

## **Firm Brochure**

### **Liquid Realty Advisors, LLC**

**44 Montgomery Street, Suite 3701**

**San Francisco, CA 94104**

**Tel: (415) 875-7500**

**Fax: (415) 875-7550**

**[www.liquidrealty.com](http://www.liquidrealty.com)**

This brochure provides information about the qualifications and business practices of Liquid Realty Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at: (415) 875-7500, or by email at: [EarlyLiquidity@LiquidRealty.com](mailto:EarlyLiquidity@LiquidRealty.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority. Liquid Realty Advisors, LLC is registered with the SEC as an investment adviser. Registration as an investment adviser does not imply any level of skill or training.

Additional information about Liquid Realty Advisors, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

**February 2012**

# Table of Contents

1.	Advisory Business.....	3
2.	Fees and Compensation .....	3
3.	Performance-Based Fees and Side-By-Side Management.....	4
4.	Types of Clients .....	5
5.	Methods of Analysis, Investment Strategies and Risk of Loss .....	5
6.	Disciplinary Information.....	10
7.	Other Financial Industry Activities and Affiliations .....	11
8.	Code of Ethics, Participation or Interest in Fund Transactions and Personal Trading .....	11
9.	Brokerage Practices.....	13
10.	Review of Accounts.....	13
11.	Fund Referrals and Other Compensation .....	14
12.	Custody .....	14
13.	Investment Discretion.....	14
14.	Voting Fund Securities .....	14
15.	Financial Information.....	14

# **1. Advisory Business**

## **(a) Firm Description and Principal Owners**

Liquid Realty Advisors, LLC ("LRA"), is a Delaware limited liability company that serves as the investment manager of Liquid Realty Partners, LLC, a Delaware limited liability company ("LRP I") and Liquid Realty Partners II, LLC, a Delaware limited liability company ("LRP II"). Third-party investors invest directly in LRP I and LRP II as members. Liquid Realty Advisors III LLC ("LRA III") and Liquid Realty Advisors IV LLC ("LRA IV") and collectively with LRA and LRA III, "Liquid Realty", "we" or "us") are investment advisers under common control with LRA and LRA III. LRA III serves as the investment manager of Liquid Realty Partners III, LP, a Delaware limited partnership ("LRP III") and LRA IV serves as the investment manager of Liquid Realty Partners IV, LP, a Delaware limited partnership ("LRP IV" and collectively with LRP I, LRP II and LRP III, the "Funds"). Other affiliates (the "Managing Members") act as the managing members or general partners, as applicable, of the Funds.

LRA was formed in February 2003, LRA III was formed in February 2006 and LRA IV was formed in September 2006. LRP I commenced operations in November 2002, LRP II commenced operations in September 2003, LRP III commenced operations in March 2006 and LRP IV commenced operations in December 2006.

The principal owner of LRA, LRA III and LRA IV is Scott Landress and his affiliates.

## **(b) Description of Advisory Services**

We have discretionary authority over the Funds and their assets to seek to achieve returns through the Funds' investments in underlying private equity real estate funds. We do not offer any other types of advisory services or advise any other funds.

Our strategy is to make secondary investments in limited partnership or similar interests and recapitalization investments in the private equity real estate sector. The Funds' objective is to achieve investment returns for its investors through income and appreciation without incurring excessive risk. We seek to achieve our objective principally by applying our strategy to equity, debt and other investments in or related to real estate.

The Funds are under common management and control of either Liquid Realty or its affiliates. The Funds are managed in accordance with the investment restrictions and guidelines set forth in their limited liability company agreements or limited partnership agreements, as applicable, and private placement memoranda. Liquid Realty pursues a similar investment program for all of the Funds. We do not tailor Fund investments to the requirements of individual investors in the Funds, and those investors do not have authority over or participate in the management of the Funds.

As of January 1, 2012, we manage approximately \$320,000,000 on a discretionary basis. We do not currently manage any amounts on a non-discretionary basis.

# **2. Fees and Compensation**

## **(a) Description**

We are entitled to quarterly management fees based upon a percentage of outstanding value or capital committed, or contributed, as applicable, to the Funds. We or the Managing Members of the Funds also are conditionally entitled to a portion of the profits earned by the Funds, as described in Section 3 below. The Fund offering documents, limited liability company agreements, limited partnership agreements or

management agreements, as applicable, include further details on fees, compensation and related matters.

**(b) Fee Billing**

We are paid management fees from the Funds, in advance and on a quarterly basis, as disclosed in the Funds' limited liability company agreements or limited partnership agreements, as applicable.

**(c) Other Fees and Expenses**

In addition to the management fee and profit distributions, the Managing Members of the Funds receive reimbursement from the Funds for all costs and expenses incurred in connection with the formation and organization of the Funds and the Managing Members up to a certain capped amount. The Funds also will bear all operating expenses, including, without limitation, all third-party costs and expenses of acquiring and managing the Funds' investments and maintaining and operating the Funds, including, without limitation, taxes, fees and other governmental charges levied against the Funds (if any), insurance, administrative fees, fees for outside services, audit costs, custodians, outside counsel and accountants and litigation.

**(d) Advance Fees**

The Funds pay management fees to us in advance on a quarterly basis. The management fees accrue and are paid until liquidation of the Funds is complete (or until a liquidator is appointed if the Managing Members are not the liquidators). If the Funds are dissolved prior to the expiration of their specified term, accrual of the management fee will cease on the date of dissolution, and we will pay the Funds any amount of management fee that is more than what we were entitled to receive.

**(e) Compensation for Sales and Conflict of Interest**

Neither Liquid Realty nor any of its affiliates or employees accepts or otherwise receives, directly or indirectly, any compensation for the sale of securities or other investment products.

### **3. Performance-Based Fees and Side-By-Side Management**

The Managing Members receive a portion of the profits from the disposition of portfolio investments as a performance allocation or carried interest allocation. This amount equals a percentage (set in the governing documents of the Funds) of the amounts otherwise distributable to each investor after specific conditions are met, including the return of all capital contributed to the Funds by investors and the payment to investors of a preferred return on such contributed capital.

The Funds, which are our sole clients, have nearly identical compensation arrangements, so those arrangements do not present any conflicts of interest for us in exercising our investment discretion in making investment decisions on their behalf. We and our affiliates do not have fee arrangements with any Fund in which we or they do not receive a performance based fee. While the fee arrangements that our affiliates have with their Funds may differ, the nature of our business is such that we do not believe that these differences provide incentives to favor certain Funds in allocating or disposing of investments. In addition, if we were to seek to dispose of interests owned by the Funds and Funds of our affiliates, we and our affiliates would treat all of the Funds involved fairly, and, as a general matter, all Funds selling at the same time would receive the same price on the sale of their respective interests.

Finally, the limited liability company agreements or limited partnership agreements, as applicable, of the Funds provide limitations on transactions between the Funds and us or any of our affiliates for compensation.

## 4. Types of Clients

The Funds are pooled investment vehicles, whose investors purchase ownership interests in the Funds. The Funds' investors consist primarily of:

- Endowments and foundations
- State and municipal government agencies
- Public and private retirement and pension plans
- Insurance companies
- Investment companies
- Trusts and estates
- Charitable organizations
- Corporations
- Business entities other than those listed above

All investors are subject to applicable suitability requirements identified in each Fund's offering and organizational documents and relevant management agreement, as applicable. Each investor in the Funds must be an "accredited investor" as defined in Regulation D under the Securities Act of 1933, as amended, and investors in the Funds must be "qualified purchasers" as defined in the Investment Company Act of 1940, as amended.

## 5. Methods of Analysis, Investment Strategies and Risk of Loss

### (a) Methods of Analysis and Investment Strategy

#### Investment Strategies

Liquid Realty has implemented an investment strategy of taking advantage of inefficiencies it perceives in the private equity real estate sector through four principal means:

- By investing principally in established private equity real estate investment vehicles. Investments with partially elapsed terms are expected to have shorter holding periods, and earlier, more predictable distributions may be available to the Funds versus commitments made at the inception of the same or similar funds or investments. Reducing the holding period and increasing the predictability of distributions may help to reduce the Funds' risk profile as compared to commitments made at the inception of the same or similar real estate investment vehicles. Shorter holding periods may also serve to reduce time-based event risk.
- By focusing principally on private equity real estate investment vehicles with substantially or fully committed portfolios. Investing in vehicles that have less blind-pool risk may allow us to carefully analyze the underlying assets and their histories prior to the Funds' investment, and thereby make more informed decisions regarding current and potential

value, while moderating the uncertainty and risk associated with commitments made at the inception of the same or similar real estate investment vehicles.

- By investing at discounts to market value or replacement cost, and pricing investments to meet the Funds' objectives. The relative scarcity of liquidity capital in the private equity real estate sector, contrasted with the potentially large liquidity needs of investors, may allow the Funds to capture significant value discounts. These discounts may vary depending on the age of the investment vehicle, the quality of its assets and sponsorship, the current and projected cash flows of the underlying investments, the investment vehicle's debt and expense structure and other factors.
- By providing capital to distressed and other motivated counterparties. Investors confronted with liquidity constraints may be facing a period of scarce distributions and looming capital calls, which can motivate distressed real estate secondary sales, while investors facing allocation challenges may achieve portfolio objectives through secondary sales. The Funds seek to transact with such investors at discounted prices. Furthermore, managers that need supplemental capital to maintain their portfolios may seek external liquidity from capital providers. The Funds seek to infuse capital on a preferred basis with such managers.

### **Investment Sourcing**

Liquid Realty sources investments through several marketing channels, including:

- Initiating and maintaining relationships with managers who understand the value of solving capital shortfalls and accommodating their investors by introducing qualified liquidity sources.
- Initiating and maintaining regular direct contact with investors, including banks and other financial institutions, insurance companies, pension plans, endowments, corporations, investment managers, private equity fund-of-funds managers and high net worth individuals who may at some time consider or refer suitable transactions.
- Leveraging Liquid Realty's key relationships with senior participants in the real estate, private equity, banking, plan sponsor, secondary and other markets.
- Utilizing its referral network of consultants, placement agents, fund-of-funds managers and other industry participants.
- Expanding relationships with private equity secondary firms that do not purchase real estate interests, and may be in positions to refer investment opportunities or to partner with Liquid Realty to provide comprehensive liquidity solutions to diversified private equity portfolio sellers.
- Positioning Liquid Realty with managers as a partner that will potentially refer investment opportunities or provide liquidity to other existing limited partners within the same funds or platforms.
- Building Liquid Realty's reputation for structuring acquisitions with innovative terms that serve the specific needs and concerns of potential counterparties.
- Marketing through attorneys, accountants, financial and other advisors to private equity and real estate investors.

- Speaking on and moderating panels at relevant professional conferences, and authoring reference articles for leading industry publications.
- Providing counterparties with a competitive cost of capital.

## Due Diligence and Pricing Procedures

Liquid Realty employs a value investing philosophy through a bottom-up analytical approach to due diligence and pricing. While not every transaction is alike, the following is representative of the approach that Liquid Realty generally will take with regard to due diligence and pricing:

- **Bottom-Up Analysis.** Liquid Realty's analysis will incorporate in-depth real estate, microeconomic, macroeconomic and demographic market research, discussions with the underlying asset managers and, as appropriate, operating partners and third party professionals that the investment team considers to be knowledgeable, reliable and relevant to the analysis. The investment team brings a considerable network of such relationships to the Funds. Site visits to significant assets are conducted whenever practicable. This analysis is further expanded as appropriate through the selective use of Liquid Realty's proprietary financial models, in-house data and, as appropriate, third party consultants and data.
- **Investment Modeling.** In performing acquisition due diligence, Liquid Realty will construct a unique financial model for each underlying fund based upon a fundamental analysis of its portfolio assets. For assets of lesser value, Liquid Realty performs spot checks and desktop underwriting reviews through a network of consultants. Liquid Realty's analysis includes extensive sensitivity testing of key valuation variables, including stress tests of downside risk and conservative pro forma projections of upside potential, all on both an asset and a portfolio basis. Liquid Realty's analysis factors in physical diligence factors, the terms and conditions of mortgage and entity-level debt terms, operating partner agreements, and investment vehicle manager fees, expenses and carried interest, to generate a net cash flow forecast and valuation at the underlying fund investor level before (recapitalizations) and after (secondary investments) its cash waterfall.
- **Manager Selection.** Liquid Realty's analysis includes an assessment and critical evaluation of the underlying fund manager's personnel, track record, stability and resources, as well as the historical performance, current status, market conditions, capital investment, indebtedness, cash flow forecasts and trends of material assets, the financial condition of the ownership entity, capital structure and asset management capabilities.
- **Net Return Analysis.** The results of Liquid Realty's independent analyses are then compared to performance and valuation benchmarks for similar assets and markets, as well as the underlying fund manager's original and re-forecasted projections, and adjusted as necessary to reflect all information and market conditions. Liquid Realty's final valuation of the underlying fund is calculated as the sum of the values for the underlying assets, net of all debt, investment fees, expenses and (for secondary investments) carried interests. After completing its financial model of the investment, Liquid Realty prices these net cash flows for evaluation in consideration of its risk-adjusted return objectives.

## Investment Diversification

Liquid Realty seeks to further manage risk through diversification by investing in a range of managers, assets, markets, strategies and vintages. By investing in investment vehicles holding differentiated

assets, the Funds' investments are expected to be highly diversified and, therefore, less uniformly vulnerable to distress.

## **Leverage**

Liquid Realty believes that the prudent use of leverage can enhance the Funds' overall returns without disproportionately increasing the Funds' risk profile.

## **Transaction Structuring**

Some of the structures the Funds use to facilitate a transaction include:

- **Traditional Secondary.** Complete transfer of a limited partner interest from seller to Fund. Proceeds are used for the liquidity needs of seller. The Fund collects all cash flow and assumes any unfunded commitment.
- **Structured Secondary.** Creation of a new vehicle by the seller and a Fund. Proceeds are used for unfunded commitments. Priority distributions are made to the Fund to service its preferred return, with residual cash then shared with the seller.
- **Recapitalization.** Proceeds used for unfunded commitments and/or to pay down debt. Priority distributions are made to the Fund to service its preferred return, and residual cash is then shared with the counterparty.

## **Investment Monitoring and Management**

Liquid Realty takes an active, constructive post-acquisition role on behalf of the Funds by (i) collecting and analyzing investment and market data, (ii) maintaining dialogues with underlying fund managers regarding current portfolio status and governance issues (e.g., extensions, amendments, etc.), (iii) monitoring underlying fund investments and markets, (iv) preparing reports that update the investors on each underlying fund's performance and activities, (v) attending annual and quarterly meetings of select underlying fund managers, (vi) proactively managing the distribution of cash and securities received by the Funds, (vii) maintaining prudent Fund-level debt financing, (viii) professionally staffing and managing the strategy and day-to-day activities of the Funds, (ix) exercising the Funds' voting rights, put rights, or other inherent rights where applicable to manage the underlying fund's position regarding the direction and the timing of the exit of the investments, (x) proactively managing exits from its indirect investment positions to the extent attractive pricing and liquidity exists for such positions, and (xi) reporting on the business, financial and tax events of the Investments on a timely and responsible basis.

## **Description of Investments**

Liquid Realty invests in, and has substantial experience with, a variety of transaction styles, seller types, investment vehicles, asset categories and structures. Liquid Realty seeks to make investments that may include, without limitation, mature secondary, wind-up, recapitalization, tertiary, co-investment, spin-out, stapled secondary, early secondary and strategic primary transactions. The Funds' counterparties may include, without limitation, limited partners, general partners, operating partners, trustees, servicers, shareholders, unit holders, JV partners and lenders. The Funds' transactions may involve investment vehicles that include, without limitation, closed-end funds, open-end funds, partnerships, trusts, joint ventures, separate accounts, private REITs and operating companies. The Funds may hold assets that include, without limitation, income-producing, transitional, property or portfolio, real estate platform, other real assets, preferred equity, mezzanine, debt and hybrid assets. The capital solutions provided by the Funds may include, without limitation, cash, deferred, preferred, joint venture, synthetic and debt structures.

## **(b) Material Risks**

An investment in a Fund entails a high degree of risk. Only sophisticated institutions and individuals should invest in a Fund. Investors should not invest their entire investment portfolio in a Fund. Investors should seek to fully understand the potential risks and benefits of investing in a Fund. Investors should consider whether they can bear the risks of an investment in a Fund. Prospective investors should carefully consider various factors, including the following non-exhaustive list of such risks:

1. No established market for potential investments exists
2. Absence of operating history of newly formed funds
3. Illiquidity of investments
4. Changes in legal, fiscal, and regulatory regimes
5. Nature of equity or equity-related investments
6. Non-U.S. investments
7. Dependence on Liquid Realty's key personnel
8. Deterioration of the credit markets
9. Debt market conditions
10. Portfolio concentration
11. Investment environment and market risk
12. Inflation
13. Market volatility risks
14. Risk of loss of entire investment

Real estate markets may fluctuate substantially over time. As recent global and domestic economic events have indicated, performance of any investment is not guaranteed. Although we attempt to manage those risks through careful research and ongoing monitoring of investments, the securities and other investments purchased by the Funds might in fact decline in value or the Funds might incur significant losses. The past investment performance of the Funds cannot be taken to guarantee future results of the Funds or any investment in the Funds. We do not guarantee any level of performance or that investors in the Funds will not experience a loss of their account assets. The Funds might not be able to generate positive returns and the returns might not be commensurate with the risks inherent in their investment strategy. The marketability and value of any investment made by the Funds will depend upon many factors beyond the control of the Funds. The expenses of the Funds may exceed their income. An investor in a Fund could lose the entire amount of its contributed capital. Therefore, an investor should only invest in a Fund if the investor could withstand a total loss of its investment. In addition, all prospective investors are required to represent that they are investing in reliance on their own tax, legal and financial advisers and not on any advice or recommendation of Liquid Realty.

## **(c) Risks of a particular security**

**No Established Market for Secondary or Recapitalization Investments.** There is no established market for secondary investments and, although there has been an increasing volume of sales of secondary investments, no liquid market is expected to develop for secondaries. Moreover, the market for secondary investments has been evolving and is likely to continue to evolve. Large bid-ask spreads prevalent during the financial crisis have resulted in few traditional secondary transactions closing since 2007. The Funds expect to acquire interests in investment funds on an opportunistic basis from existing investors in such funds and to provide recapitalization capital to such funds. There can be no assurance that the Funds will be able to identify sufficient secondary investment opportunities or that they will be able to acquire sufficient secondary investments on attractive terms.

**Recovery of Credit Markets.** If debt markets recover more quickly than expected, recapitalization opportunities may no longer be available to secondary investors, including the Funds. There can be no assurance that the Funds will be able to identify sufficient recapitalization opportunities or that they will be able to participate in sufficient recapitalizations on attractive terms.

**Contingent Liabilities Associated With Investments in Private Equity Funds.** In the cases where a Fund acquires an interest in a private equity fund in a secondary transaction, the Fund may also acquire contingent liabilities of the seller of the interest. More specifically, where the seller has received distributions from the relevant private equity fund and, subsequently, that private equity fund recalls one or more of these distributions, the Fund (as the purchaser of the interest to which such distributions are attributable and not the seller) may be obligated to return monies equivalent to such distributions to the private equity fund. While the Fund may, in turn, make a claim against the seller for any such monies so paid to the private equity fund, there can be no assurances that the Fund would prevail on such claim.

**General Real Estate Risks.** The underlying funds will be subject to the risks incident to the ownership and operation of real estate, including risks associated with the general economic climate, local real estate conditions, geographic or market concentration, potentially severe fluctuations in rental rates, vacancy rates and operating expenses in local markets, competition from other space, the ability of the underlying funds or third-party borrowers to manage the real properties, government regulations, fluctuations in interest rates, and excessive leverage. Underlying funds that invest directly in real property will incur the burdens of ownership of real property, which include the paying of expenses and taxes, maintaining such property and any improvements thereon, and ultimately disposing of such property. With respect to investments in mortgage and other loans, the underlying funds will in large part be dependent on the ability of third parties to successfully operate the underlying properties. In addition, certain of the mortgage and other loans may be structured so that all or a substantial portion of the principal will not be paid until maturity, which increases the risk of default at that time. The possibility of partial or total loss of capital will exist and investors should not subscribe unless they can readily bear the consequences of such loss.

**Development Activities.** The Funds may purchase Investments in underlying funds that invest in undeveloped, and development and re-development properties. Such properties may involve more risk than properties on which development has been completed. Such properties do not generate operating revenue while costs are incurred to develop the properties, and may also generate certain expenses including property taxes and insurance. Development activities include the risks that development projects may be abandoned after expending resources, construction costs of a project may exceed original estimates, occupancy and rental rates at a newly completed property may be less than anticipated and construction and leasing of a property may not be completed on schedule. Development activities are also subject to risks relating to the inability to obtain, or delays in obtaining, all necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations. Contingencies in development activities beyond the control of the Funds could occur.

**Environmental Considerations.** As is the case with any investor in real estate investments and other real assets, the underlying funds could face substantial risk of loss from environmental claims based on environmental problems associated with their investments.

**Bankruptcy Considerations.** Under certain circumstances, payments to a Fund by the underlying funds that have made investments in real assets and related assets operating in workout modes or under applicable bankruptcy laws, and distributions by such Fund to its members or limited partners, as applicable, in respect of such investments may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment under concepts of applicable bankruptcy laws.

## **6. Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to the Funds' or a prospective investor's evaluation of our advisory business or the integrity of our management. We and our management persons have no reportable legal or disciplinary events to disclose.

## 7. Other Financial Industry Activities and Affiliations

### Relationship with Related Persons:

- (a) **Investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund).** We serve as the investment manager of the Funds, and neither we nor any management person has a relationship or arrangement with any other pooled investment vehicle.
- (b) **Other investment adviser or financial planner.** The relationship among LRA I, LRA III and LRA IV may create a conflict of interest in that some of the management persons may work for these related investment advisers and may not be exclusively devoting their resources to one investment adviser’s business. Moreover, the compensation and profit sharing arrangements of each such investment adviser may differ, which may create incentives that could affect each such investment adviser’s decisions as to how to allocate time, resources and investment opportunities. To address these conflicts of interest, our affiliates will not establish any additional funds similar to the Funds before the Funds are 70% invested. Thereafter, we and our affiliates recommend investment opportunities to the Funds and to the new funds advised by our affiliates on a pro rata basis (based on capital still available for investment) and such investments are generally made at the same time and on the same terms. All such conflicts of interests are fully disclosed in the private placement memoranda distributed by the Funds themselves to their investors.
- (c) **Sponsor or syndicator of limited partnerships.** We and our related persons act as sponsor and syndicator of the Funds.

## 8. Code of Ethics, Participation or Interest in Fund Transactions and Personal Trading

### (a) Code of Ethics

We have adopted a code of ethics (the “Code of Ethics”) which sets forth high ethical standards of business conduct. We and our personnel owe a duty of loyalty, fairness and good faith towards our Funds and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code of Ethics.

Our Code of Ethics covers all of our directors, officers, and personnel. Our procedures require that our personnel pre-clear certain transactions and report to us their public securities holdings of investments in which the Funds also hold an investment interest. In addition, as a general matter, without prior authorization by the Chief Compliance Officer, our personnel are prohibited from personally investing in the companies in which the Funds and other funds managed by our affiliates invest. Moreover, our personnel are prohibited from acquiring beneficial ownership in any security in an initial public offering or in a limited offering (i.e. a private placement) without the prior written consent of the Chief Compliance Officer, and the reasons for granting permission to allow personnel to engage in such transaction must be documented.

Our Code of Ethics includes other policies and procedures to address potential conflicts of interest including:

**Confidentiality:** We prohibit the use of material non-public information. While we may on occasion have access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity and are subject to our policy on Insider Trading.

Gifts: Typically gifts of a small nominal value may be offered or received. Gifts in excess of a small nominal value must be declined or returned. No personnel may give or offer to give any gifts worth more than a *de minimis* value to existing or prospective investors in the Funds or to any person or entity that does business with us or on our behalf.

Outside Business Activities: Any outside business activity by personnel involving a non-affiliated company must be pre-approved.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our personnel will not interfere with (i) making decisions in the best interest of the Funds and (ii) implementing such decisions while, at the same time, allowing personnel to invest for their own accounts.

We have established the following policies and procedures for implementing our Code of Ethics, to ensure we comply with its regulatory obligations and provide our Funds and potential Funds with full and fair disclosure of such conflicts of interest:

- No covered person may put their own interest above the interest of a Fund.
- No covered person may buy or sell securities for their personal portfolio(s) where their decision derives from information received as a result of his or her employment unless the information is also available to the investing public.
- We require prior approval for any initial public offering or private placement investments.
- We maintain a list of all reportable securities holdings for the Funds and anyone associated with this advisory practice that has access to advisory recommendations. These holdings are reviewed on a regular basis by our Chief Compliance Officer or her designee.
- We have established procedures for the maintenance of all required books and records.
- All of our personnel must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- We have established policies requiring that Code of Ethics violations be reported to our Chief Compliance Officer, who will report any known material violations to our management team.
- Any individual who violates any of the above restrictions may be subject to penalties up to and including termination.

We will provide a copy of our Code of Ethics to our Funds, our Funds' investors, and to any Fund or prospective Fund or investor upon request.

#### **(b) Material Financial Interest of Related Person**

We sometimes have opportunities to buy or sell securities for a Fund in which a related person or a fund managed by an affiliate also has a material financial interest. For example, we may take a position in a real estate fund for one Fund, and then take another position in the same fund for another Fund. As explained in section 7(c)(iii) above, to avoid conflicts of interest, we generally make such investments equally on behalf of our Funds and any other investment vehicles advised by our affiliates. Moreover, our affiliates do not establish any additional investment pools similar to the Funds before the Funds are 70% invested. Thereafter, we and our affiliates recommend investment opportunities to the Funds and to the new funds advised by our affiliates on a pro rata basis and on the same terms.

As discussed in section 8(a) above, our Code of Ethics requires that our personnel pre clear certain transactions and report to us their securities holdings. In addition, as a general matter, without prior authorization by the Chief Compliance Officer, our personnel are prohibited from personally investing in the funds or in private equity-backed companies in which the Funds and other funds managed by our affiliates invest.

**(c) Investment by Related Persons in Same Securities**

Our Compliance Manual and Code of Ethics prohibits investments by us or a related persons in the same securities as we or our related persons recommend to a client.

**(d) Recommends and Buys or Sells Concurrently**

Our Compliance Manual and Code of Ethics prohibits the recommendation to a Fund, or the buys or sells for Fund accounts, securities in which we or a related person has a material financial interest.

## **9. Brokerage Practices**

We have discretion to select which broker to use in acquiring or disposing of investments for the Funds. We do not receive any incentive to select or recommend a broker-dealer and are prohibited from selecting an affiliate to act as broker. The Funds reimburse us for any brokerage fees or expenses incurred in acquiring investments for them. Moreover, we are obliged to use reasonable best efforts to obtain a favorable price and execution of our purchase and sale transactions in light of the overall quality of brokerage services available to us. Best execution is not limited to obtaining the lowest commissions possible exclusively but instead also considers other factors, including a broker's execution capability, trading expertise, accuracy of execution, commission rates, research, reputation and integrity, fairness in dispute resolution, financial responsibility, and responsiveness.

## **10. Review of Accounts**

**(a) Periodic Review of Fund Accounts**

Currently, the only accounts under Liquid Realty's supervision are the Funds' accounts. Our personnel monitor the Funds' accounts and investments on a regular and current basis. Investments are managed in an effort to achieve returns, provide the Funds' investor reports and communications, and mitigate market and investment risk when possible, in accordance with each Fund's investment objectives, strategies, guidelines and restrictions.

**(b) Reports to Funds**

We regularly review and report on each Fund's investments to its investors. Periodic unaudited and audited statements are shared with Fund investors as soon as they are practicably available. We provide the Funds with documents and information pertaining to their assets, including information needed to prepare reports to a governmental authority.

Certain investors in the Funds may request information relating to the Funds. If the requested information is readily available or may be obtained without unreasonable effort or expense, Liquid Realty generally provides the information requested. Consequently, these investors will possess information regarding the business and affairs of the Funds that may not be known to other investors.

## **11. Fund Referrals and Other Compensation**

We have used third parties to solicit prospective investors in the Funds in the past and may continue to do so in the future.

## **12. Custody**

As we or our affiliates manage and control the Funds' assets and/or act as Managing Member of each Fund, we are deemed to have custody of all of the Funds' assets. We have custody of the non-certificated limited liability company interests or limited partnership interests, as applicable, of the Funds and the underlying funds in which the Funds invest. Cash and other securities are held by qualified custodians, in accordance with the applicable SEC custody rules.

Account statements are not sent to investors because the Funds are subject to annual audit by an independent public accountant and the audited account statements are distributed to each investor. The audited financial statements are prepared in accordance with generally accepted accounting principles. The investors in the Funds are also sent quarterly unaudited financial reports.

## **13. Investment Discretion**

We are responsible for the day-to-day operations of the Funds and have discretionary authority to manage securities accounts on behalf of the Funds in accordance with the investment guidelines, limitations, other provisions and terms set forth in the Funds' offering documents, limited liability company or limited partnership agreements and management agreements, as applicable.

## **14. Voting Fund Securities**

It is our policy to exercise any voting rights relating to our Funds' investments in the best interests of the Funds. Investors may obtain information from us about how they can obtain a copy of our proxy voting policies and procedures and about how we voted the Funds' securities by contacting us at the contact information found on the cover of this brochure.

## **15. Financial Information**

We have never filed for bankruptcy and are not aware of any financial condition reasonably likely to impair our ability to meet contractual commitments to our clients.