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**This brochure provides information about the qualifications and business practices of LEM Capital, L.P. If you have any questions about the contents of this brochure, please contact Michelle Vaughn at [mvaughn@lemcapital.com](mailto:mvaughn@lemcapital.com) or at (215) 609-3365. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

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

LEM Capital, L.P. is registered as an investment adviser with the United States Securities and Exchange Commission. Registration does not imply a certain level of skill or training.

## **Item 2. Material Changes**

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization, which are included herein.

We believe there have not been any material updates to our Form ADV filing since our last filing on March 30, 2015, however, in the interest of enhanced disclosure, we have updated Item 10 and Item 11 regarding the outside business activities of our employees and our internal review process. We encourage you to carefully read this document in its entirety.

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#### **Item 4. General Information about LEM Capital, L.P.**

LEM Capital, L.P. (“LEM”) is an investment management firm co-founded by Ira M. Lubert, Jay J. Eisner, and Herbert L. Miller, Jr. in 2002. Messrs. Lubert, Eisner and Miller collectively have over 70 years of real estate and related investment management experience specializing in the underwriting, structuring, recapitalizing and refinancing investment transactions in the private and public real estate industry. Most of their careers have been spent in the real estate industry and they have extensive real estate experience in acquisition, ownership, management and finance. The day-to-day operations of LEM are led by Messrs. Eisner, Miller and David Lazarus (“Managing Partners”).

LEM’s investment team consists of approximately 10 experienced professionals with strong backgrounds in commercial real estate, debt markets, bridge loans, leveraged finance, private equity, mezzanine loans and lines of credit. Over the past several years, the Managing Partners and the investment team have originated numerous structured equity investments and have collectively been involved in hundreds of individual real estate transactions including equity, preferred equity, mezzanine and high yield debt.

References herein to LEM may include, as the context requires, various entities controlled by LEM or its partners and entities in which LEM provides investment management services, such as affiliated general partners.

LEM provides investment management services exclusively to privately offered pooled investment vehicles, generally organized as limited partnerships (“Fund” or “LEM Funds”), which may purchase and originate real estate structured finance investments, primarily consisting of joint venture equity and preferred equity, mezzanine loans, and first mortgages. LEM Funds may also consider B-Notes and entity level investments in real estate operating companies. For equity investments LEM Funds will invest along with third party operating partners to form underlying joint venture partnerships or limited liability companies that invest in real estate. Since these operating partners are independent third parties, they will typically receive compensation directly from these joint ventures for their services. This compensation may be in the form of an asset management fee, property management fee (if the operating partner manages the property), a construction management fee, a promote or carried interest structure, or one or more of such fees. Any compensation paid to these third party operating partners will not offset LEM’s management fees or be treated as “special income”.

The Funds are intended only for investment by “accredited investors” and “qualified clients” as those terms are defined under the Federal securities laws. Each Fund’s investment objective includes providing a certain level of returns net of fees and expenses as described in detail in each Fund’s offering documents.

As of December 31, 2014, LEM’s regulatory assets under management were \$518,105,944 in Fund assets (i.e., Fund total assets and uncalled capital commitments), managed on a discretionary basis.

## Item 5. Fees and Compensation

The specific terms of LEM's compensation by each Fund are dictated by the Fund's organizational documents, offering documents, management and advisory agreements, and any other applicable agreements (such as side letters or fee waivers) provided to Fund investors (collectively known as the "Fund's Governing Documents").

**Management Fee** - Each Fund pays a management fee (the "Management Fee"). A Fund's Management Fee generally will commence on the date of the Fund's initial closing and thereafter be paid on the first day of each calendar quarter in advance. The Management Fee is based on committed capital to a Fund by its investors or on a percentage of assets in which the fund has invested in and will vary based upon, among other things, the amounts committed to the Fund by its various investors and the stage of investment of the Fund. The Management Fee generally ranges from 1.25% to 1.50%, but may be negotiated to be lower for certain investors based on the size of their commitment to the Fund.

In the event that a Fund's investment advisory agreement with LEM terminates during a period covered by Management Fees paid in advance, LEM would pro rate such Management Fee and reimburse a Fund the portion of such Management Fee covering the remainder of the period.

**Carried Interest** - In addition, the LEM Funds will allocate a portion of their investment profits (generally 20%) to their respective Fund general partners which are related persons with respect to LEM, as set forth in each of the Fund's offering documents (such profit allocation is commonly referred to as a "Carried Interest"). The foregoing performance-based carried interests are generally calculated based upon the achievement of a preferred return (generally 8% to 9%), compounded annually, and on the Fund investors' unreturned capital contributions and the return of all Fund investors' contributed capital. Carried Interest, when applicable, is paid upon the distribution of operating cash flow and proceeds generated by the realizations of each Fund's portfolio investments pursuant to a priority distribution waterfall typically after the return of all capital and a preferred return. LEM Funds' Carried Interest is charged in compliance with Rule 205-3 under the Investment Advisers Act of 1940, (as amended, the "Advisers Act").

Upon liquidation and dissolution of a Fund, LEM may be required to restore certain amounts to the Fund for distribution to the Fund's investors, to the extent that LEM has received Carried Interest distributions over the life of the Fund in excess of the amounts the general partner should have been entitled to receive as Carried Interest distributions if all distributions had been applied on an aggregate basis covering all of a Fund's transactions. However, LEM is not required to restore more than the Carried Interest distributions it actually received, less income taxes thereon. LEM may also be obligated to restore distributions with respect to waived Management Fees (if any) to the extent such distributions exceed the allocations of Fund profits to the affiliated general partner with respect to the waived Management Fees.

LEM Management Fees and Carried Interest distributions are deducted from the assets or distributions of the Fund and Fund investors are not separately billed for these services.

**Fund Expenses** - Each Fund will pay all offering and organizational expenses incurred in the connection with organization of each Fund and its related entities including all travel

and accommodation expenses, legal and accounting expenses, expenses related to attendance at industry conferences, filing fees, negotiating side letters with specific investors and expenses and printing costs, and other similar expenses including any of the above that were advanced by LEM or its affiliates.

No commissions, placement fees or other remuneration will be paid by the LEM Funds to any person in connection with the offering and/or sale of interest in the Funds, unless the Fund's offering documents specific allow for such fees.

The LEM Funds will bear and be charged with all costs and expenses relating to the activities and operations of the Fund and their subsidiaries, generally including, but not limited to: (i) administrative fees, costs and expenses related to the operation of the Fund (including fees, costs and expenses of third party accountants, lawyers and other professionals incurred in connection with the Fund's annual audit, legal compliance, financial reporting, legal opinions and tax return preparation for the Fund and its affiliated general partner (ii) fees, costs and expenses related to the acquisition, management, development, renovation, financing, hedging, refinancing and sale or other disposition of investments and the evaluation of potential investments (regardless of whether the potential investments are consummated), including any travel, financing, legal, accounting, advisory, research and consulting expenses in connection therewith, third party software licenses related to accounting and servicing investments, subscriptions and membership fees in industry organizations and travel to and attendance at, industry conferences (provided that after the Commitment Period any such expenditures for such subscriptions, membership fees and industry conferences must directly benefit the Fund); (iii) brokerage commissions, custodial expenses and other investment costs actually incurred in connection with investments; (iv) fees, costs and expenses related to making temporary investments and any interest or hedging expenses; (v) principal, interest on and fees and expenses arising out of all borrowings made by the Fund (including Fund level subscription facilities); (vi) expenses of liquidating the Fund; (vii) any taxes, fees or other governmental charges levied against the Fund and all expenses incurred in connection with any tax audit, investigation, settlement or review of the Fund; (viii) fees, costs and expenses related to litigation, director and officer liability insurance, risk management consulting, other insurance and indemnification obligations; (ix) the expenses of the Investor advisory committee and the annual meeting of the Fund Investors; (x) expenses related to organizing entities through or in which investments may be made; (xi) Fund organizational expenses; (xii) extraordinary administrative or operating fees or expenses, including litigation and indemnification expenses; and (xiii) expenses of investor reporting.

Specifically for LEM Real Estate High Yield Debt and Preferred Equity Fund III, L.P. ("Fund III"), LEM or the general partner may charge the Fund or its underlying investments for the following internal costs (including the costs of services provided by an affiliated entity such as Independence Capital Partners, LLC): (i) legal services at the lower of cost or market rates; (ii) tax returns and reporting for alternative investment vehicles through or with which the Fund invests (but only costs resulting from Fund activity) and (iii) the cost of licensing the Fund or its affiliates in connection with Fund activities.

For LEM Multifamily Senior Equity Fund IV, L.P. ("Fund IV"), LEM and its affiliates

may provide services that would otherwise be performed by third parties to Fund IV in which an investment has been made (including accounting, engineering, environmental, construction management, property management, development, leasing or other similar services) on terms and conditions that LEM determines are fair and reasonable; provided, that the fees earned by LEM and its affiliates for performing such services (including employee costs and related overhead expenses allocable thereto, as reasonably determined by LEM based on the time expended by the employees who render such services) will not exceed the rate that would be payable if a comparable level of services were provided on an arm's-length basis by third parties in the business of providing such services with comparable skill and experience in providing such services to similar properties. LEM or its affiliate may charge Fund IV or the Fund's underlying investments for the following internal costs (including the cost of services provided by Independence Capital Partners, LLC (i) legal services at the lower of cost or market rates; (ii) preparation of tax returns and tax reporting for Fund IV, any parallel funds, its general partner and entities through or with which the Fund IV invests (but only costs resulting from its activities) and (iii) the cost of licensing the Fund and its general partner or their affiliates in connection with Fund IV's activities. These costs will not offset LEM's Management Fee.

As more fully described in the specific Fund's Governing Documents, the Fund and its joint ventures may also be charged for the cost of accounting, legal, limited partnership transfers, certain other services and any associated direct costs provided or incurred by the Funds or its affiliates, at cost, without any corresponding reduction of the Management Fee.

Each of the Fund's general partners and/or LEM will bear their respective ordinary operating expenses, which generally include staff compensation and overhead.

For a more detailed description of the specific Management Fees, Carried Interest and Fund expenses please see the Fund's Governing Documents.

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

As described in Item 5, LEM may be paid a Carried Interest. LEM, its affiliates and certain of its employees may receive incentive compensation, which is tied explicitly to the performance of a particular Fund, and such compensation will continue to be earned based upon the performance of each Fund's portfolio as a whole, rather than that of individual transactions. The existence of the Carried Interest may create an incentive for LEM to cause a Fund to make riskier or more speculative investments than would be the case in the absence of a Carried Interest.

All Funds managed by LEM have a Carried Interest or performance based incentive. Should LEM decide in the future to manage an asset-based account alongside their Funds, LEM will immediately address the potential conflicts that are inherent with side-by-side management.

LEM's compliance policies and procedures and code of ethics prohibit employees from favoring one Fund over another or considering LEM's financial interest when providing investment advice to the Funds, and any individual compensated based on the performance-fee aspect of a Fund is paid based on the Fund's overall performance, not the outcome of any single transaction or investment.

## **Item 7. Types of Clients.**

LEM provides investment advice only to the LEM Funds, which are privately offered pooled investment vehicles. Investors (generally, limited partners) in the Funds may include, but are not limited to, governmental pension plans, endowments, corporate and business entities, foundations, trusts, and high net worth individuals. Each investor is required to meet certain suitability qualifications such as being an “accredited investor”, “qualified purchaser” or “qualified client” within the meaning set forth under the Federal securities laws. Each Fund varies in size over the course of its investment lifecycle. The Funds’ private offering documents generally require a minimum initial investment or commitment by each individual investor of \$1 million and each institutional investor of \$5 million. However, each Fund’s general partner has the discretion to waive or reduce the minimum initial investment or commitment and has done so for certain investors.

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

**Methods of Analysis** - LEM employs an investment process to determine potential investment opportunities and may use various research methods including models and methods of analyses. LEM utilizes both internal and external resources as well as a wide-ranging referral network that may include, but not be limited to, mortgage brokers, investments banks, first mortgage lenders, industry professionals, real estate owners/operators, consultants and advisors. In the initial analysis of a potential investment, the investment team reviews information furnished by the prospective borrower or investment sponsor as well as feedback from operating partners and/or other direct local relationships to determine whether the investment meets a Fund’s underwriting and investment criteria. LEM’s investment team will also conduct an independent evaluation to ensure the quality of the asset. The subject market will be analyzed to confirm long-term growth potential, a diversified economy and significant barriers to new development. If the investment team decides to proceed to the next phase for the potential investment, a proposal will be submitted to the borrower or investment sponsor outlining key terms. Once terms have been agreed upon and LEM’s underwriting process is completed, every new investment requires submittal to, and approval by the Fund’s investment committee.

**Investment Strategies** - The Funds’ investment strategies generally employ a disciplined investment approach typically focusing on cash flow and property appreciation. The Funds will focus on investment strategy focuses on manufacturing yield by acquiring well-located, high-quality, multifamily real estate properties and adding value through capital upgrades and improved management. The Funds seek to provide current income return while preserving investor capital primarily through investment in senior and preferred equity, structured equity, mezzanine loans, and first mortgages. There can be no assurance, however, that the use of any strategy for any Fund will achieve any particular returns or avoid a loss. A Fund’s ability to achieve returns will depend on a variety of factors, many of which are beyond its or LEM’s control.

**Material Investment Risks** - Investing in a real estate closed end fund involves risk of loss that investors should be prepared to bear. Each of these material investment risks and others are further described in the applicable Fund’s Governing Documents which all investors should carefully read before investing:



***No Assurance of Investment Return*** - Each Fund's task of identifying and evaluating real estate related investment opportunities, managing such investments and realizing a positive return for investors is difficult. There is no assurance that a Fund will be able to invest its capital on attractive terms or continue to generate positive returns or avoid losses for its investors over the long term.

***General Risk of Real Estate Investment*** - Real property investments are subject to varying degrees of risk. Real estate values are affected by a number of factors, including: (i) changes in the general economic climate or in national or international economic conditions; (ii) local conditions (such as an oversupply of space or a reduction in demand for space); (iii) the quality and philosophy of management; (iv) competition based on rental rates; (v) attractiveness and location of the properties and changes in the relative popularity of commercial properties as an investment; (vi) financial condition of tenants, buyers and sellers of properties; (vii) quality of maintenance, insurance and management services; (viii) changes in real estate tax rates and other operating costs and expenses; (ix) energy and supply shortages; (x) changes in interest rates and the availability of mortgage funds, which may render the sale or refinancing of properties difficult or impracticable; (xi) uninsured losses or delays from casualties or condemnation; (xii) government regulations (including those governing usage, improvements, zoning and taxes) and fiscal policies; (xiii) potential liability under changing environmental and other laws; (xiv) risks and operating problems arising out of the presence of certain construction materials; (xv) structural or property level latent defects; (xvi) acts of God; and (xvii) other factors beyond the control of the General Partner. Investments in existing entities (e.g., buying out a distressed partner or acquiring an interest in an entity that owns a real property) could also create risks of successor liability.

***Third-Party Participants*** - A Fund may co-invest with operating partners and third parties through joint ventures or other entities. Such investments may involve risks not present in investments with no third-party involvement, including the possibility that a co-venture or operating partner of a Fund may at any time have economic or business interests or goals that are inconsistent with those of the Fund or may be in a position to take action contrary to a Fund's investment objectives. In addition, the Funds may be liable for actions of its co-venturers or partners.

***Debt Financing: Leverage*** - A Fund's investments will involve material amounts of indebtedness. Each Fund expects to leverage its investments with debt financing at the property or operating company level. Debt service requirements may deplete cash flows and relatively small changes in the overall value of investments will have a magnified impact on the value of the equity of the Fund. If a portfolio investment were unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the value of the Fund's investment in such portfolio investment would be significantly reduced or even eliminated. In addition, debt financing may restrict the amount of funds available for distribution to the Fund's investors. Certain tax-exempt investors may be subject to unrelated business income taxation because of a Fund's use of leverage. The use of leverage involves a high degree of financial risk and will increase the exposure of the investments to adverse economic factors such as rising interest rates, downturns in the economy or deterioration in the condition of the investments. In addition, borrowings by a Fund under a credit facility may be secured by the Fund's

Investor Capital Commitments as well as by the Fund's assets. If a Fund makes an investment with the intent of subsequently financing a portion of that investment, there is a risk that the Fund will be unable to successfully complete such a financing. This could lead to a Fund having a larger amount of capital invested in an investment than anticipated and reduce diversification.

***Market Conditions May Dramatically Affect the Funds' Investments*** - Volatile market conditions at various times have had a dramatic effect on private real estate related investments. In addition, terrorist attacks and other acts of violence or war may affect the operations and profitability of a Fund's investments. Such events could cause consumer confidence and spending to decrease or result in increased volatility in the U.S. and worldwide financial markets and economy.. Any of these occurrences could have a significant impact on the operating results and revenues of the underlying properties, and, in turn, on the return of the Funds' investments.

***Due Diligence Processes*** - The due diligence investigation that LEM and its operating partners perform with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such opportunity, including, among other things, the existence of fraud or other illegal or improper behavior. Moreover, such an investigation will not necessarily result in the investment being successful.

***Long-term Nature of Investments*** - Investments in the LEM Funds require a long-term commitment, with no certainty of return. A Fund may experience severe financial difficulties as a result of its portfolio investments. Some of the investments will be highly illiquid, and the Fund may be unable to realize on such investments in a timely manner. There may be little or no near-term cash flow available to the investors. Partial or complete sales, transfers or other dispositions of investments which may result in a return of capital or the realization of gains, if any, are generally not expected to occur for a number of years after an investment is made. Since the Funds may only make a limited number of investments and since many of the investments may involve a high degree of risk, poor performance by a few of the investments could severely affect the total returns to investors.

***Environmental Risks*** - The real estate properties underlying investments will be subject to federal and state environmental laws, regulations and administrative rulings, which, among other things, establish standards for the treatment, storage and disposal of solid and hazardous waste. Real estate property owners are subject to federal and state environmental laws that may impose joint and several liability on past and present owners and users of real property for hazardous substance remediation and removal costs. Therefore, a Fund may incur loss from environmental claims arising in respect of real properties underlying its Investments with undisclosed or unknown environmental problems or as to which inadequate reserves have been established.

***Inflation Risk*** - When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power erodes at the rate of inflation.

***Interest Rate Risk*** - The LEM Funds have exposure to interest rate risks, meaning that changes in prevailing interest rates could negatively affect the value of a Fund (e.g., interest rate changes may affect, among other items, the cash flows of an investment directly and the cost of leverage). The Funds intend to use various interest

rate hedging products including caps and swaps to try to mitigate this risk.

***Lack of Diversification*** - An LEM Fund may not be sufficiently diversified with respect to geographic regions, and given that each Fund expects to invest predominantly in multifamily properties, lack of diversification across the portfolio may increase a Fund's exposure to adverse real estate or capital market conditions in a given region or that are applicable to multifamily properties. If investments are concentrated in a limited number of geographical regions, a Fund's performance with respect to those investments may be negatively affected by market conditions specific to those geographical regions. Unforeseen events such as natural disasters, terrorist attacks or a general decline in the job market in a particular region may adversely affect the returns on investments in such region. Depending on the number and size of investments located in a particular region, unfavorable events may impact the returns to a Fund. Additionally, various unfavorable events may adversely impact the entire multifamily asset class (either regionally or nationally) and thereby impact a Fund's returns.

***Expedited Transactions*** - Investment analyses and decisions by LEM may be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to LEM at the time of an investment decision may be limited, and LEM may not have access to detailed knowledge of all circumstances that may adversely affect an investment. In addition, LEM may rely upon independent consultants in connection with its evaluation of proposed investments; however, no assurance can be given that these consultants will accurately evaluate such investments, and a Fund may incur liability as a result of such consultants' actions.

***Inability to Identify Attractive Investments*** - No assurance can be given that the LEM Funds will be able to originate investments that satisfy their rate of return objectives or that such investments will perform as expected. Each Fund will face competition for investments from both private and public investors, some of which have greater financial and other resources than LEM and more extensive experience. Interim investments may offer returns lower than those targeted for long-term investment by the Funds. LEM intends to make draws on commitments as funds are needed during the commitment period; however, investments consistent with a Funds' strategy may not be available at certain instances.

***Hedging*** - In connection with the financing of certain assets, a Fund may employ hedging techniques designed to protect against adverse movements in interest rates. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks. Thus, while a Fund may benefit from the use of hedging mechanisms, unanticipated changes in interest rates, securities prices or currency exchange rates may result in poorer overall performance for a Fund than if it had not entered into such hedging transactions.

***Interest Subject to Restrictions on Transfer and Withdrawal*** - Interests are not transferable except with the consent of the Fund's general partner, an LEM affiliate. Investors may not withdraw capital from the LEM Funds. There will be no public market for the partnership interests. Each investor will be required to represent that it is acquiring its interest for investment purposes and not with a view to resale or distribution. Each investor must be prepared to bear the economic risk of an investment for an indefinite period, since interests cannot be resold unless they are subsequently

registered under the Securities Act, or an exemption from such registration is available, and provisions of the Funds' organizational and private offering documents relating to restrictions on transfer of interests are complied with.

***Controlling Person Liability*** - The Funds are expected to have controlling interests in some of their investments in real estate companies. The exercise of control over an entity can impose additional risks of liability for environmental damage, failure to supervise management, violation of government regulations (including securities laws) or other types of liability in which the limited liability characteristic of business ownership may be ignored. If these liabilities were to arise, the Fund might suffer a significant loss.

***Defaulting Limited Partner*** - In the event that an investor fails to fund any of its commitment when required, among other remedies available to a Fund, the Fund may accelerate such investor's unfunded commitment, such investor's interest in the Fund may be forfeited or subject to dilution, the Fund may withhold distributions from such investor and such investor may be prohibited from participating in future investments.

***Information About Investments*** - LEM intends to keep investors apprised of the status of the Fund's investments and their operating partners on a periodic basis. In reviewing these reports, investors should be aware that LEM and the Fund may be subject to confidentiality agreements that limit the amount of information that LEM may disclose about Fund investments.

***Regulatory Risks*** - Each Fund relies on various exemptions from federal and state statutes and rules, such as ERISA, the Investment Company Act of 1940 ("1940 Act") and the Securities Act of 1933 (the "Securities Act"), to operate without having to register under such statutes and rules. Loss of any such exemption, or a change in these statutes and rules or certain others, such as the Advisers Act, anti-money laundering rules, and the U.S. Internal Revenue Code, could impact a Fund's ability to continue to operate as it currently does. A Fund's exemption from certain investor protection laws means that a Fund's investors do not have the benefit of protections afforded by such laws, including ERISA, the 1940 Act and the Securities Act.

***Investors Will Have Limited Recourse Against LEM*** - The Fund's organizational and offering documents generally limit the circumstances under which the general partner or its affiliates will be held liable to the Fund. As a result, investors may have a more limited right of action in certain cases than they would have in the absence of such limitations. In addition, the organizational documents provide that the Fund will indemnify the general partner and its affiliates, partners and employees for certain claims, losses, damages, and expenses arising out of their activities on behalf of the Fund. Such indemnification obligations could materially adversely affect the returns to investors.

***Conflicts of Interest*** - Fund investments are subject to various conflicts of interest, including those between co-investors in specific projects, between various investors in a Fund, and between LEM and a Fund. These conflicts are more fully discussed in each Fund's offering documents. Additional conflicts of interest information is described below in Item 10.

## **Item 9. Disciplinary Information**

Neither LEM nor any of its employees has been involved in the past ten years in any legal or disciplinary event in which LEM believes is material to an investor or prospective investor in their evaluation of LEM's advisory business or Fund management.

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

LEM has financial relationships and arrangements that are material to its advisory business with the following related entities:

LEM will utilize Independence Capital Partners, LLC ("ICP") to provide certain non-investment services such as compliance, accounting and tax support, information technology and insurance. ICP also provides similar services to other affiliated investment advisory firms which include: LLR Management, L.P.; Patriot Financial Manager, L.P.; Quaker Partners Management, L.P.(an exempt filer); LBC Credit Management, L.P.; and Lubert-Adler Management Company, L.P. (collectively, the "ICP Affiliate Firms"). Each ICP Affiliate Firm is separately managed by its partners and investment professionals and offers advisory services to private investment funds focused on varying assets classes.

The ICP Affiliate Firms and the Funds they manage may share coverage under certain insurance policies, such as general partner liability insurance and crime insurance. The cost of such shared policies will be allocated as reasonably determined by the ICP Affiliate Firms, taking into account such factors as the ICP Affiliate Firms may reasonably determine, including, without limitation, the estimated relative costs of standalone policies for the ICP Affiliated Firms, the relative capital called or estimated to be called for each Fund, and the relative claims experience of the ICP Affiliated Firms.

Mr. Lubert, a co-founder of LEM, has voting and non-voting ownership interests in ICP and all of the above ICP Affiliate Firms. Each ICP Affiliate Firm manages private investment funds that may invest in real estate, private equity, debt or venture capital companies, some of which may have investment mandates that are similar to, but not directly overlapping with, the investment mandates of the LEM Funds. In the past, the partners of ICP Affiliated Firms and LEM have shared information and collaborated regarding investment opportunities and, on one occasion, co-invested in a particular investment.

In addition to his interests in ICP and the ICP Affiliate Firms, Mr. Lubert's outside business interests include holding: voting and non-voting interests in several investment advisers to private equity funds; controlling, voting and non-voting interests in numerous operating companies, including gaming establishments and a hotel management company; and controlling, voting and non-voting interests in approximately two dozen private real estate investments. He also serves, or has served, on the board of directors of a number of private and public companies and non-profit organizations.

LEM's Managing Partners and investment team will devote time to the management of its existing LEM Funds, which may create conflicts in the allocation of management resources. In general, Messrs. Eisner and Miller will spend substantially all of their business time on the management and operation of LEM until a specified time noted in the Fund's Governing Documents. Thereafter, they will devote such business time to the management of each Fund as is necessary to perform their duties.

Investment opportunities may arise that are appropriate for more than one Fund and/or one or more other ICP Affiliated Firm funds. The Lubert-Adler Funds may engage in various real estate or real-estate related investment activities and conflicts of interest may arise as a result of such real estate ownership and activities, particularly ownership of real estate properties in the same markets targeted by an LEM Fund. In these situations, the investment team which first sourced or originated the opportunity may invest in the opportunity without offering it to other ICP Affiliated Firms. Opportunities first sourced or originated by Mr. Lubert or Mr. Adler will be offered to the Lubert-Adler Funds. If the Lubert-Adler Funds do not invest in such an opportunity or if additional funding is required for such an opportunity, the opportunity or a portion thereof may be offered to other ICP Affiliated Firms.

In addition, while LEM believes such occasions will be rare, there may be occasions in which LEM determines in its reasonable discretion that it would be advantageous to co-invest in an opportunity with an ICP Affiliated Firm fund. If such an occasion arises, with advisory board approval, a Fund may co-invest with the ICP Affiliated Firm fund in the opportunity only on a *pari passu* basis (that is, in the same security with equal rights of payment or level of seniority). These opportunities may be subject to the approval of the co-investing ICP Affiliated Firm funds' executive or advisory board members in accordance with that fund's governing documents. A Fund expects that the relative amounts co-invested by the Fund and an ICP Affiliated Firm fund will be determined in the reasonable discretion of LEM and the management teams of the other applicable ICP Affiliated Firm in view of the amount made available for co-investment by the investment team which first sourced or originated the deal and the relative available capital, investment objectives, financing capacity and diversification limits of each fund participating in the co-investment (among other things).

LEM may enter into co-investments with third parties through joint ventures or other entities, some of which may be syndicators of pooled investment vehicles.

LEM may offer certain Institutional Investors as defined by the Fund's Governing Documents, an opportunity to co-invest in Fund's investment on the same terms as those offered to a Fund but has no obligation to offer such opportunities. These co-investment opportunities will be allocated pro rata based on the commitments of the Fund's Institutional Investors.

LEM and/or the Funds may from time to time enter into other written agreements or side letters with one or more investors whereby, in consideration for agreeing to invest certain amounts in a Fund and other consideration deemed material to a Fund, such investors may be granted rights not otherwise afforded to other investors who have invested a lesser amount. These side letters may entitle an investor to make an investment in a Fund on terms other than those described in the Funds' organizational and offering documents. These differing terms may address: (i) reporting obligations; (ii) transfer rights to affiliates; (iii) withdrawal rights due to adverse tax or regulatory events; (iv) consent rights to certain partnership agreement amendments; or (v) any other matters described in a Fund's offering documents may be more favorable than those offered to any other investors who have invested a lesser amount. Such agreements will have the effect of establishing rights under, or altering or supplementing the terms of, the partnership agreement with respect to such investor.

Investors should take time to review the conflicts as more fully described in each of the Fund's offering documents prior to making an investment decision to invest in a Fund.

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

*Code of Ethics* - LEM has adopted a written code of ethics (the "Code") that is applicable to all of its partners, officers and employees ("Access Persons") and is designed to comply with Rule 204A-1 of the Advisers Act. LEM's Code is based upon the premise that LEM and its Access Persons have a fiduciary responsibility to render professional, continuous and unbiased investment advisory service and put the interests of its Funds first. The Code requires all Access Persons to (1) comply with all applicable laws and regulations; (2) observe all fiduciary duties and put Fund interests ahead of those of LEM; (3) observe LEM's personal trading policies so as to avoid "front-running" and other conflicts of interests between LEM and its Funds; (4) report any perceived violations of the Code; and (5) ensure that they have read the Code, agreed to adhere to the Code, and are aware that a record of all violations of the Code will be maintained.

The Code governs the securities trading and investing activities of all Access Persons for their own personal accounts. All Access Persons must first pre-clear personal trades for covered securities, as defined under the policy, in personal accounts where they have beneficial ownership. They must also seek preapproval when participating in a private placement or transacting in initial public offerings ("IPOs"). A pre-clearance request will be denied if such securities or an issuer are under consideration for investment, or have been acquired by an LEM Fund or LEM or its affiliates are in receipt of material non-public information of a publicly-traded company or if another conflict of interest may exist.

Under the Code, Access Persons are also required to file certain periodic reports and certifications with LEM's Chief Compliance Officer. A copy of the Code is distributed to each Access Person at the time of hire and annually thereafter. Access Persons are also required to attend annual Code of Ethics training and certify that they are in compliance with the Code. Access Persons who violate the Code can be subject to sanctions by LEM's Compliance Committee, including possible employment termination. A copy of the Code is available upon request from LEM's Chief Compliance Officer, Michelle Vaughn at [mvaughn@lemcapital.com](mailto:mvaughn@lemcapital.com).

LEM Co-Founders and investment professionals may have business interests separate and apart from their interests in LEM and its Funds. Such outside business interests may include controlling, voting and non-voting interests in private equity funds, operating companies, and private real estate investments. New outside business interests are subject to review by the Chief Compliance Officer to check for obvious conflicts of interest. Existing outside business interests are reviewed at least annually for changes in circumstances which could potentially lead to material conflicts. If an employee becomes aware of a material conflict of interest between such employee or such employee's role with respect to a Fund and one of such employee's outside business interests, such employee is expected to inform LEM's Chief Compliance Officer and, where possible, propose methods to mitigate the conflict. Mitigation efforts may include, among other things, recusing oneself from participating in certain decisions, and, where required by a Fund's limited partnership agreement, disclosing such conflict to, or seeking a waiver of

such conflict from, the applicable Fund's advisory committee. Nevertheless, from time to time, various conflicts of interest may arise. For example, some of the existing private real estate investments may be in the same asset class or general market as investments of the Fund and may compete for tenants or other resources.

Co-founders, certain employees, related persons and other accredited investors may invest in the Funds, either through a general partner affiliate or as direct investors in the Funds. LEM or an affiliated general partner, as applicable, may reduce all or a portion of the Management fee and/or Carried Interest related to investment held by such persons.

For more information regarding LEM's practice with respect to recommendations to Funds of investments or simultaneous purchases in which LEM or a related person has a material financial interest, please reference Item 10.

## **Item 12. Brokerage Practices**

LEM is granted discretion over the selection and size amount of its Fund's real estate investments and/or securities to be bought or sold without obtaining prior consent or approval from any Fund investor. LEM's investment authority with respect to any particular Fund is subject to the investment objectives, guidelines and/or conditions set forth in the Fund's private offering documents. It should be noted that the LEM Funds invest in privately negotiated real estate transactions where the brokerage terms of such transactions are largely influenced by a third party operating partner and their capabilities to successfully close on such real estate transactions. LEM seeks to have transactions executed in the best interest of the participating Funds, taking into account various factors such as the size, competence, terms and deal structure. LEM does not participate in or accept any soft dollar benefits or commission sharing arrangements and does not direct any brokerage in exchange for referrals. For more information regarding LEM's practice to aggregate a Fund's co-investments opportunities, please reference Item 10.

## **Item 13. Review of Accounts**

***Monitoring of Accounts*** - LEM monitors each investment on a constant basis through an asset management program designed to track an investment's financial and operating performance. The asset management team will seek to augment monitoring by continuing to provide industry related research for each investment. LEM believes that the key to an investment exit lies in the ongoing knowledge of the asset's performance and the market where it is located.

Further, each Fund requires detailed financial reports and operating information from each investment on a regular basis and conducts routine reviews and quantitative analyses. All investments are assigned to an asset manager who will be responsible for maintaining communication with the borrower or investment sponsor and their respective management teams. Formal asset review meetings are held quarterly and on an as-needed basis in order to monitor the investment's performance. When feasible, a Fund may structure investments with financial penalties aimed at compelling covenant compliance. Moreover, a Fund may enhance oversight when an investment underperforms its underwritten plan.

In addition to routine investment oversight through daily communications among the investment teams, formal portfolio review meetings are held quarterly or on an as-needed



basis with the Managing Partners of LEM. Asset valuations, including permanent write-downs, are reviewed by the valuation committee on a quarterly basis pursuant to generally accepted accounting principles required procedures.

***Investor Reporting*** - LEM provides Fund investors with the following: (i) annual audited financial statements; (ii) quarterly unaudited financial statements; (iii) quarterly or semi-annual reports containing an operational summary of the Funds' investments; and (iv) such other information as is necessary for the preparation of tax returns. In addition, LEM generally schedules an annual advisory board and investor meeting to review the status of each Fund.

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

LEM does not receive any compensation or economic benefit (i.e., sales awards or prizes) from a third party for advisory services other than from the Funds and their investors.

From time to time, LEM may enter into solicitation or consulting arrangements pursuant to which LEM will compensate persons for client referrals. With respect to investors that are referred by the consultant, a consulting fee will be paid by LEM, not the Fund, as agreed upon by the terms of the consulting agreement.

#### **Item 15. Custody**

Each LEM Fund is subject to audit by a registered independent accountant at least annually, distributes its audited financial statements prepared in accordance with generally accepted accounting principles to all investors within 120 days of the end of its fiscal year, and upon liquidation will distribute its audited financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles to all Fund investors promptly after the completion of such audit. Certificated securities, as required by applicable law, are placed in custody with a third party qualified custodian.

#### **Item 16. Investment Discretion**

Under each Fund's offering documents, LEM has investment discretion to manage the Funds' assets.

#### **Item 17. Voting Client Securities**

LEM investment strategy and portfolio composition do not include investments in publicly traded securities that attach voting rights, such as common stock. Therefore, LEM does not vote any proxies.

#### **Item 18. Financial Information**

LEM does not require or solicit prepayment of fees six months or more in advance. LEM is not subject to any financial condition that would likely impair its ability to meet contractual commitments to its Funds.

