Notwithstanding the internal screen procedures set forth in the Securities Compliance Policy, there may be certain instances where the Adviser receives material nonpublic information due to their various activities on behalf of the Clients and are restricted from purchasing or selling securities or other instruments from the Clients. The Adviser seeks to minimize those cases whenever possible, consistent with applicable law and the Securities Compliance Policy, but there can be no assurance that such efforts will be successful and that such restrictions will not occur.

The Securities Compliance Policy is incorporated by reference to the Code of Ethics. The Adviser will provide a copy of the Code of Ethics to any Client or investor of a Private Fund or prospective client or investor in a Private Fund upon request. The Adviser personnel are required to certify to their compliance with the Code of Ethics, including the Securities Compliance Policy, on an annual basis.

B. Securities That You or a Related Person Has a Material Financial Interest

From time to time, the Adviser may, on behalf of the Clients, engage in cross trades. Such cross trades will be executed at the market price (or fair value) consistent with any required approvals and with valuation procedures established by the Adviser and the relevant Clients for the securities or other instruments being purchased and sold. The Adviser has implemented policies and procedures to ensure that cross trades are, in the reasonable determination of the Adviser, in the best interests of each transacting Client. The Adviser will receive no transaction-based compensation in connection with cross trades (other than incentive allocations/fees and management fees received in the ordinary course of business). In addition, cross trades generally will be effected without brokerage commissions being charged. To the extent a cross trade may be viewed as a principal transaction due to the ownership interest in a Client by the Adviser or its employees, the Adviser will either not effect such transactions or comply with the requirements of Section 206(3) of the Advisers Act, including that the Adviser will notify Clients (or an independent representative of the Clients) in writing of the transaction and obtain the consent of Clients (or an independent representative of the Clients).

From time to time, a Client may enter into a participation agreement granting an economic interest with respect to an investment in exchange for value to one or more other Clients in accordance with a pre-arranged allocation schedule. There are a number of reasons why the Adviser might pre-arrange an arrangement where an investment opportunity is participated between or among Clients at the time of an investment rather than allocate such investment directly to each participating Client. The Adviser does not consider such a pre-arranged participation arrangement between or among Clients to constitute a cross trade for purposes of the Advisers Act.

C. Investing in Securities That You or a Related Person Recommends to Clients

See Item 11(A) above.

D. Conflicts of Interest Created by Contemporaneous Trading

The Adviser manages investments on behalf of a number of Clients. Certain Clients have investment programs that are similar to or overlap and may, therefore, participate with each other in investments. Investment decisions and allocations are not necessarily made in parallel among all Clients. If an investment is appropriate for one or more of the Clients, the investment generally will be allocated among such Clients *pro rata* based on available investment capital for each Client eligible to participate in such investment. However, the Adviser in its sole discretion may make non-pro rata allocations among the Clients based upon a wide variety of factors including, among other things, tax and regulatory considerations, the overall portfolio composition of such Clients and the risk profile and investment restrictions (including limitations with respect to leverage) for such Clients.

Additionally, Clients managed by the Adviser and its affiliates have different investment restrictions and, accordingly, may make investments that are different. Because the Adviser and/or its affiliates may make non-pro rata allocations, Clients managed by the Adviser or its affiliates may produce results that are materially different from each other.

For tax and regulatory considerations, investments may be structured so that one Client account receives loans from, or makes loans to, another Client account. In structuring such investments, the Adviser and/or affiliates will weigh the conflicting interests of the different Clients in determining the amount to allocate to debt and equity and the terms of these loans.

Certain Clients managed by the Adviser and its affiliates have tax considerations that limit the types of investments such Clients may make and that impact the method by which such Clients must structure their investments. As a result of tax considerations, Clients may end up investing in different levels of the capital structure of the same portfolio company.

The Adviser and its affiliates may cause a Client to purchase a security from (including participations in loans or other investments) or sell a security to, another Client.

ITEM 12 - BROKERAGE PRACTICES

A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions

The Adviser or its affiliates has complete discretion, without obtaining specific client consent, to (i) buy or sell securities, (ii) the amount of the securities to be bought or sold, (iii) the broker or dealer to be used in such purchase or sale and (iv) the commission rates paid in connection with such purchase or sale.

The Adviser or its affiliates will effect transactions with brokers that (with respect to U.S. securities) are registered with the SEC and are members of the Financial Industry Regulatory Authority. The Adviser or its affiliates will select brokers on the basis of their ability to provide best execution (including both the trade price and commission).

Investors in the Clients may include fund of funds affiliated with brokers or, possibly, brokerage firms themselves. The fact that any such investor has invested in a Client will not be taken into consideration in selecting brokers (including prime brokers).

1. Research and Other Soft Dollar Benefits.

The Adviser or its affiliates will attempt to negotiate the lowest available commission rates commensurate with the assurance of reliable, high quality brokerage services; however, the Adviser or its affiliates may select brokers that charge a higher commission or fee than another broker would have charged for effecting the same transaction; *provided*, that the selection of a broker will be made on the basis of best execution, taking into consideration various factors, including commission rates, reliability, financial responsibility, strength of the broker and the ability of the broker to efficiently execute transactions, the broker's facilities, and the broker's provision or payment of the costs of research and other services or property that are of benefit to the Adviser or other Clients to which the Adviser or its affiliates provide investment services; *provided, further*, that the Adviser or its affiliates may be influenced in its selection of brokers by their provision of other services, including, without limitation, capital introduction, marketing assistance, consulting with respect to technology, operations, equipment and office space, and other services or items. Such execution services, research, investment opportunities or other services may be deemed to be "soft dollars"; however, the Adviser or its affiliates have not entered into written soft dollar arrangements.

The provision by a broker of research and other services and property to the Adviser creates an incentive for the Adviser or its affiliates to select such broker since the Adviser and its affiliates would not have to pay for such research and other services and property as opposed to solely seeking the most favorable execution for a Client. Any research, services or property provided by a broker may benefit any Client of the Adviser and such benefits may not be proportionate to commission dollars related to the provision of such research, services or property.

2. Brokerage for Client Referrals.

As discussed above, subject to best execution, the Adviser may consider, among other things capital introduction, marketing assistance, consulting with respect to technology, operations, equipment and office space, and other services or items in selecting broker-dealers for Client transactions. The Adviser does not receive Client referrals in exchange for brokerage business.

3. Directed Brokerage.

The Adviser does not recommend, request, require or permit a client to direct the Adviser to execute transactions through a specified broker-dealer.

B. Aggregated Orders for Various Client Accounts

If the Adviser determines that the purchase or sale of the same security is in the best interest of more than one Client, the Adviser may, but is not obligated to, aggregate orders in order to reduce transaction costs to the extent permitted by applicable law. When an aggregated order is filled through multiple trades at different prices on the same day, each participating Client will receive the average price with transaction costs allocated *pro rata* based on the size of each Client's participation in the order as determined by the Adviser. In the event of a partial fill, allocations generally will be made on a *pro rata* basis on the initial order but may be modified on a basis the Adviser deems appropriate, including for example, in order to avoid odd lots or *de minimis* allocations.

C. Trade Errors.

Trade errors and allocation errors may occur as a result of mistakes made on the part of an executing broker, or mistakes on the part of the Adviser personnel including, but not limited to, portfolio managers, traders and operations staff. To the extent that errors occur, the Adviser maintains trade error and allocation error policies and procedures. In accordance with such procedures, trade errors are: (i) corrected by the Adviser as soon after discovery as practicable; and (ii) corrected in a manner whereby the Adviser minimizes any profit and loss as a result of trade errors. The Adviser strives to correct all trade errors prior to settlement. Any profit that results from a trade error is left in the account of the applicable Client. Broker-dealers ("**brokers**") that cause trade errors as a result of their own mistakes should be responsible for any losses that result from such errors. The Adviser does not compensate brokers with soft dollars for absorbing trade errors. Should an error be made with regard to the allocation of a particular investment opportunity, the details of the error and their resolutions are memorialized in the Adviser's books and records.

Pursuant to various exculpation and indemnification provisions, the Adviser and its personnel generally will not be liable to the Clients for any act or omission, absent bad faith, gross negligence, willful misconduct or fraud. In addition, the Clients generally will be required to indemnify such persons against any losses they may incur by reason of any act or omission related to the Client, absent bad faith, gross negligence, willful misconduct or fraud. As a result of these provisions, the Client (and not the Adviser) will be responsible for any losses resulting from trading and allocation errors and similar human errors, absent bad faith, gross negligence, willful misconduct or fraud. Trading and allocation errors might include, for example, keystroke errors that occur when entering trades into an electronic trading system, failures of oral communication between and among investment staff, trading staff and operations staff, or typographical or drafting errors related to derivatives contracts or similar agreements. Given the nature of the Clients' business, investors are advised that trading and allocation errors (and similar errors) will occur and the Clients, in such cases, will be responsible for any resulting losses, even if such losses result from the negligence (but not gross negligence) of the personnel of the Adviser.

ITEM 13 - REVIEW OF ACCOUNTS

The portfolio managers across the Clients managed by the Adviser monitor the Private Funds' portfolios and the portfolios of the managed account on a regular and current basis in order to assess trends that may impact an individual investment's ability to generate cash, profitability, asset values, financing needs, potential liability and ability to service any debts. The Adviser might periodically review on an expedited basis the assets of a Client following a unique occurrence in the financial industry or market generally. In addition, a review of a Client account may be triggered by any unusual activity or special circumstances.

Investors in the Private Funds generally receive from the Adviser or its affiliates, typically in an electronic format, unaudited quarterly reports providing summary financial and other information on their Private Fund. The Adviser may provide certain investors with information on a more frequent and detailed basis if agreed to by the Adviser or its affiliates. In addition, the Adviser or its affiliates provide to investors of the Private Funds, typically in an electronic format, audited financial statements concerning their respective Private Fund and tax information necessary for the completion of such investor's return within 120 days of the end of the Private Fund's fiscal year.

ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

The Adviser does not receive economic benefits from non-Clients for providing investment advice and other advisory services.

The Adviser may enter into arrangements with, and compensate, solicitors for Client referral activities. These solicitation arrangements will be fully disclosed to affected Clients and will comply with the requirements of Rule 206(4)-3 under the Advisers Act. Such arrangements will generally provide for the compensation of such persons for their services at the Adviser's expense.

ITEM 15 - CUSTODY

Rule 206(4)-2 promulgated under the Advisers Act (the “**Custody Rule**”) (and certain related rules and regulations under the Advisers Act) imposes certain obligations on registered investment advisers that have custody or possession of any funds or securities in which any client has any beneficial interest. An investment adviser is deemed to have custody or possession of client funds or securities if the adviser directly or indirectly holds client funds or securities or has the authority to obtain possession of them (regardless of whether the exercise of that authority or ability would be lawful).

The Adviser is required to maintain the funds and securities (except for securities that meet the privately offered securities exemption in the Custody Rule) over which they have custody with a “qualified custodian.” Qualified custodians include banks, brokers, futures commission merchants and certain foreign financial institutions.

Rule 206(4)-2 imposes on advisers with custody of clients’ funds or securities certain requirements concerning reports to such clients (including underlying investors) and surprise examinations relating to such clients’ funds or securities. However, an adviser need not comply with such requirements with respect to pooled investment vehicles subject to audit and delivery if each pooled investment vehicle: (i) is audited at least annually by an independent public accountant, and (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles to their investors, all limited partners, members or other beneficial owners within 120 days (180 days in the applicable case of a fund of fund adviser) of its fiscal year-end. The Adviser relies upon this audit exception with respect to the Clients.

ITEM 16 - INVESTMENT DISCRETION

The Adviser or its affiliates have been appointed as the investment manager, management company, manager or general partner of the “Clients” with discretionary trading and investment authorization. The Adviser or its affiliates have full discretionary authority with respect to investment decisions, and its advice with respect to the “Clients” is made in accordance with the investment objectives and guidelines as set forth in such Client’s respective private placement memorandum, if any, investment management agreement or other organizational document. The Adviser or its affiliates assume discretionary authority to manage the Clients through the execution of investment management agreements or through the organizational documents of Clients (e.g., limited partnership agreements).

ITEM 17 - VOTING CLIENT SECURITIES

The SEC adopted Rule 206(4)-6 under the Advisers Act, which requires registered investment advisers that exercise voting authority over client securities to implement proxy voting policies. In compliance with such rules, the Adviser has adopted proxy voting policies and procedures (the “**Policies**”). The Adviser is committed to voting proxies in a manner consistent with the best interest of the Clients. While the decision whether or not to vote a proxy must be made on a case-by-case basis, the Adviser generally does not vote a proxy if it believes the proposal is not adverse to the best interest of the Clients, or, if adverse, the outcome of the vote is not in doubt. In the situations where the Adviser does vote a proxy, the Adviser generally votes proxies in accordance with specified guidelines. A copy of the Policies and the proxy voting record relating to a Client may be obtained by contacting the Adviser.

ITEM 18 - FINANCIAL INFORMATION

The Adviser is not required to include a balance sheet for its most recent financial year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to Clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.