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**PART 2A OF FORM ADV: FIRM BROCHURE**

**LCN CAPITAL PARTNERS, L.P.**

**August 15, 2013**

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*This brochure provides information about the qualifications and business practices of LCN Capital Partners, L.P. If you have any questions about the contents of this brochure, please contact us at (212) 201-4076. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.*

*Additional information about LCN Capital Partners, L.P. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

**Item 2 - Material Changes**

This Brochure is amended to reflect the first closing of LCN North American Fund, L.P. and LCN European Fund, FCP-SIF and therefore the Adviser's management of assets on a discretionary basis. .

### **Item 3 - TABLE OF CONTENTS**

Item 1 - Cover Page .....	1
Item 2 - Material Changes.....	2
Item 3 - Table of Contents .....	3
Item 4 - Advisory Business.....	4
Item 5 - Fees and Compensation.....	4
Item 6 - Performance-Based Fees and Side-By-Side Management .....	4
Item 7 - Types of Clients .....	5
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss .....	5
Item 9 - Disciplinary Information .....	21
Item 10 - Other Financial Industry Activities and Affiliations .....	21
Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	21
Item 12 - Brokerage Practices .....	22
Item 13 - Review of Accounts .....	22
Item 14 - Client Referrals and Other Compensation.....	23
Item 15 - Custody.....	23
Item 16 - Investment Discretion.....	23
Item 17 - Voting Client Securities .....	23
Item 18 - Financial Information .....	23

#### **Item 4 - Advisory Business**

A. LCN Capital Partners, L.P. (the “Adviser”) is a Delaware limited partnership that was formed in November 2010. We have offices located in New York and London. The Adviser is owned by its partners, Edward V. LaPuma, Bryan York Colwell, Rabindran Abraham, and Thomas R. Wall, and controlled by Mr. LaPuma.

B. The Adviser provides discretionary investment advice to LCN North American Fund, L.P. a U.S. organized private investment partnership (the “North American Fund”) and directly or through an affiliate to LCN European Fund, FCP-SIF, a Luxembourg common fund (the “European Fund”, and, together with the North American Fund, each a “Fund” and collectively the “Funds”). The Funds invest in sale-leaseback transactions (*See Item 8 “Methods of Analysis, Investment Strategies and Risk of Loss”*)

C. Our investment decisions and advice with respect to each Fund are subject to each Fund’s investment objectives and guidelines, as set forth in its respective offering documents.

D. The Adviser does not currently participate in wrap fee programs.

E. The Adviser manages approximately \$178mm on a discretionary basis. The Adviser does not manage any assets on a non-discretionary basis.

#### **Item 5 - Fees and Compensation**

A. The fees applicable to each Fund are set forth in detail in each Fund’s offering documents. For services provided by the Adviser to the Funds, the management fee is generally 2% per annum (subject to a reduction to 1.5% at the end of the Investment Period, as such term is defined in the Funds’ offering documents), and the performance allocation is generally 20%. The management fee is calculated quarterly and payable quarterly in advance. The performance allocation is subject to the full return of invested capital as well as a preferred return to limited partners. All performance allocations charged by the Adviser are consistent with Rule 205-3 under the Investment Advisers Act of 1940, as amended.

B. Fees and compensation paid to the Adviser or its affiliates by the Funds are generally deducted on a quarterly basis in advance from the assets of such clients.

C. The Funds bear their own expenses, including all ordinary and extraordinary liabilities, costs and expenses incurred by them or on their behalf, including all broken-deal expenses and all legal, accounting, and reporting expenses, out-of-pocket expenses relating to the development, acquisition, holding and disposition of portfolio investments, liability insurance costs, indemnification expenses, custodian fees, taxes, interest on borrowed monies and brokerage fees and commissions, and certain other expenses.

D. Management fees are generally paid quarterly in advance, and are not refundable if the advisory contract is cancelled prior to the end of a payment period.

E. Neither the Adviser nor any of its supervised persons accepts compensation (e.g., brokerage commissions) for the sale of securities or other investment products.

#### **Item 6 - Performance-Based Fees and Side-By-Side Management**

We and/or our affiliates accept performance-based compensation from every client. As a result, we and our affiliates will not face certain conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients.

## Item 7 - Types of Clients

The Adviser provides investment advice to, and manage the investment portfolios of, private investment funds, as described above.

## Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

### A. Methods of Analysis and Investment Strategies Generally

*The descriptions set forth in this Brochure of specific advisory services that we offer to clients, and investment strategies pursued and investments made by us on behalf of our clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each client's investment objectives and guidelines. The investment strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.*

The Adviser generally invests in the corporate sale-leaseback real estate market. The Adviser's investment strategy focuses on: (i) directly originating from and structuring transactions with the corporate owner-occupants, who as a result of the transaction become the tenants/corporate obligors; (ii) targeting assets that are operationally critical to the tenant; (iii) negotiating long-term, triple-net leases with bond indenture-like provisions and contractual rent increases; and (iv) utilizing non-recourse, transaction-specific mortgage finance.

The Adviser implements its investment strategy usually using long-term purchases (securities held at least a year) though an occasion may arise in which it may use short-term purchases (securities sold within a year).

### B and C. Certain Risks Associated with Methods of Analysis and Investment Strategies and Particular Types of Securities

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by us. These risk factors include only those risks we believe to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by us.

#### **An investment in the Funds involves a high degree of risk.**

Investment in the Funds involves a significant degree of risk and, therefore, should be undertaken only by investors capable of evaluating the risks of the Funds and bearing the risks they represent. There can be no assurance that the Funds will be able to achieve their investment objectives or that Fund investors will receive a return on their capital; and investment results may vary substantially.

**The Funds may find insufficient opportunities.** The success of the Funds will be dependent on the availability of attractive investments and the Funds' ability to identify, structure, consummate, leverage, manage and realize returns on attractive investments. The availability of investment opportunities will be subject to general market conditions, the availability of debt financing, competition from other institutional investors and, in some cases, the prevailing regulatory or political climate. Moreover, the business of investing in sale-leaseback opportunities in which the Funds are anticipated to invest is very competitive and involves a high degree of uncertainty. Even if an attractive investment opportunity is identified, there is no certainty that the Funds will be permitted to invest in such opportunity (or invest in

such opportunity to the fullest extent desired). Accordingly, there can be no assurance that each Fund will be able to identify and complete attractive investments or that it will be able to fully invest its capital. In addition, competition for investment opportunities may have the effect of increasing costs, thereby reducing investment returns to the Funds.

**Nature of Investments.** A substantial portion of the Funds' portfolio investments by their nature involve business, financial, market and/or legal risks. While such portfolio investments offer the opportunity for significant capital gains, they also involve a high degree of risk that can result in substantial losses. There can be no assurance that the Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the value of such portfolio investments. Prices and market movements of the Funds' portfolio investments may be volatile, and a variety of other factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Funds' activities and the value of the Funds' portfolio investments. As a result, the Funds' performance over a particular period may not necessarily be indicative of the results that may be expected in future periods.

**Inadequate Returns.** There can be no assurance that the returns on the Funds' investments will be commensurate with the risk of investment in the Funds. There can be no assurance that the investments held by the Funds will be profitable, that there will be expected proceeds from such investments available for distribution to the investors in the Funds, or that the Funds will achieve their investment objectives. An investment in either Fund is speculative and involves a high degree of risk. Performance of the Funds may be volatile and an investor in either Fund could incur a total or substantial loss of its investment. In general, the investors in the Funds will not have the ability to direct or influence the management of the Funds or the investment of their assets. There can be no assurance that projected or targeted returns for the Funds will be achieved. Each Fund investor should have the ability to sustain the loss of its entire capital commitment.

**Bankruptcy of Portfolio Investment.** Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court would not approve actions that may be contrary to the interests of the Funds. A bankruptcy filing may have adverse and permanent effects on a property or the Funds. Further, if the proceeding is converted to a liquidation, the liquidation value of the property or Funds may not equal the liquidation value that was believed to exist at the time of the investment. Furthermore, there are instances where creditors and equity holders lose their ranking and priority as such when they take over management and functional operating control of a debtor. In those cases where the Funds, by virtue of such action are found to exercise "dominion and control" of a debtor, the Funds may lose their priority if the debtor can demonstrate that their business was adversely impacted or other creditors and equity holders were harmed by the Funds. The administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor's estate prior to any return to creditors. Further, certain claims, such as claims for taxes, may have priority by law over the claims of certain creditors.

Generally, the duration of a bankruptcy case can only be roughly estimated. Unless a Fund's claim in such case is secured by assets having a value in excess of such claim, no interest will be permitted to accrue and, therefore, the Fund's return on investment can be adversely affected by the passage of time during which the plan of reorganization of the debtor is being negotiated, approved by the creditors, and confirmed by the bankruptcy court. The risk of delay is particularly acute when a creditor holds unsecured debt or when collateral value underlying secured debt does not equal the amount of the secured claim. Under most circumstances, unless the debtor is proved to be solvent, no interest or fees are permitted to accrue after the commencement of the debtor's case, as a matter of U.S. bankruptcy law. It should also be noted that reorganizations outside of bankruptcy are also subject to unpredictable and

potentially lengthy delays. The Funds may purchase creditor claims subsequent to the commencement of a bankruptcy case. Under judicial decisions, it is possible that such purchase may be disallowed by the bankruptcy court if the court determines that the purchaser has taken unfair advantage of an unsophisticated seller, which may result in the rescission of the transaction (presumably at the original purchase price) or forfeiture by the purchaser.

The bankruptcy or insolvency of a tenant or borrower could cause: (a) the loss of lease or interest and principal payments; (b) an increase in the costs incurred to carry the property; (c) litigation and/or (d) a reduction in the value of the interests in the Funds, and a decrease in distributions to the investors in the Funds.

Under U.S. bankruptcy law, a tenant who is the subject of bankruptcy proceedings has the option of assuming or rejecting any unexpired lease. If the tenant rejects the lease, any resulting claim either Fund may have for breach of the lease (excluding collateral securing the claim) will be treated as a general unsecured claim. The maximum claim will be capped at the amount owed for unpaid rent prior to the bankruptcy unrelated to the termination, plus the greater of one year's lease payments or 15% of the remaining lease payments payable under the lease (but no more than three years' lease payments). In addition, due to the long-term nature of potential leases and, in some cases, terms providing for the repurchase of a property by the tenant, a bankruptcy court could recharacterize a net lease transaction as a secured lending transaction. If that were to occur, the applicable Fund would not be treated as the owner of the property, but instead might have rights as a secured creditor. Those rights would not include a right to compel the tenant to timely perform its obligations under the lease but may instead entitle such Fund to "adequate protection," a bankruptcy concept that applies to protect against a decrease in the value of the property if the value of the property is less than the balance owed to such Fund.

Insolvency laws outside of the United States may not be as favorable to reorganization or to the protection of a debtor's rights as tenants under a lease as are the laws in the United States. The Funds' rights to terminate a lease for default may be more likely to be enforceable in countries other than the United States, in which a debtor/tenant or its insolvency representative may be less likely to have rights to force continuation of a lease without the applicable Fund's consent. Nonetheless, such laws may permit a tenant or an appointed insolvency representative to terminate a lease if it so chooses.

However, in circumstances where the bankruptcy laws of the United States are considered to be more favorable to debtors and to their reorganization, entities that are not ordinarily perceived as U.S. entities may seek to take advantage of the U.S. bankruptcy laws if they are eligible. An entity would be eligible to be a debtor under the U.S. bankruptcy laws if it had a domicile (state of incorporation or registration), place of business or assets in the United States. If a tenant became a debtor under the U.S. bankruptcy laws, then it would have the option of assuming or rejecting any unexpired lease. As a general matter, after the commencement of bankruptcy proceedings and prior to assumption or rejection of an expired lease, U.S. bankruptcy laws provide that until an unexpired lease is assumed or rejected, the tenant (or its trustee if one has been appointed) must timely perform obligations of the tenant under the lease. However, under certain circumstances, the time period for performance of such obligations may be extended by an order of the bankruptcy court.

**Unspecified Use of Proceeds.** Investors in the Funds will not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the investments to be made by the Funds and, accordingly, will be dependent upon the judgment and ability of the Adviser in investing and managing the capital of the Funds.

**Lack of Diversification.** The portfolio investments of the Funds could potentially be concentrated in one investment category or in relatively few industries or regions. As a consequence, the aggregate return on

the Funds' portfolio investments may be adversely affected by the unfavorable performance of a particular investment category, industry or region and will be at a greater risk to overall changes in the economy or interest rates than if the Funds were less concentrated in a particular investment type. In addition, if the Funds are unable to raise their target capitalizations, the Funds may make fewer portfolio investments, which may result in a greater concentration of the Funds' capital in one investment category or relatively few industries or regions.

**Lack of Control.** In certain situations, a Fund may (a) acquire only a minority interest in a property or other asset in which it invests, (b) rely on independent third-party management or strategic partners with respect to the management of a property or other asset in which it invests, or (c) acquire only a participation interest in an asset underlying an investment. Therefore, a Fund may not be able to exercise control over the investment or loan. Such financial assets may involve risks not present in investments where senior creditors, servicers or third-party controlling investors are not involved. In addition, in these circumstances, a Fund may not receive sufficient information in order to monitor the performance of its investments. A Fund's rights to control the process following a borrower default may be subject to the rights of senior creditors or servicers whose interests may not be aligned with such Fund.

**Hedging.** The Funds may engage in hedging transactions, such as hedging for currency and interest rate risks, as well as other risks. Hedging techniques could involve a variety of derivative transactions, including transactions in forward contracts and swaps (collectively, "Hedging Instruments"). While these transactions may attempt to reduce certain risks, they do not eliminate potential losses arising from fluctuations in the value of the Funds' portfolio investments or related securities, currencies, interest rates or other assets, and entail other risks. Unanticipated changes in securities or currency prices or other rates may result in a poorer overall performance for a party than if it had not entered into any transactions involving Hedging Instruments. In the event of an imperfect correlation between a position in a Hedging Instrument and a portfolio position that it is intended to protect, the desired protection may not be obtained and a party may be exposed to risk of loss. In addition, it is not possible to hedge fully or perfectly against any particular risk. Moreover, Hedging Instruments may not be available at all or at a reasonable cost to the Funds.

**Leverage.** Utilization of leverage is a speculative investment technique and will subject the Funds to risks normally associated with debt financing, including the risk that the Funds' cash flow will be insufficient to meet required payments of principal and interest, the risk that indebtedness on the investments will not be able to be refinanced or the risk that the terms of such refinancing will not be as favorable as the terms of the existing indebtedness. While leverage may enhance total returns to the investors in the Funds, if investment results fail to cover borrowing costs, returns to such investors will be lower than if there had been no borrowings.

The Funds' investments may involve leveraged acquisitions, which by their nature require companies to undertake a high ratio of fixed charges to available income. Such investments are inherently more sensitive to declines in revenues and to increases in expenses. In addition, the Funds may incur indebtedness that may bear interest at variable rates. Variable rate debt creates higher debt service requirements if market interest rates increase, which would adversely affect the Funds. The Funds may in the future engage in transactions to limit their exposure to rising interest rates as they deem appropriate and cost effective, which transactions could expose the Funds to the risk that counterparties to such transactions may not perform and cause the Funds to lose the anticipated benefits therefrom, which would have the adverse effects associated with increases in market interest rates.

The Funds may enter into a bridge line or credit facility to be utilized in anticipation of receiving capital contributions. The Funds also may enter into other forms of short- or long-term debt or other financing agreements. To obtain these forms of financing would likely require that the Funds pledge the unfunded

capital commitments and/or the investments of the Funds as security. In the event of a default under such a credit facility, the lender could foreclose on such unfunded capital commitments and/or require the sale or liquidation of some or all of the Funds' investments.

Most of the Funds' investments are expected to be made by borrowing a portion of the total investment and securing the loan with a mortgage on the property. The Funds are expected to borrow on a non-recourse basis to limit their exposure on any property to the amount of equity invested in the property. If the Funds are unable to make their debt payments as required, a lender could foreclose on the property or properties securing their debt. Additionally, lenders for international mortgage loan transactions typically incorporate covenants and other provisions that can cause a loan default, including a loan to value ratio, a debt service coverage ratio and a material adverse change in the borrower's or tenant's business. Accordingly, if the real estate value declines or the tenant defaults, the lender would have the right to foreclose on its security. If any of these events were to occur, it could cause the Funds to lose part or all of their investments, which in turn could cause the value of the Funds' portfolio, and revenues available for distribution to the investors in the Funds, to be reduced.

Indebtedness could have significant consequences on the Funds' portfolio investments, including (a) a substantial portion of a portfolio investment's cash flow from operations may be used to pay principal of and interest on its indebtedness and may not be available for other purposes, (b) a portfolio investment's ability to obtain financing in the future for working capital needs, capital expenditures, acquisitions, investments, general corporate purposes or other purposes may be materially limited or impaired, and (c) a portfolio investment's level of indebtedness may reduce its flexibility to respond to changing business and economic conditions. Also, increased interest rates generally increase portfolio investment interest expenses. These restrictions could limit the ability of these portfolio investments to affect future financings or may otherwise limit corporate activities. In the event any such portfolio investment cannot generate adequate cash flow to meet debt service, the Funds may suffer a partial or total loss of capital invested in the portfolio investment.

In the event that the Funds' leverage has a shorter term than a financed investment, the Funds may not be able to extend or find appropriate replacement leverage and that would have an adverse impact on the Funds' liquidity and their returns. In the event that the Funds' leverage is longer term than a financed investment, the Funds may not be able to repay such leverage or replace the financed investment with an optimal substitute, which will negatively impact the Funds' desired leveraged returns.

**Balloon or Other Loans.** The Funds may make, or borrow under, loans secured by real property or leasehold interests therein. If interest rates or financial markets change, or there is an adverse development with respect to an underlying property or a tenant thereof, the Funds may be unable to repay or obtain repayment of such loan, refinance such loan, procure permanent financing for the property or dispose of the property at a price sufficient to satisfy its indebtedness or recover amounts it had loaned. If the Funds subject a property to multiple security interests or make a subordinated loan, the risk of loss would be increased.

In addition, the Funds may make or borrow under loans that do not require the complete amortization of principal over their term, or which are non-amortizing or have negative amortization through the accrual or deferral of interest. Such "balloon" loans involve greater risks than long-term, fully amortizing mortgages since the Funds' ability to repay them or to obtain repayment may be dependent upon economic conditions in general and the value of underlying properties in particular.

**Risks of Joint Ventures.** Some of the Funds' investments may be made as a co-venturer or partner with the seller of the property, an affiliate of the seller, or other persons. Such investments may involve risks not inherent in other types of investment vehicles, including, for example, the possibility that such

persons might become bankrupt, have economic or business interests or goals inconsistent with those of the Funds or otherwise be in a position to take action inconsistent with the Funds' desires, policies or objectives. Action taken by such persons might subject the property to liabilities in excess of, or other than, those contemplated. In addition, the Funds may rely upon the abilities and management expertise of the co-venturer or partner. It may also be more difficult for the Funds to sell their interests in any joint venture, partnership or entity with other owners than to sell its interest in other types of investments. A Fund may grant co-venturers or partners veto powers with respect to major decisions concerning the management and disposition of the investment, which would increase the risk of deadlocks. A deadlock could adversely affect investment returns or value, or require the Funds to use its assets to purchase the interest of the co-venturer or partner under agreements providing for the forced sale of such interest.

Furthermore, if such co-venturer or partner defaults on its funding obligations, it may be difficult for the Funds to make up the shortfall from other sources. The Funds may be required to make additional contributions to replace such shortfall, thereby reducing the diversification of its investments. In addition, the Funds may be liable for the actions of its co-venturers or partners. While the Adviser will attempt to limit the liability of the Funds by reviewing the qualifications of and previous experience of co-venturers or partners, it does not expect to obtain financial information from, or to undertake private investigations with respect to, prospective co-venturers or partners.

**Investments in Special Situation and Recapitalization Transactions.** The Funds may enter into transactions with financially troubled companies or companies involved in work-outs, liquidations, reorganizations, recapitalizations, bankruptcies and similar transactions and securities of highly leveraged companies. While these portfolio investments may offer the potential for high returns, they also bring with them correspondingly greater risks.

**Competitive Environment.** The business of investing in sale-leaseback investments is highly competitive. Market competition for investment opportunities includes other private equity funds, strategic industry acquirers, investment partnerships and corporations, banks and other financial investors, as well as well-financed strategic investors. In addition, competitors may have incurred, or may in the future incur, leverage to finance their debt investments at levels or on terms more favorable than those available to the Funds. Strong competition for investments could result in fewer investment opportunities for the Funds, as certain of these competitors are establishing investment vehicles that target the same investments that the Funds intends to purchase. Moreover, identifying attractive investment opportunities is difficult and involves a high degree of uncertainty. The Funds may incur significant expenses in connection with the identification of investment opportunities and investigating other potential investments that are ultimately not consummated, including expenses relating to due diligence, transportation and legal, accounting and other professional services as well as the fees of other third-party advisers.

**Limited Insurance.** Uninsured and underinsured losses could harm the Funds' or their respective portfolio investments' financial condition, results of operations and ability to make distributions to its investors. Various types of catastrophic losses, such as losses due to wars, riots, nuclear reaction, terrorist acts, earthquakes, floods, hurricanes, pollution or environmental matters, generally are either uninsurable or not economically insurable or may be subject to insurance coverage limitations, such as large deductibles or co-payments. In the event of a catastrophic loss, the Funds' or their respective portfolio investments' insurance coverage may not be sufficient to cover the full current market value or replacement cost of investments and/or its other assets, as applicable, impacted by such loss. Should an uninsured loss or a loss in excess of insured limits occur, the Funds or any of their respective portfolio investments could lose all or a portion of the capital invested in an investment, and/or with respect to other assets, as applicable, as well as future income or capital from the investment and/or with respect to other assets, as applicable. In that event, the Funds or the portfolio investment might nevertheless remain

obligated for any notes payable or other financial obligations related to the investment and/or its other assets, as applicable. Inflation, changes in applicable laws and regulations, environmental considerations, provisions in loan documents encumbering assets pledged as collateral for loans, and other factors might also keep the Funds or the portfolio investment from using insurance proceeds to replace or restore an asset after it has been destroyed or damaged. Under such circumstances, the insurance proceeds a Fund or portfolio investment receives might be inadequate to replace or restore such Fund's or portfolio investment's economic position on the damaged or destroyed asset(s).

**Risks upon Disposition of Investments.** In connection with the disposition of an investment, a Fund may be required to make representations about the condition of the portfolio investment or may be responsible for the contents of disclosure documents under applicable securities laws. Such Fund may also be required to indemnify the purchasers of such portfolio investment or underwriters to the extent that any such representations or disclosure documents turn out to be incorrect, inaccurate or misleading. Such arrangements may result in contingent liabilities, which might have to be funded by the investors in the Funds to the extent of their capital commitments or obligations to return distributions. In addition, there can be no assurances that the Funds will be able to sell or otherwise dispose of their investments at a time that could be considered economically opportune, or at all.

**No Market; Illiquidity of Interests.** There is no, and is not expected to be any, recognized market for the interests in the Funds. The interests in the Funds represent highly illiquid investments and should only be acquired by investors able to commit their funds for an indefinite period of time. Investors will not be permitted to withdraw from the Funds prior to their termination. The interests in the Funds may be assigned or otherwise transferred only under limited circumstances. The interests in the Funds are not registered under federal or state securities laws and may not be resold unless they are subsequently registered or an exemption from such registration is available. Transfers of interests in the Funds are also subject to the approval of the applicable governing entity (which, except in limited circumstances, may be granted or denied in the sole discretion of the applicable governing entity) and the satisfaction of certain other conditions. Furthermore, the Funds may invest in real estate for which the number of potential purchasers and sellers, if any, is very limited. This factor may have the effect of limiting the availability of these investments for purchase by the Funds and may also limit the ability of the Funds to sell such investments at their fair market value prior to termination of the Funds or in response to changes in the economy or the financial markets. Thus, there can be no assurance as to the timing and amount of distributions from the Funds during their liquidation periods. To the extent any of the Funds' investments cannot be sold prior to the termination of the Funds, they will be distributed in kind to the investors in the Funds at termination. The securities and instruments so distributed may not be readily marketable. Prospective investors will be required to represent and agree that they are purchasing the interests in the applicable Fund for their own account for investment only and not with a view to the resale or distribution thereof.

**Need for Follow-On Investments.** The Adviser anticipates that the Funds may be called upon from time to time to provide additional funds to their respective investments. There is no assurance that the Funds will make follow-on investments. Any decision not to cause a Fund to make a follow-on investment may have a substantial negative impact on such Fund's investment therein.

**Changing Economic Conditions.** The success of the Adviser's investment strategy could be significantly impacted by changing external economic conditions in the United States, Europe and global economies. The stability and sustainability of growth in global economies may be impacted by terrorism or acts of war. Changing economic conditions could potentially adversely impact the valuation of portfolio holdings.

**Credit Market Conditions.** Over the past few years, global credit markets experienced a variety of difficulties and changed economic conditions that have adversely affected the performance and market value of many securities and financial instruments. Continued or repeated dislocation in certain sectors of the credit markets could have far-reaching and often unexpected adverse effects on the assets in which the Funds intend to invest. Following the financial crisis of 2007, global credit spreads widened materially, equity index levels declined, and many hedge funds and other investment vehicles liquidated assets. The Funds could incur material losses if such conditions in the credit market were to deteriorate again, and there can be no assurance that the Funds will not suffer material adverse effects from broad and rapid changes in market conditions in the future.

**Real Estate Market Conditions.** The Adviser's strategy may in some instances be partially based upon the premise that real estate businesses and assets will be available for purchase by the Funds at prices that the Adviser considers favorable. Further, the Adviser's strategy relies in part upon favorable market conditions existing prior to the expiration of the term of the Funds. No assurance can be given that real estate businesses and assets can be acquired at favorable prices or that the market for such assets will not deteriorate, since this will depend largely on events and factors outside the control of the Adviser.

**Current Debt Market Conditions.** The current crisis in the U.S. debt markets, which may or may not have reached its peak, may adversely affect the Funds' acquisition and disposition activities because it may affect the Funds' ability, or the ability of a prospective purchaser of the Funds' assets, to obtain financing on favorable terms, or at all. Similar conditions in foreign debt markets may have similar adverse effects on the Funds' operations. In addition, the condition of the debt markets may adversely affect the Funds' ability to make debt investments secured by real property and may heighten the risks associated with such debt investment, including the risk of borrower default.

**Financial Market Fluctuations.** General fluctuations in the market prices of securities may affect the value of the portfolio investments held by the Funds. Instability in the securities markets may also increase the risks inherent in the Funds' portfolio investments.

**Pooled Investments; Multiple Layers of Fees and Expenses.** The Funds may invest with other investors through the use of joint ventures, co-investments and similar arrangements. Such arrangements may involve the Funds taking on greater risk with a greater expected return, or reducing its risk with a corresponding reduction in the expected rate of return. In addition to the fees paid to the Adviser and other expenses borne by the Funds (including, without limitation, the Carried Interest and fees paid to the European Management Company), such joint ventures, co-investments and similar arrangements (such as special purpose investment vehicles) may cause the Funds to incur management fees, incentive-based compensation, transaction-based compensation and other expenses payable to the management of such vehicles (which may be substantial).

**Failure to Make Capital Contributions.** If an investor in a Fund defaults on its obligation to make required capital contributions, it may be difficult for the applicable Fund to make up the shortfall from other sources. The other investors in such Fund may be required to contribute additional capital to replace such shortfall, but not in excess of their respective undrawn capital commitments. Thus, a default by one or more investors could cause such Fund to lose investment opportunities due to the use of capital commitments to fund shortfalls.

To the extent that some investors do not honor their capital commitments, such Fund may make drawdowns from the remaining investors to a larger extent or earlier than it otherwise would. If contributions made by such non-defaulting investors and borrowings by such Fund are inadequate to cover the defaulted capital contribution, such Fund may be unable to pay its obligations when due. In addition, to the extent an investor fails to fund a drawdown on its capital commitment, the applicable

Fund may, in certain circumstances, be forced to increase its leverage or breach its contractual obligations and may be subject to liability stemming from potential breach of contract and tort claims, including significant penalties that could have a material adverse impact on the returns to investors (including non-defaulting investors). If an investor defaults, it may be subject to various remedies as provided in the offering documents and governing documents, including reductions in its capital account balance and preclusion from further investment in the applicable Fund.

**Targeted Returns.** The Funds will make investments based on the Adviser's estimates or projections of internal rates of return and current returns, which in turn are based on, among other considerations, assumptions regarding the performance of the Funds' investments, the amount and terms of available financing and the manner and timing of dispositions, including possible asset recovery and remediation strategies, all of which are subject to significant uncertainty. No assurance can be made that a sufficient number of attractive opportunities to meet the investment objectives of each Fund will be identified. In addition, events or conditions that have not been anticipated may occur and may have a significant effect on the actual rate of return on the Funds' investments.

**Risk of Third-Party Litigation.** The Funds' investment activities subject them to the normal risks of becoming involved in litigation by third parties. The expense of defending against claims by third parties and paying any amount pursuant to settlement or judgments would, except in certain circumstances, be borne by the Funds and would reduce net assets. The Adviser, applicable governing entities and others are indemnified in connection with such litigation, subject to certain conditions.

**Long-term Investments.** While it is the intention of the Adviser and the applicable governing entity (and/or its affiliates, as applicable) to invest in portfolio companies that they believe will achieve the Funds' respective target returns over a 10-year time horizon, other factors such as overall economic conditions, the competitive environment and the availability of potential acquirers may lengthen the holding period. It is unlikely that the Funds will realize substantial capital gains during their early years.

**Additional Risk of Loss as a Result of the Use of Leverage.** The Funds may at any time borrow funds to make portfolio investments on a leveraged basis. The interest expense and other costs incurred in connection with such borrowing may not be recovered by income from portfolio investments purchased by the Funds. Gains realized with borrowed funds may cause the value of the portfolio held by such Fund to increase at a faster rate than would be the case without borrowings. If, however, investment results fail to cover the cost of borrowings, the value of the portfolio held by such Fund could decrease faster than if there had been no such borrowings. Additionally, if the portfolio investments fail to perform to expectations, the interest of the investors in such Fund would be subordinated to such leverage, which will compound any such adverse consequences. Further, to the extent income received from portfolio investments is used to make interest and principal payments on the borrowings, investors may be allocated income, and therefore tax liability, in excess of cash received by them in distributions.

### **Risks of Investing in Real Estate and Real Estate-Related Investments**

The Funds will be subject to all the risks inherent in investing in real estate and real estate-related investments, which risks may be increased if the investment is leveraged. These risks may include, without limitation, general and local economic and social conditions, neighborhood values, the supply of, and demand for, properties of the type in which the Funds invest, the financial resources of tenants, vandalism, vacancies, rent strikes, changes in tax, zoning, building, environmental and other applicable laws, federal and local rent control laws, real property tax rates, changes in interest rates and the availability of mortgage funds, any of which may render the sale of properties difficult or unattractive. Such risks may also cause fluctuations in occupancy rates, rent schedules and operating expenses, which could adversely affect the value of real estate and real estate-related investments and materially reduce the

cash flow generated thereby. There can be no assurance of the profitable operation of any property purchased by the Funds. Accordingly, the Funds' investment objectives may not be realized. Certain expenditures associated with real estate equity investment (such as property taxes, utility costs, debt service, maintenance costs and insurance premiums) tend to increase and are not generally decreased by events adversely affecting rental revenues. Thus, the cost of operating a property may exceed the rental income therefrom, and the Funds may have to advance funds in order to protect an investment, or may be required to dispose of investments on disadvantageous terms if necessary to raise needed funds, although the triple-net leases anticipated for the underlying properties should substantially mitigate this risk. Moreover, while the Funds will generally purchase insurance to cover casualty losses and general liability, such insurance may not be available or may be available only at prohibitive costs to cover losses from ongoing operations and other risks such as earthquakes, floods, acts of terrorism or environmental contamination.

**Office Properties.** There are a large number of risk factors associated with investments in office properties, including the impact of the recent recession on the local market and the building's tenants; the quality of an office building's tenants; an economic decline in the business operated by the tenants; the physical attributes of the building in relation to competing buildings (e.g., age, condition, design, appearance, location, access to transportation and ability to offer certain amenities, such as sophisticated building systems and/or business wiring requirements); the physical attributes of the building with respect to the technological needs of the tenants, including the adaptability of the building to changes in the technological needs of the tenants; the diversity of an office building's tenants (or reliance on a single or dominant tenant); the availability of sublease space; the desirability of the area as a business location; the strength, nature and unemployment rates of the local economy, including labor costs and quality, tax environment and quality of life for employees; and an adverse change in population, patterns of telecommuting or sharing of office space and employment growth (which creates demand for office space). To the extent any of such risk factors are heightened or the conditions associated with such risk factors deteriorate, the Funds' investments in office properties may incur losses.

**Retail Properties.** The value and successful operation of a retail property is sensitive to a number of risk factors, including, but not limited to: changes in consumer spending patterns, local competitive conditions (such as the supply of retail space or the existence or construction of new competitive shopping centers or shopping malls, including, for example, competition between regional malls and local shopping centers and changing consumer preferences for upscale outlet malls, big-box discount stores and price clubs); the bankruptcy or distress of tenants; the availability of sublease space; alternative forms of retailing (such as direct mail, video shopping networks and internet web sites, which reduce the need for retail space by retail companies); the safety, convenience and attractiveness of the property to tenants and their customers or clients; the public perception of the safety of customers at shopping malls and shopping centers; the need to make major repairs or improvements to satisfy the needs of major tenants; traffic patterns and access to major thoroughfares; and unemployment rates in the local economy.

The general strength of retail sales also directly affects retail properties. If retail sales by tenants in the Funds' properties were to decline, the rents that are based on a percentage of revenues may also decline, and tenants may be unable to pay the fixed portion of their rents or other occupancy costs. The cessation of business by or bankruptcy of a significant tenant can have a material adverse effect on a retail property, not only because of rent and other factors specific to such tenant, but also because significant tenants at a retail property play an important part in generating customer traffic and making a retail property a desirable location for other tenants at such property.

**Industrial Properties.** Significant factors determining the value of industrial properties are: the location of the property (including proximity to supply sources and customers and accessibility to rail lines, major roadways and other distribution channels and transportation routes); the quality of tenants; a reduced

demand for industrial space because of a decline in a particular industry segment, property becoming functionally obsolete, building design and adaptability, scarcity of labor sources, changes in access, energy prices, strikes, relocation of highways, the construction of additional highways or other factors; changes in proximity of supply sources; the expenses of converting a previously adapted space to general use. Concerns about the quality of tenants, particularly major tenants, are similar in both office properties (as discussed above) and industrial properties, although industrial properties may more frequently be dependent on a single or a few tenants.

A particular industrial or warehouse property that suited the needs of its original tenant may be difficult to re-let to another tenant or may become functionally obsolete relative to newer properties. Also, properties used for many industrial purposes are more prone to environmental concerns than other property types. Further, because of unique construction requirements of many industrial properties, many vacant industrial property spaces may not be easily converted to other uses. Thus, if the operation of an industrial property becomes unprofitable due to competition, age of the improvements or other factors, the liquidation value of that industrial property may be substantially less than would be the case if the property were readily adaptable to other uses.

**Hospitality Properties.** The Funds may invest in hospitality properties as part of their acquisition of, or investment in, a diversified portfolio of real estate assets. The economic downturn and the continued uncertainty of its breadth, depth and duration have left unclear whether the lodging industry, which prior to 2008 had experienced a period of sustained growth, will continue to decline. Recent negative publicity regarding luxury hotels and decreases in airline capacity could further reduce demand for hotel rooms in the properties in which the Funds may invest and in turn further depress revenue per available room to such properties. The reduction of room rates or offering of comparable incentives (including free nights) by upscale/luxury hotels could further exert downward pressure on demand for, and room rates, of mid-scale hotel properties.

Hospitality properties are subject to certain operating risks, including reductions of occupancy or room rates, increases in real estate and other tax rates, wages and benefits, utility costs, insurance costs, repairs and maintenance and administrative expenses, all of which may adversely affect such property's cash flows. In addition, more so than other property types, hospitality properties are saddled with an ongoing obligation to make renovations and other capital improvements in order to stay competitive, including replacements, from time to time, of furniture, fixtures and equipment, particularly if the hotel is a branded hotel. This obligation is subject to the risks that cash flow from operations and reserves may be inadequate to fund capital improvements, financing for these capital improvements may not be available to the Funds' properties on affordable terms and market demand for hotel properties following the undertaking or completion of capital improvements will not exist or will continue to be diminished until the economy recovers. Consequently, the costs of these capital improvements could negatively impact the financial condition of the Funds' portfolio investments and in turn the amount of cash available for distribution to the investors in the Funds.

Certain hotels acquired by or invested in by the Funds may be managed by third-party hotel management companies pursuant to management agreements (or, with respect to certain hotels, a lease for the entire hotel property which contains terms similar to traditional hotel management agreements). Under the terms of these management agreements, the third-party hotel managers may control the daily operations of the hotels and may be compensated with a base management fee tied to revenues generated from operations and/or an incentive management fee based on achieving specific performance thresholds. Accordingly, the hotel's business and operating results depend in large part upon the performance of these hotel management companies under their management agreements.

While the Funds will seek to invest in hotel properties with quality management in place, there is no guarantee that the third party management company (or operating lessee) for any given hotel property will meet the performance objectives desired by the Funds. In addition, hotel properties may not readily be converted to alternative uses if they were to become unprofitable due to competition, age of improvements, decreased demand or other factors. Moreover, the conversion of a hotel to alternative uses would generally require substantial capital expenditures.

**Environmental Risks and Other Liability.** The Funds 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. Through its interest in real estate, a Fund 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. In addition, 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.

**Contingent Liabilities on Disposition of Investments.** In connection with the disposition of an investment, the Funds may be required to make representations about such investment. The Funds also may be required to indemnify the purchasers of such investment in case any such representations are inaccurate. These arrangements may create contingent liabilities for which the applicable governing entity may establish reserves or escrow accounts.

**Difficulty of Bringing Suit or Foreclosure.** Because the effectiveness of the judicial systems in countries in which the Funds may invest varies, the Funds (or any portfolio company) may have difficulty in foreclosing on real estate or in successfully pursuing claims in the courts of such countries, as compared to the United States or certain other developed countries. Further, to the extent a Fund or a portfolio company may obtain a judgment but is required to seek its enforcement in the courts of one of the countries in which the Funds invest, there can be no assurance that such courts will enforce such judgment. The laws of many nations lack the sophistication and consistency found in the United States with respect to foreclosure, bankruptcy, corporate reorganization or creditors' rights. Although certain nations have recently implemented reforms in their foreclosure and bankruptcy regimes, these bankruptcy systems are still largely unproven.

**Inability of Tenant to Pay Rent.** The Funds' investments will often be occupied by a single tenant and the return on such investment may be dependent on the ability of the tenant to pay rent. The bankruptcy of a tenant could cause the loss of a lease payment and the costs of carrying the property until it is re-leased or sold may be significant.

**Predetermined Price of Property.** Tenants may be granted the right to purchase the property they lease from the Funds at a fixed price or based upon a fixed formula. The Funds may be limited in fully realizing the appreciation of a property if a tenant exercises its right to purchase the property and the market value of the property has increased beyond the predetermined price.

**Termination of Governing Entity and/or the Advisor.** Lenders may request change of control provisions in loan documentation that would make the termination or replacement of the applicable governing entity and/or the Adviser an event of default or an event requiring the immediate repayment of the outstanding balance of the loan. If an event of default or repayment event occurs with respect to any of the Funds' properties, the Funds' revenues and distributions to the investors may be adversely affected.

### **Risks Relating to Investments in International Markets**

**Risks in General.** Investments in non-U.S. markets involve certain factors not typically associated with investing in U.S. markets, including risks relating to: (a) differences between the U.S. and foreign securities markets such as greater price volatility in and less liquidity of some foreign securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and, in some cases, less government supervision and regulation, (b) certain economic, social and political risks, including potential exchange control regulations and restrictions on foreign investment repatriation of capital (which may, for example, involve punitive taxation (including high withholding taxes) on certain securities transfers or the imposition of exchange controls making it difficult or impossible to exchange or repatriate the local currency), the risks of political, economic or social instability and the possibility of expropriation or confiscatory taxation, (c) the possible imposition of foreign taxes on income and gains recognized with respect to such securities, (d) the impact of changes in the value of foreign currencies relative to the U.S. dollar and other currencies, (e) significant government approvals under corporate, securities, exchange control, foreign investment and other similar laws and (f) financing and structuring alternatives that differ significantly from those commonly used in the United States. Non-U.S. investments may also give rise to tax filing and payment requirements by the investors or the Funds in non-U.S. jurisdictions (including withholding taxes) as well as U.S. tax filing requirements. No assurance can be given that a certain political or economic climate or particular legal or regulatory risks might not adversely affect an investment by the Funds.

**Political Risks.** Investments made by the Funds may be subject to changing political environments, regulatory restrictions and changes in government institutions and policies, any of which could adversely affect such private investments.

With respect to the countries where the Funds are expected to invest, there is the possibility of nationalization, expropriation or confiscatory taxation, political changes, governmental regulation, social instability or diplomatic developments (including war and acts of terrorism) that could adversely affect the economies of such countries or the value of the portfolio investments of the Funds in those countries. In addition, it may be difficult to obtain and enforce a judgment in a court outside of the United States.

Actions in the future of one or more of the governments in the countries in which the Funds invest could have a significant effect on the various economies of such countries, which could affect market conditions, prices and yields of securities in the Funds' portfolio. Political and economic instability in any of the countries in which the Funds invest could adversely affect the investments of the Funds.

Economic reforms enacted in countries to encourage foreign investment may be curtailed or stalled by political opposition. Political opposition could lead to restrictions on foreign investment, including limitations on investment returns, and such restrictions could have an adverse effect on the investments of the Funds.

**Privatization and Expropriation.** The Funds may invest in state-owned properties that have been or will be transferred from governmental to private ownership. It is impossible to predict accurately whether any further privatizations will take place or what the terms or effects of such privatizations may be. There can be no assurance that any privatizations will be undertaken or, if undertaken, that such plans will be

successfully completed. There can also be no assurance that, if a privatization is undertaken on a private placement basis, the Funds will have the opportunity to participate in the investing consortium. Prospective investors should be aware that changes in governments or economic factors could result in a change in a country's policies on privatization. Should these policies change in the future, it is possible that governments may determine to return projects and companies to state ownership. In such a situation, the level of compensation that would be provided to the owners of the private enterprises concerned cannot be accurately predicted but could be substantially less than the amount invested in such enterprises.

**Terrorism.** There is a risk of terrorist attacks on the United States and elsewhere causing significant loss of life and property damage and disruptions in global markets. Economic and diplomatic sanctions may be in place or imposed on certain states and military action may be commenced. The impact of such events is unclear but could have a material effect on general economic conditions, market liquidity and the Funds.

**Economic Risks.** Changes in policy with regard to taxation, fiscal and monetary policies, repatriation of profits and other economic regulations are possible, any of which could have an adverse effect on the portfolio investments of the Funds. The economies of the other countries in which the Funds may invest may differ favorably or unfavorably from the U.S. economy and/or any other economy with regard to the rate of growth of gross domestic product, the rate of inflation, capital reinvestment, resource self-sufficiency or balance of payments.

**Inflation; Deflation.** Some countries have experienced substantial rates of inflation or deflation in recent years. Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain countries. Similarly, certain countries have experienced deflationary pressures for a number of years and it is possible that asset prices will decline. There can be no assurance that inflation or deflation will not become a serious problem in the future and thus have an adverse impact on the Funds.

**Legal and Regulatory Risks.** In general, some countries lack fully developed legal systems and bodies of commercial law and practice normally found in countries with more developed market economies. Laws and regulations, particularly those concerning bankruptcy protection, foreign investment and taxation, can change quickly and unpredictably. The laws in some such countries regulating ownership, control and corporate governance of companies are in the early stages of development and are essentially unproven. Courts in some countries lack experience in commercial dispute resolution, and many of the procedural remedies for enforcement and protection of legal rights typically found in more developed jurisdictions are not available in such countries. The extent to which local parties and entities, including local governmental agencies, will recognize the contractual and other rights of the parties with which they deal may be uncertain. Therefore, the Funds may be unable to protect and enforce its rights against local governmental and private entities. The Funds may also encounter difficulties enforcing judgments of foreign courts in such countries.

**Corporate Governance.** Rules in some countries regulating ownership, control and corporate governance of domestic companies may be inadequate and may confer little protection on non-controlling investors. Anti-fraud and anti-insider trading legislation in certain countries may be rudimentary. There may be no prohibitions or restrictions on the ability of management to terminate existing business operations, sell or otherwise dispose of a company's assets, or otherwise materially affect the value of the company without the consent of the company's shareholders. Anti-dilution protection also may be very limited. In certain countries, the concept of fiduciary duty on the part of the management or directors of companies to shareholders may be limited. Additionally, many countries may have no system of

derivative or class action litigation and, accordingly, redress for violations of shareholders rights may be unavailable.

**Risk of Adverse Claims and Unclear Title to Land.** In certain countries, lands that had been nationalized are now becoming available for private investment and development. These lands may be subject to adverse claims by persons that had, or purport to have had, an interest in such land prior to the time at which it had been nationalized, or other disputes as to land titles. Such disputes could result in substantial loss to a portfolio investment. Although the Funds will endeavor to mitigate such risks, there can be no assurance that portfolio investments holding such real estate assets in such countries will not be subject to such claims or other disputes having an adverse impact on the performance of the Funds.

**Environmental Risks.** The Funds may face significant environmental liability in connection with its investments in some countries. When compared to the United States, the historical lack of environmental regulation in some such countries has led to widespread pollution of air, ground and water resources. The legislative framework for environmental liability may not have been fully established or implemented. The extent of the responsibility, if any, for the costs of abating environmental hazards may be unclear when the Funds are considering an investment. Many such countries have implemented environmental regulations regarding the impact of the development and operation of certain projects in which the Funds will invest. These regulations provide the governments of these countries with the power to take action against companies for failure to comply with such environmental regulations, including the imposition of fines and the revocation of licenses and concessions.

**Currency Risks.** The investment in the Funds and cash distributions by the Funds will be made in U.S. Dollars or Euros, as applicable (subject to applicable law, distributions received from a portfolio company in a currency other than U.S. Dollars or Euros, as applicable, will be converted by the Funds into U.S. Dollars or Euros, as applicable). The Funds are expected to invest some of their respective capital in portfolio companies established outside North America and Europe and such investments may involve non-U.S. Dollar or non-Euro denominated securities. As the Funds invest capital, U.S. Dollars or Euros, as applicable, may be converted into the appropriate local currency. Thus, the Funds may be adversely affected by changes in currency rates (including as a result of the devaluation of a foreign currency) and in exchange control regulations. Factors that may affect currency values include trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. The Funds may try to hedge these risks by investing directly in foreign currencies, buying and selling forward foreign currency exchange contracts and buying and selling options on foreign currencies, but there can be no assurance that such strategies, if utilized, will be effective. Moreover, even if the Funds are successful, any gains may be offset and any losses may be magnified by fluctuations in the value of the U.S. Dollar or Euro, as applicable.

**Accounting and Disclosure Standards; Limited Information.** Accounting, auditing, financial and other reporting standards and requirements differ, in some cases significantly, from those applicable in the United States. In particular, the assets, liabilities and income appearing in the financial statements of a company in such countries may not reflect its financial position or results of operations in the same way in which they would be reflected had the financial statements been prepared in accordance with generally accepted accounting principles in the United States. In addition, for a company that keeps accounting records in its local currency, inflation accounting rules may require, for both tax and accounting purposes, that certain assets and liabilities be restated on the company's balance sheet in order to express items in terms of currency of constant purchasing power. Inflation accounting may indirectly generate losses or profits. Consequently, financial data may be materially affected by restatements for inflation and may not accurately reflect the actual financial condition of those companies, which may thereby distort the value of securities markets on which such companies are listed. Substantially less information may be publicly

available about companies in certain of these countries than is generally available about companies in the United States.

In addition, in certain circumstances, the Funds may not receive access to all available information to determine fully the origination, credit appraisal and underwriting practices utilized with respect to potential investments or the manner in which such investments have been serviced and/or operated. As a result, the Funds' due diligence activities in certain countries may provide less information than the due diligence reviews conducted in the United States. The lower standards of due diligence in certain countries may increase the risk related to the investments located in these countries. While the Funds and the applicable governing entity (and/or its affiliates, as applicable) will endeavor to conduct appropriate due diligence in connection with each investment, no guarantee can be given that information or assurances will be obtained that an investor would obtain before proceeding with an investment.

**Tax Risks.** The Funds and their investors could become subject to additional or unforeseen taxation in U.S. and non-U.S. jurisdictions in which the Funds or the portfolio companies operate and invest. Changes to taxation treaties (or their interpretation) between the United States and the countries in which the Funds invest and changes in tax laws may adversely affect the Funds' portfolio investments and the ability of the Funds and their investors to realize income or capital gains on a tax-efficient basis.

**Local Intermediary Risks.** Certain of the Funds' transactions may be undertaken through local brokers, banks or other organizations outside the United States, and the Funds will be subject to the risk of default, insolvency or fraud of such organizations. There can be no assurance that any money advanced to such organizations will be repaid or that the Funds would have any recourse in the event of default. The collection, transfer and deposit of bearer securities and cash expose the Funds to a variety of risks, including theft, loss and destruction. The Funds will also be dependent upon the general soundness of the banking systems of the countries in which such intermediaries invest.

**Restrictions on Foreign Investment and Repatriation of Capital and Profits.** Foreign investment in real estate and the securities of issuers in certain nations is restricted or controlled to varying degrees. These restrictions or controls may at times limit or preclude foreign investment in real estate or issuers in such nations and increase the costs and expenses of the Funds. Certain countries may restrict investment opportunities in real estate or in certain issuers or industries deemed important to national interests. Some countries require governmental approval for the repatriation of investment income, capital or the proceeds of sales of securities by foreign investors. In addition, if there is a deterioration in a country's balance of payments or for other reasons, a country may impose temporary restrictions on, or altogether change its restrictions on, foreign capital remittances abroad. There can be no assurance that the Funds will be permitted to repatriate capital or profits, if any, over the life of its activities.

**Undeveloped Infrastructure.** The Funds may invest in certain countries in which capital, basic infrastructure and advanced technology are significantly limited. Delays in local postal, transport, banking or communications systems could cause the Funds to lose rights, opportunities, entitlements or funds and expose it to currency and value fluctuations.

**Ability to Enforce Legal Rights.** The Funds may invest in countries with judicial systems of varying effectiveness. As a consequence, the Funds may have difficulty in successfully pursuing claims in the courts of certain countries, as compared to those of developed countries. Further, to the extent that the Funds may obtain a judgment but are required to seek its enforcement in the courts of one of the countries, there can be no assurance that such a court will enforce such a judgment.

**The above risk factors relate to certain risks associated with methods of analysis/investment strategies and particular types of securities and do not purport to be a complete list or explanation**

**of the material risks involved in an investment advised by the Adviser. A more detailed discussion of risks is set forth in the offering memoranda of the Funds.**

#### **Item 9 - Disciplinary Information**

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

#### **Item 10 - Other Financial Industry Activities and Affiliations**

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

B. The Adviser and its management persons are not registered as, and do not have any application to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities.

C. We and our related persons manage the North American Fund, which is deemed to be our related person. The Advisor or an affiliate of the Advisor manages the European Fund, which is deemed to be our related person. The Advisor or an affiliate of the Advisor may manage additional pooled investment vehicles that may be organized by the Advisor or an affiliate of Advisor in the future and in which existing and prospective clients may be solicited to invest. The management of these pooled investment vehicles may result in conflicts of interests when we and our related persons allocate their time and investment opportunities among the Funds and other clients. LCN North American GP, L.P., serves as the general partner to the North American Fund and LCN Management Company S.à r.l serves as the governing entity of the European Fund. G2 Investment Group, LLC provides certain infrastructure resources to the Adviser in exchange for a profits interest in the Adviser. G2 is affiliated with Forbes Private Capital Group, a placement agent ("Forbes") that has been retained by the Funds. Any fees payable to Forbes for introducing limited partners to the Funds will be paid by the Adviser and will not be borne by investors in the Funds. From time to time, the Adviser or its affiliates may receive compensation in connection with financial transactions structured by the Adviser or its affiliates (which does not include fees received by portfolio companies). Such compensation may include, for example, break-up and topping fees, monitoring and directors' fees, organization fees, set-up fees, consulting fees, management fees, closing and transaction fees and other similar fees. Such fees may reduce all or a portion of the management fees paid by the Funds, as discussed in Item 5.

D. We do not recommend or select other investment advisers for our clients.

#### **Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

A. The Adviser has adopted a Code of Ethics designed to ensure, among other things, that the personal securities transactions of the Adviser's principals, employees, and affiliates do not conflict with transactions effected on behalf of the Funds or any future investment vehicles managed by the Adviser or affiliates ("Client Accounts"). The Code of Ethics is based on the core principle that the Adviser and its employees owe a fiduciary duty to clients. Thus, employees of the Adviser must (i) place the interest of Client Accounts first, (ii) avoid taking inappropriate advantage of their positions with the Adviser, and (iii) conduct any personal securities transactions in full compliance with the Code of Ethics. Adviser's employees may not buy or sell securities in which Client Accounts also invest without pre-approval by the CCO. A copy of the Adviser's Code of Ethics is available upon request from the Adviser's Chief

Compliance Officer at the following address: LCN Capital Partners, L.P, 142 West 57<sup>th</sup> Street, New York, NY 10019, or by phone at (212) 201-4076.

B. The Adviser does not recommend to clients securities that the Adviser or a related person has a material financial interest.

C. The Code of Ethics places restrictions on personal trades by employees who have access to non-public information regarding investors' or clients' securities transactions, or who are involved in making securities recommendations to clients, or who have access to such recommendations that are non-public (collectively "Access Persons"), including that they disclose their personal securities holdings and transactions to the Adviser on a periodic basis, and requires that Access Persons pre-clear certain types of personal securities transactions.

The Adviser, its affiliates and its employees may give advice or take action for their own accounts that may differ from, conflict with or be adverse to advice given or action taken for clients. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more clients. Potential conflicts also may arise due to the fact that the Adviser and its personnel may have investments in some Funds but not in others or may have different levels of investments in the various Funds.

The Adviser has established policies and procedures to monitor and resolve conflicts with respect to investment opportunities in a manner it deems fair and equitable, including the restrictions placed on personal trading in the Code of Ethics, as described above, and regular monitoring of employee transactions and trading patterns for actual or perceived conflicts of interest, including those conflicts that may arise as a result of personal trades in the same or similar securities made at or about the same time as client trades.

D. The Adviser manages investments on behalf of a number of clients. Although certain clients have investment programs that are similar to or overlap, due to the nature of the investments made by the Adviser, such as geographic focus, the Adviser anticipates that such clients will never have a conflict with respect to participation in investments.

## **Item 12 - Brokerage Practices**

Sale-leaseback investments are normally effected without the participation of brokers or dealers. If there is a broker involved in the transaction, such broker is normally compensated by the selling party.

During our last fiscal year, we did not acquire any products or services with client brokerage commissions. During our last fiscal year, we did not direct client transactions to a broker-dealer.

2. The Adviser does not currently participate in any relationships involving brokerage for client referrals. *Not applicable.*

3. The Adviser does not currently participate in any directed brokerage programs.

## **Item 13 - Review of Accounts**

A and B. Client portfolios are reviewed daily, and their performance analyzed on an ongoing basis, by our investment professionals. The investment team will maintain a regular dialogue with tenant management to analyze the tenants' financial statements to review the tenants' credit. The investment team will work to confirm lease compliance, including completion of deferred maintenance and timely payment of

property taxes. The team will also stay apprised of real estate market conditions through local contacts and regular site visits.

C. We generally furnish investors in the Funds with quarterly update reports and unaudited quarterly financials on each Fund's operations within 60 days of the end of each of the first three fiscal quarters, audited annual financial statements within 120 days of the end of each fiscal year and annual tax information for the completion of income tax returns.

#### **Item 14 - Client Referrals and Other Compensation**

A. We do not receive economic benefits from non-clients for providing investment advice and other advisory services.

B. Neither we nor any of our related persons directly or indirectly compensates any person who is not a supervised person, including placement agents, for client referrals. However, the Adviser has entered into a relationship with Forbes Private Capital Group, LLC ("Forbes"), G2's affiliated placement agent business, whereby Forbes is compensated for a fee for successfully introducing potential investors to the Funds. Any fees payable to Forbes will be paid by the Adviser or affiliates and will not be borne by investors.

#### **Item 15 - Custody**

We are deemed to have custody of the Funds' assets because we have the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account. Account statements related to the clients are sent by qualified custodians to the Adviser. To satisfy the SEC's custody rule requirements, the Funds will provide each investor with audited financial statements within 120 days of the end of each year. Investors should carefully review such statements and compare such statements with any statements received from the Advisor or affiliates.

#### **Item 16 - Investment Discretion**

We have discretionary authority to manage securities accounts on behalf of our clients. Our investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents. The investors in the Funds generally may not place any limits on our authority beyond the limitations set forth in the offering and governing documents of the Funds. The Adviser or an affiliate of the Adviser has entered into an investment management agreement, or similar agreement, with each Fund, pursuant to which the Adviser or an affiliate of the Adviser was granted discretionary trading authority.

#### **Item 17 - Voting Client Securities**

As described in Item 8 above, the Adviser generally plans to invest in the corporate sale-leaseback real estate market. Such investments do not typically include ownership of securities that provide the Adviser or any Funds the right to vote.

#### **Item 18 - Financial Information**

The Adviser is not required to include a balance sheet for its most recent fiscal 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.

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**PART 2B OF FORM ADV: FIRM BROCHURE**

**EDWARD V. LAPUMA**

**August 15, 2013**

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**LCN Capital Partners, L.P.**

142 West 57<sup>th</sup> Street

New York, NY 10019

Tel: (212) 201-4076

Fax: (212) 517-6179

Website: [www.lcnpartners.com](http://www.lcnpartners.com)

*This brochure supplement provides information about Edward V. LaPuma that supplements LCN Capital Partners, L.P.'s disclosure brochure. You should have received a copy of that brochure. Please contact supplements LCN Capital Partners, L.P.'s compliance department by calling (212) 201 4076 if you did not receive LCN Capital Partners, L.P.'s disclosure brochure or if you have any questions about the contents of this supplement.*

*Additional information about Edward V. LaPuma also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)*

## **EDWARD V. LAPUMA (Born 1972)**

### **Item 2 – Educational Background and Business Experience**

Mr. LaPuma graduated with a B.S. in Economics, with a concentration in Finance from The Wharton School at the University of Pennsylvania as well as with a B.A. in International Economics from the University of Pennsylvania's College of Arts and Sciences in 1995. After graduation and prior to forming LCN Capital Partners, L.P. in 2010, Mr. LaPuma worked at W.P. Carey ("WPC") serving in various senior positions. From 2002 to 2009, Mr. LaPuma was a co-founder, President, Chief Acquisitions Officer, and the largest individual shareholder of W. P. Carey International ("WPCI"), the subsidiary of WPC responsible for all sale-leaseback investments, operations and corporate strategies outside the U.S. Concurrently, from 2005 to 2009, he was President of Corporate Property Associates 14 Inc., a sale-leaseback REIT. From 2001 until 2004, Mr. LaPuma was President of Carey Institutional Properties, another sale-leaseback REIT. From 2002 to 2009, he was Managing Director of WPC, after being named Executive Director in 2000.

### **Item 3 – Disciplinary Information**

Mr. LaPuma does not have any disciplinary information to disclose. He has not been party to a) a criminal or civil action in a domestic, foreign or military court; b) an administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority; c) a self-regulatory proceeding; or d) any other proceeding in which a professional attainment, designation, or license was revoked.

### **Item 4 – Other Business Activities**

Mr. LaPuma does not have any other outside business activities to disclose.

### **Item 5 – Additional Compensation**

Mr. LaPuma does not receive any additional economic benefit from third parties for providing advisory services.

### **Item 6 – Supervision**

Mr. LaPuma is the Managing Partner of the Adviser and supervises all other employees. The Adviser's Chief Compliance Officer, Brian Feldman, supervises all compliance activities of the Adviser, including those relating to Mr. LaPuma and can be reached at (212) 887-1150.

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**PART 2B OF FORM ADV: FIRM BROCHURE**

**BRYAN YORK COLWELL**

**August 15, 2013**

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*This brochure supplement provides information about Bryan York Colwell that supplements LCN Capital Partners, L.P.'s disclosure brochure. You should have received a copy of that brochure. Please contact supplements LCN Capital Partners, L.P.'s compliance department by calling (212) 201 4076 if you did not receive LCN Capital Partners, L.P.'s disclosure brochure or if you have any questions about the contents of this supplement.*

*Additional information about Bryan York Colwell also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)*

## **BRYAN YORK COLWELL (Born 1961)**

### **Item 2 – Educational Background and Business Experience**

Mr. Colwell graduated with a B.A. in History and Science from Harvard College in 1983 and received an M.B.A. (with distinction in Finance) from Columbia Business School in 1986. Prior to co-founding LCN Capital Partners, L.P., from 2004 to 2010, he was a private investor. During this time, in 2008, Mr. Colwell co-founded StrategyRE, a commercial real estate institutional information services company. From 2001 to 2004, he was the Managing Director and Head of Global Power and Utilities at ABN AMRO. In this role, he was responsible for all corporate finance activities in the sector worldwide and was a member of the bank's commitments committee among other senior management responsibilities. From 1985 to 2001, he worked at Goldman, Sachs & Co, where he held various positions including senior investment banker.

### **Item 3 – Disciplinary Information**

Mr. Colwell does not have any disciplinary information to disclose. He has not been party to a) a criminal or civil action in a domestic, foreign or military court; b) an administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority; c) a self-regulatory proceeding; or d) any other proceeding in which a professional attainment, designation, or license was revoked.

### **Item 4 – Other Business Activities**

Mr. Colwell does not have any other outside business activities to disclose.

### **Item 5 – Additional Compensation**

Mr. Colwell does not receive any additional economic benefit from third parties for providing advisory services.

### **Item 6 – Supervision**

Mr. Colwell is the Managing Partner of the Adviser and supervises all other employees. The Adviser's Chief Compliance Officer, Brian Feldman, supervises all compliance activities of the Adviser, including those relating to Mr. Colwell and can be reached at (212) 887-1150.