

Carmel Management III, LLC

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August 13, 2018

This Brochure provides information about the qualifications and business practices of Carmel Management III, LLC (the “Fund III Adviser”), a related adviser of Carmel Management, LLC (the “Fund I/II Adviser”), Carmel Management IV, LLC (the “Fund IV Adviser”), Carmel Management V, LLC (the “Fund V Adviser”), Carmel Management VI, LLC (the “Fund VI Adviser”), and Carmel Management VII, LLC (the “Fund VII Adviser,”) (together the Fund III Adviser, the Fund I/II Adviser, the Fund IV Adviser, the Fund V Adviser, the Fund VI Adviser, and the Fund VII Adviser, the “Advisers,” who collectively operate under the trade name “Carmel Partners” and who will for purposes of this Brochure be referred to as, the “Adviser”). If you have any questions about the contents of this Brochure, please contact us at 415-273-2900. 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. Registration with the SEC does not imply a certain level of skill or training.

Additional information about the Adviser is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

There have been the following material changes since our last update on March 31, 2018:

- **Cover Page**– We have updated the cover page to include the Fund VII Adviser;
- **Item 4** – We have updated our reported Regulatory Assets Under Management.

In addition, significant updates were made to language in the following areas (which do not reflect changes in underlying business practices):

- **Item 5** – We have updated this section to further clarify certain expenses borne by the Funds;
- **Item 11** – We have updated this section to further clarify the allocation of co-investment opportunities.

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Item 4 – Advisory Business

Generally

The Adviser, founded in 2004, is a Delaware limited liability company. The Adviser provides investment advisory and administrative services to real estate private equity funds and their real estate investments (the “Funds”).

The Funds rely on the exemption contained in section 3(c)(7) of the U.S. Investment Company Act of 1940, as amended from time to time (the “Investment Company Act”). Section 3(c)(7) exempts issuers, among other requirements, whose outstanding securities are owned exclusively by “qualified purchasers,” as defined under the Investment Company Act.

Principal Owner and Managers

The Adviser is principally owned by Ron Zeff.

The day-to-day affairs of the Adviser are generally managed by Daniel Garibaldi, Dennis Markus, Michael LaHorgue, and Ron Zeff (the “Senior Managers”).

Advisory Services

The general investment strategy of the Adviser is described in Item 8 and set forth more fully, where applicable, in the offering documents of the Funds (the “Offering Documents”) and/or in the limited partnership or similar governing agreement of the Funds (the “Partnership Agreements”). The Adviser provides services to the Funds in accordance with the Offering Documents and Partnership Agreements and the management agreements between the Adviser, the Funds and the general partners of the Funds (the “Management Agreements”; together with the Offering Documents and Partnership Agreements, the “Governing Documents”). The Adviser’s sole clients are the Funds. The Adviser’s investment advisory services are limited to the types of services described in this Brochure, as supplemented by the Governing Documents of the Funds.

Fund Structure

The Funds are organized as Delaware limited partnerships. The Funds are controlled by general partners that are related persons of the Adviser (the “General Partners”). The Funds are managed by the Adviser. The Adviser investigates, analyzes and structures potential investments for the Funds. The Adviser has the general authority to recommend investments to the General Partners and perform all day-to-day investment and asset management functions of the Funds, subject to the limitations set forth in the applicable Management Agreements and Partnership Agreements. The General Partners are ultimately responsible for the conduct of the Funds and for making investment decisions.

The General Partners may establish for certain Funds co-investment vehicles (“Co-Investment Funds”), parallel funds, alternative investment vehicles, real estate investment trusts (“REITs”) or other investment vehicles to address the tax, regulatory or other concerns of certain limited partners. If a General Partner elects to make co-investment opportunities available to limited partners of a Fund, the terms of the Co-Investment Fund may not be more favorable than those of such Fund.

Disclosure Documents

Prior to investing in a Fund, each investor is provided with copies of that Fund’s investor presentation, subscription agreement, Partnership Agreement and summary of principal terms. Each document should be read carefully prior to investing in a Fund.

Investment Restrictions

The Partnership Agreements contain, or incorporate by reference, restrictions on investing in certain securities or types of securities. Such restrictions may be waived in certain cases with the consent of a Fund’s Advisory Committee, the voting members of which are representatives of the limited partners in that Fund and who are unaffiliated with the Adviser (the “Advisory Committee,” further described in Item 6).

Management of Client Assets

As of March 31, 2018, the Adviser managed an aggregate of approximately \$3,447,985,289 of client assets for the Funds on a discretionary basis and no client assets on a nondiscretionary basis.

Item 5 – Fees and Compensation

Adviser Compensation

A Fund pays the Adviser an annual management fee (the “Management Fee”) in accordance with such Fund’s Partnership Agreement and Management Agreement. The Management Fee is payable to the Adviser in quarterly installments in advance. The Management Fee may be paid either (a) through a capital call requiring the limited partners of a Fund to make capital contributions to such Fund or (b) by deducting the amount of the Management Fee from distributable cash otherwise payable to the limited partners of such Fund. Upon termination of a Management Agreement, the Adviser is required to repay to the applicable Fund the unearned portion (computed on the basis of the number of days elapsed), if any, of any Management Fees previously paid to the Adviser. Each quarterly installment of the Management Fee, calculated with respect to each limited partner of a Fund, is reduced by an amount equal to such limited partner’s (x) *pro rata* share of any Organizational Expenses (defined in “Additional Expenses” below and excluding Placement Fees, if any) that exceed the threshold set forth in the applicable Partnership

Agreement and, where applicable, (y) *pro rata* share of all transaction fees, investment banking fees, break-up fees, acquisition and disposition fees, or other similar fees received in connection with an investment or a prospective but unconsummated investment by a Fund, as set forth in the applicable Partnership Agreement and (z) capital contributions used to pay Placement Fees (defined in “Additional Expenses” below), if any.

The General Partners, affiliates of the Adviser, also receive “carried interest” (a form of performance-based compensation) from their respective Funds, as is described in Item 6. Performance-based compensation is not earned based on internal or third-party asset valuations reported to investors.

The Adviser does not ordinarily deal with any financial intermediary such as a broker-dealer and commissions are not ordinarily payable in connection with a Fund’s investments as described in Item 12.

Additional Expenses

A Fund is responsible for certain costs and expenses incurred by the Adviser and/or its affiliates in connection with the operation and activities of such Fund. These expenses, which may be paid by the Fund (or the Adviser and/or its affiliates and reimbursed by such Fund), may include, but are not limited to: (a) the Management Fee; (b) fees and expenses relating to consummated portfolio investments, proposed but unconsummated investments and temporary investments, including the evaluation, pursuit, negotiation, acquisition, structuring, holding, monitoring, financing, leasing (including, but not limited to, marketing expenses) and disposition thereof (including all other fund expenses related to the evaluation or pursuit of portfolio investments (whether or not such investments were consummated), such as legal and accounting expenses, brokerage fees, engineering costs, inspection fees, deposits on potential investments and the fees of any other financial or other advisors (and any interest on indebtedness related to such evaluation or pursuit expenses)), capital expenditures, environmental and property management expenses, engineering costs and studies, third-party appraisal and valuation expenses and title, casualty and liability insurance premiums related thereto, to the extent not reimbursed, costs related to software used in the operations of the Funds and their subsidiaries, and rent discounts; (c) interest on and fees and expenses related to or arising from any indebtedness, borrowings or hedging activities (including, without limitation, any credit facility, guarantee, letter of credit or other credit support); (d) sales, leasing and brokerage commissions, construction management fees, development services fees or other similar fees in connection with the development and construction services, Hard Construction Costs (as defined below), Soft Construction Costs (as defined below), loan servicing fees, costs of tenant and capital improvements, custodial expenses and other costs incurred in connection with portfolio investments; (e) premiums for insurance protecting the Fund, its portfolio investments or any subsidiary REIT and any persons entitled to indemnification pursuant to the Partnership Agreement from liabilities to third persons and any insurance coverage expenses, including third-party fees, costs and expenses associated with obtaining

and maintaining insurance, including allocated costs of blanket insurance programs and all broker fees, costs and expenses associated with risk management, risk management consultants and risk mitigation and fees, costs and expenses related to under-deductible losses and uninsured losses; (f) legal, custodial, depositary, administrative, accounting, regulatory and compliance expenses, including expenses associated with (i) the preparation of financial statements, tax returns, tax estimates, tax analysis and Schedule K-1s and the representation of the Fund or its partners by an Affiliate of the Adviser before the IRS or any other taxing authority and (ii) U.S. Treasury forms and compliance with sections 1471 through 1474 of the Internal Revenue Code and any regulations promulgated thereunder; (g) auditing, accounting, banking and consulting expenses; (h) expenses related to organizing and maintaining persons (including any alternative investment vehicles and blocker corporations) through or in which portfolio investments may be made; (i) expenses of the Advisory Committee; (j) costs and expenses that are classified as extraordinary expenses under generally accepted accounting principles; (k) except as otherwise provided in the applicable Partnership Agreement, real estate and other taxes, including consulting fees for the reassessment or reduction of taxes or expenses and other governmental charges, fees and duties, and interest and penalties related to the Fund, its portfolio investments and any subsidiary REITs, including transfer taxes, mortgage recording taxes, income taxes and all other applicable state and local taxes and fees; (l) expenses related to claims, demands, liabilities, costs, expenses, damages, losses, suits, proceedings and actions against persons entitled to indemnification under the Partnership Agreement arising out of an investment or other activities of the Fund, activities undertaken in connection with the Fund or otherwise relating to or arising out of the Partnership Agreement, including amounts paid in satisfaction of judgments, in compromise or as fines or penalties, and counsel fees and expenses incurred in connection with the preparation for or defense or disposition of any investigation, action, suit, arbitration or other proceeding; (m) costs of reporting to and meeting with the partners and governmental authorities with respect to the partners, the Fund or the Fund's activities and investments (including preparation of Form PF with respect to the Fund and its portfolio investments and any expenses relating to the Fund's compliance with the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers ("AIMFD") (other than AIFMD-related Organizational Expenses)); (n) costs of the annual meeting, including travel costs of employees of the Adviser and its affiliates, costs associated with branded and other items prepared for the annual meeting, and other similar costs; (o) costs, expenses, fees, contributions and dues associated with development approvals, conferences (including expenses related to attendance at industry conference), trade association memberships, subscriptions, research, advocacy, educational organizations and charities, in each case incurred for the benefit of the Fund or a portfolio investment; (p) costs of winding up and liquidating the Fund, any alternative investment vehicles and their respective subsidiaries; (q) travel costs (including airfare, hotels, meals and ground transportation; in the case where a non-commercial plane is used, the expense shall be limited to the expense of unrestricted first-class airfare for an equivalent trip for each applicable passenger) related to the fund expenses described above; (r) any expenses

relating to offering to any limited partner the opportunity to elect, and the election by such limited partner of, the rights and benefits established by side letters or other written agreements in favor of the other limited partners; and (s) such other expenses as may be approved by the Advisory Committee. Other specific expenses borne by a Fund include allocated payroll (including base salaries, bonuses, medical benefits, retirement benefits, payroll taxes, severance payments, recruiting and moving expenses, administrative costs, rent discounts and other fringe benefits) and related overhead of affiliates of the Adviser that provide ancillary property-level services (*e.g.*, revenue management or services related to property damage, including related insurance claim management) with respect to a portfolio investment, and/or who are on-site or primarily on-site or who are project managers.

To the extent that any of these costs are incurred by the Adviser, a Fund will be responsible for reimbursing the Adviser.

Because investments are generally not allocated between the Funds (other than Co-Investment Funds), most expenses are generally not allocated between the Funds. However, in the event that expenses are associated with multiple Funds or one or more of the Funds and the business of the Adviser (or its affiliates), the Adviser will allocate the expenses among the Funds and the Adviser in good faith and in its reasonable best judgment in a manner that it deems to be fair to all of the Funds incurring such expenses. In addition, in such cases where an investment is allocated between the Funds, the expenses associated with such investment will be allocated as described in Item 11.

With respect to co-investments by Co-Investment Funds, certain investors of a Fund or other third-party co-investors (collectively, “Co-Investors”, excluding, for the avoidance of doubt, co-developers and other joint venture partners), investment expenses related to such investments are generally borne by the Fund and such Co-Investors in proportion to the capital committed by each to such investments, unless otherwise agreed upon by the applicable Fund’s Advisory Committee. Investment expenses related to any such investments that are not consummated shall be borne solely by the Funds and not by any Co-Investors.

To the extent that the Adviser, a General Partner or any of their affiliates provide a Fund with legal services that would otherwise be performed by third parties, the costs attributable to such services (including employment costs and related overhead attributable thereto, as reasonably determined by a General Partner, up to an amount not to exceed market rates for such services) are treated as an expense of such Fund and disclosed to its limited partners annually.

A Fund also pays all legal, accounting, filing and other organizational and offering fees and expenses, including travel and printing expenses, incurred in connection with the formation and organization of, and sale of interests in, such Fund (collectively, the “Organizational Expenses”); to the extent that these fees and expenses (excluding

Placement Fees) exceed the threshold set forth in such Fund's Partnership Agreement, such excess is borne by the General Partner and its affiliates.

The Adviser has entered into an agreement with a placement agent in connection with the marketing and sale of interests of a Fund. Any fees charged by any such placement agent ("Placement Fees") may be paid by the Fund but will ultimately be borne by the Adviser through an offset of the Management Fee.

Affiliate Fees

Affiliates of the Adviser and the General Partners may be entitled to receive from the Funds additional fees in connection with operational services performed for such Funds or with respect to portfolio investments, including certain development services fees, construction management fees, property management fees or other similar fees received in connection with the operation of a portfolio investment. These additional fees will not exceed the rates set forth in the Partnership Agreements payable for such services without the consent of a Fund's Advisory Committee. Additionally, subject to the consent of the Advisory Committee, the Adviser and/or its affiliates may receive additional fees that are not contemplated by the Partnership Agreements.

Property Management Fees

Although the Adviser expects that property management services will generally be provided by a third-party property manager and is not currently providing any property management services, the real property investments of certain Funds may be managed by an affiliate of the Adviser, or in certain circumstances, co-managed by an affiliate of the Adviser and a third-party manager (if the Adviser determines co-management is in the best interest of the investment). Property management fees paid by a Fund to an affiliate of the Adviser are calculated as a percentage of gross revenues from the property at the rate set forth in the Partnership Agreement. The property management fees paid to a third-party property manager are negotiated on a case-by-case basis by the Adviser.

Construction Management and Development Services Fees.

Affiliates of the Adviser may receive fees as a percentage of the costs associated with providing construction management ("Construction Management Fee") and development services ("Development Services Fee") to investments of the Funds. The terms and conditions of such arrangements will generally be set forth in the contracts entered into between the Adviser's affiliates and the underlying portfolio investments. The applicable rates for such services are set forth in the Partnership Agreements.

The Construction Management Fee is generally calculated as a percentage of all Hard Construction Costs, although certain contracts may vary. "Hard Construction Costs" may include with respect to any property, the costs of all materials and labor and any other costs

and fees for the physical construction or renovation of the projects associated with such property, including general conditions, OCIP insurance costs, on-site construction trailer costs, trash removal costs or costs of demolition; cost of environmental abatement, cleanup or removal; costs of labor and materials incurred in the installation of infrastructure and construction of offsite improvements and on-site improvements at the property, building shell and core; costs of parking and landscaping improvements, safety, and fixtures, appliances and equipment; printing, travel expenses of project related construction personnel, including the construction personnel of the Adviser's affiliates, telephone and other communications expenses, and delivery costs and contingency costs; construction management fees; and all other costs defined in the respective project construction agreements, all other hard costs related to the development and construction of the project, including all out-of-pocket expenditures in connection with the rendering of such services, and all other items included in the Construction Specification Institute's master format. For these purposes, labor costs include the allocated portion of the compensation (e.g., base salaries, bonuses, medical benefits, retirement benefits, payroll taxes, severance payments, recruiting and moving expenses, administrative costs, rent discounts and other fringe benefits) and customary out-of-pocket expenses of the employees of the Adviser's affiliates who are on-site or primarily on-site or who are project managers.

The Development Services Fee is generally calculated as a percentage of aggregate Hard Construction Costs and Soft Construction Costs, although certain contracts may vary. "Soft Construction Costs" may include with respect to any property, costs for or related to land, land acquisition, sourcing, closing and due diligence; the costs of financing the project; inspections; building and planning permits or licensing fees and impositions; municipal fees; the fees of architects, environmental, civil or geotechnical engineers or other consultants; interest expense; insurance; preleasing and startup costs; costs and fees for software and user licenses used in the construction and development of the project; tenant improvement allowances, furniture and moveable equipment; project related travel expenses of personnel of the Adviser's affiliates; development fees and all other costs related to the development and construction of the project other than Hard Construction Costs, including all out-of-pocket expenditures in connection with the rendering of the services, all development execution costs, including those related to design and estimating and obtaining entitlements for the project; and other pre-construction and development project management and coordination activities.

If the development or construction of a real property investment is co-managed by an affiliate of the Adviser and a third-party manager or general contractor, or an affiliate of the Adviser is providing certain development or construction services, the Adviser's affiliate may in certain Funds receive all or a portion of the Development Services Fee or a portion of the Construction Management Fee applicable to the services provided by the affiliate and in such cases the third-party manager or general contractor will receive a fee commensurate with the services provided by such third-party manager. Certain of the Partnership Agreements provide for a cap in such co-management circumstances on the

portion of the Construction Management Fee that the Adviser's affiliate may be entitled to receive.

The foregoing discussion in Item 5 represents the Adviser's basic compensation arrangements. The management fees and performance allocations described above are structured to comply with Rule 205-3 under the Advisers Act and applicable state laws. Other investment advisers may charge different fees for comparable services.

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

As discussed below, the Adviser generally receives an incentive allocation in the form of carried interest. Due to the Funds' structure, the Adviser allocates investment opportunities to each Fund, and not to individual Investor accounts. Further, the Adviser will generally be selecting investments for a single Fund at a given time (other than the overlapping period when a predecessor Fund and a successor Fund are both able to make investments). Therefore, there are generally no potential conflicts of interest related to side-by-side management.

Pursuant to the Partnership Agreements, the General Partners are entitled to receive "carried interest" with respect to the limited partners of their applicable Funds as a percentage of investment profits, subject to satisfaction of a cumulative preferred return (performance threshold), compounded annually. The General Partners are related persons of the Adviser. Such carried interest is paid out of proceeds realized from the operations of and disposition of the applicable investments of a Fund.

The existence of carried interest may incentivize the Adviser to dedicate increased resources and allocate more profitable investment opportunities to certain Funds or a new fund whose distribution characteristics would allow the Adviser or its affiliates to receive a higher carried interest (or to be paid a carried interest sooner) based on the success of portfolio investments. Further, the Adviser may be incentivized to allocate investment opportunities to a Fund that, based on investment performance, is not required to reimburse such Fund for losses attributable to prior unprofitable investments. This conflict is mitigated by the fact that (a) as a general matter, the Adviser will generally be selecting investments for a single Fund at a given time (other than the overlapping period when a predecessor Fund and a successor Fund are both able to make investments), (b) the Adviser has developed compliance policies and procedures designed to address related conflicts of interests, described in Item 11 and in the applicable provisions of the Partnership Agreements, and (c) a Fund's Advisory Committee provides advice and counsel on issues requested by the General Partner or required pursuant to the applicable Partnership Agreement in connection with potential conflicts of interest relating to such Fund. No fees are paid to the members of the Advisory Committee, but the members may be reimbursed for reasonable out-of-pocket expenses incurred in connection with attending Advisory Committee meetings.

The existence of carried interest may also create an incentive for the General Partner and the Adviser to make more speculative investments on behalf of a Fund than they would otherwise make in the absence of such carried interest. To help align the interests of the General Partner and the Adviser with those of a Fund's limited partners, the General Partner and its affiliates will invest in such Fund an amount specified in the applicable Partnership Agreement.

See also Item 11 – Allocation of Investment and Sale Opportunities Policy and Item 12 – Aggregation of Client Trades for additional information related to the management of the Adviser's client accounts.

Item 7 – Types of Clients

As described in Item 4 above, the Adviser's sole clients are the Funds. Limited partners in the Funds are generally required to make a minimum commitment of \$5 million, but the General Partner has the discretion to waive, and has previously waived, this minimum commitment in certain circumstances. Limited partnership interests in the Funds may be purchased only by investors that are, among other criteria as specified in the Partnership Agreements, (a) "accredited investors," as defined in Regulation D of the U.S. Securities Act of 1933, as amended, and (b) (other than with respect to certain Co-Investment Funds) "qualified purchasers" for purposes of section 3(c)(7) of the Investment Company Act of 1940, as amended.

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

The Funds will generally seek to make investments in real estate and real estate-related assets located primarily within the United States. The Funds pursue a value-added strategy that principally seeks to acquire, develop/renovate, and manage a portfolio of multi-family residential properties in relatively supply constrained markets.

As noted above, the Funds generally do not engage in public securities transactions. However, the Funds occasionally make investments in "Marketable Securities", defined as any unrestricted financial instrument that can be bought or sold on a public stock exchange or a public bond exchange. The Funds limit transactions in Marketable Securities to Freddie Mac-issued K-Certificates. These securities are publicly offered by preselected placement agents. Freddie Mac has complete discretion as to the selection of placement agents used; therefore, the Funds cannot select the executing broker-dealer used for the transaction. The executing broker is not paid an explicit fee by the Adviser nor the Funds.

The foregoing excludes the nominal amount of public REIT securities that may be acquired to establish REIT status at the inception of each REIT. The selection and purchase of such securities, which are less than 0.01% of a Fund's total equity commitment are made at the discretion of the Adviser.

Additionally, the Funds occasionally engage in other transactions, including Re-Securitizations of Real Estate Mortgage Investment Conduits (or “Re-REMICs”). During such times, the Adviser follows the procedures as outlined within its written compliance policies and procedures.

The investment strategy begins with market selection. The Funds typically focus their acquisition program on markets that are characterized by (a) projected growth in demographics that tend to rent rather than own their residences and (b) larger, more active metropolitan markets that attract institutional investment activity. The Adviser and its affiliates maintain regional offices across the United States that assist with due diligence efforts and investment market selection. The local and regional presence of the Adviser enables it to maintain a constant dialogue with apartment owners, real estate consultants, brokers and attorneys within each submarket.

The Adviser’s regional investment teams maintain a proprietary database of multifamily investment opportunities throughout their respective markets. The regional investment teams identify and analyze potential investment opportunities and develop financial projections, which they present to the Investment Committee. Prospective investments that have a high potential for meeting a Fund’s targeted goals are then selected for further analysis. On a regular basis, the Investment Committee presents the Adviser’s executive management team with an update on potential acquisitions.

Following additional due diligence efforts and a site visit by one or more members of the relevant General Partner’s Investment Committee responsible for final investment decisions, the regional office responsible for the prospective investment property will generate an approval document for the Investment Committee’s consideration. The approval document generally includes: (i) an overview of the investment plan, which includes a description of the property and its location, the structure of the investment entity, the sources and uses of funds, and the equity investment structure and estimated financing terms; (ii) a summary investment analysis; and (iii) risk factors.

Certain Risks Relating to the Investment Strategies of the Funds

Investing in securities involves risk of loss that investors should be prepared to bear. Investment in a Fund should only be undertaken by investors capable of evaluating these risks. Set forth below is a non-exhaustive list of such risks, which are summarized in greater detail in a Fund’s Offering Documents, where applicable:

- exposure to the general risks of real estate investments;
- natural fluctuations and cycles inherent to the real estate industry;
- highly competitive market for investments;

- exposure to the risks of new development;
- investments in non-performing or other troubled assets;
- exposure to a variety of local, state and federal statutes, ordinances, rules and regulations concerning the protection of health and the environment;
- regulation of the real estate industry;
- lack of diversification;
- reliance on the experience, relationships and expertise of the Senior Managers;
- illiquidity of investments;
- potential liabilities in connection with dispositions of investments;
- debt financing for transactions;
- failure or inability of the Fund to make follow-on investments;
- changes in interest rates;
- exposure to the risks of investment with co-investment partners;
- litigation at the property level;
- casualty losses not covered by insurance; and
- compliance with REIT requirements.

Item 9 – Disciplinary Information

The Adviser and its management persons have not been a party to any legal or disciplinary events that would be material to an investor's or prospective investor's evaluation of its investment advisory business or the integrity of its management.

Item 10 – Other Financial Industry Activities and Affiliations

Neither the Adviser nor its management persons are registered as a broker-dealer, broker-dealer representative, futures commission merchant, commodity pool operator, or a commodity trading adviser.

The Adviser manages, controls and operates real estate funds with a similar investment strategy and objective. As described in further detail in Item 11, the Adviser has adopted compliance policies and procedures relating to the conflicts of interest among the Funds. Any conflicts of interest that arise in the context of the relationship between the Adviser and its respective affiliates will be addressed in accordance with the Code of Ethics (described in further detail in Item 11), the Partnership Agreements and the Adviser's compliance policies and procedures, as applicable. Additionally, an affiliate of the Adviser, Carmel Partners, Inc. ("Carmel Partners"), maintains a real estate broker license. As described more fully in a Fund's Partnership Agreement and referenced in Item 6, as a general matter, any fees received by Carmel Partners or any affiliate of the Adviser for services rendered during construction or development of real property investments may not exceed the rates for such services set forth in the Partnership Agreement.

Certain of the Senior Managers are investors in preexisting real estate investments. The Partnership Agreements and the Code of Ethics (described in Item 11) address any potential conflicts of interest. As a general matter, during the investment period of a Fund, certain Senior Managers of the Adviser may not acquire, invest in or hold an interest in a portfolio investment of such Fund, except through the Fund's General Partner, without the consent of the Advisory Committee. However, prior to a Fund's investment period, certain Senior Managers and affiliates of the Adviser may acquire, invest in, reinvest in, hold or dispose of investments that would otherwise satisfy the investment objectives of such Fund. The Senior Managers are subject to the Code of Ethics (described in Item 11) and the Adviser's accompanying policies relating to personal securities transactions.

The Adviser does not utilize nor select other advisors or third-party managers. All assets are managed by the Adviser.

Use of Credit Facilities

The Funds have at times used a credit facility as a temporary source of capital, which has the potential to delay or eliminate the need to call capital from the Funds' Limited Partners. As such, the performance calculations reported to each Fund's Limited Partners could have differed had such Fund not utilized a credit facility.

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

Code of Ethics

The Adviser has adopted a code of ethics (the "Code of Ethics") pursuant to SEC Rule 204A-1 under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act") for all Covered Persons of the Adviser describing its high standard of business conduct and fiduciary duty to its Funds under the Advisers Act. "Covered Persons" include (a) any partner, officer, director (or other person occupying a similar status or performing similar

functions) or employee of the Adviser and (b) any other person who provides investment advice on behalf of the Adviser and is subject to the Adviser's supervision and control.

The Code of Ethics was adopted in order to establish the standard of conduct expected of all of the Adviser's Covered Persons, in light of the Adviser's duties to the Funds under the Advisers Act. Covered Persons must act at all times in accordance with the Adviser's fiduciary duty to its Funds. Each Covered Person should (i) at all times place the interest of the applicable Fund before his or her own interests, (ii) act with honesty and integrity with respect to the Fund and the Fund's investors, (iii) never take inappropriate advantage of his or her position with the Adviser for his or her personal benefit and (iv) make full and fair disclosure of all material facts, particularly where the Adviser's or a Covered Person's interests may conflict with a Fund.

The Code of Ethics contains provisions designed to identify conflicts of interest with Covered Persons and to provide a means to resolve any actual or potential conflicts in a fair and equitable manner. The Code of Ethics also includes provisions relating to the confidentiality of information, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and restrictions and reporting obligations relating to making political contributions, among other matters.

The Code of Ethics contains provisions designed to prevent improper personal trading by Access Persons. "Access Persons" are Covered Persons (a) who have access to material non-public information regarding any clients' purchase or sale of securities, or non-public information regarding portfolio holdings of any reportable fund, or (b) who are involved in making securities recommendations to clients (or who have access to such recommendations that are non-public). The Code of Ethics forbids any Access Person from engaging in any insider trading and from disclosing or using material non-public information in violation of applicable law. Access Persons are prohibited from engaging in any transactions involving securities of companies designated on the restricted list, which is maintained by the Chief Compliance Officer (CCO) and his or her designee, in order to prevent potential legal, business or ethical conflicts, to minimize the risk of unlawful trading in any account where the Access Person has an interest and to guard against the misuse of material non-public information. The Code of Ethics generally restricts trading in close proximity to a Fund's investment activities. All the Adviser's Access Persons are required by the personal securities transaction policy in the Code of Ethics to:

- provide an initial list to the CCO of brokerage accounts and securities owned;
- report securities holdings and accounts to the CCO annually;
- report personal investment transactions to the CCO quarterly and annually; and
- pre-clear certain personal securities transactions.

The trading by Access Persons is routinely monitored by the CCO pursuant to the Code of Ethics in order to reasonably prevent and address conflicts of interest among the Adviser, Access Persons and the Funds. Access Persons who become aware of any possible conflicts of interest are required to report the potential conflict to the CCO.

The CCO will periodically, but no less than annually distribute a copy of the Code of Ethics to all Covered Persons. The CCO will also promptly distribute all amendments to the Code of Ethics. All Covered Persons are required to acknowledge their receipt of the Code of Ethics on an annual basis.

Clients of the Adviser may request a copy of the Code of Ethics, free of charge, by contacting the Adviser's CCO.

Participation or Interest in Client Transactions

The Adviser investigates and structures potential investments of a Fund, as described in Item 16. Principals of the Adviser have a material financial interest in these investments through their commitments to the General Partners. Additionally, the Adviser has adopted the Code of Ethics and written compliance policies to ensure compliance with the provisions of the Partnership Agreements that address potential conflicts of interest involving the Adviser and its related persons. While the Funds may make certain investments through special purpose vehicles, including REITs ("SPVs"), the Adviser views such SPVs as part of the Funds and the Adviser receives no additional benefits from advising the SPVs.

Allocation of Investment and Sale Opportunities Policy

As a general matter, during the investment period of a Fund, the General Partner and its affiliates (subject to any existing obligations) will offer to such Fund any investment opportunity that the General Partner believes in good faith is suitable and appropriate for such Fund and is consistent with such Fund's investment objectives, to the extent that such Fund has remaining capital commitments. For certain Funds with overlapping investment periods, in the event that a project's required capital commitment exceeds the available capital in a predecessor Fund, or the investment is otherwise not deemed appropriate for such Fund, then the project may be considered for the subsequent Fund.

The Adviser generally does not allocate investment opportunities among the Funds; however, as described in Item 10, certain Funds may offer co-investment opportunities to Co-Investors (either directly or through a Co-Investment Fund).

To the extent that a Partnership Agreement does not address the manner in which the investment opportunity should be allocated, the Adviser will allocate the opportunity in good faith, according to the policies and procedures set forth in its written compliance policies and procedures. Although it is not the Adviser's general practice to allocate

investment opportunities or transactions amongst the Funds, in the event that such allocations must be made, it is the Adviser's policy to make such allocations in a fair and equitable manner over time. If a Fund that initially conducts due diligence does not make the investment, and the investment is subsequently made by a different Fund, the Fund that ultimately makes the investment will reimburse the Adviser and its affiliates or the other Fund that initially conducted the diligence of the investment for any pursuit costs plus, in certain cases, an interest component.

In general, such investment decisions are made independently of each other and are made with specific deference to the individual needs and objectives of a Fund and the other Funds, as set forth in the Trade Allocation Policy and in the Partnership Agreements. However, when determining whether an investment opportunity is appropriate for more than one of the Funds, each of the General Partners and/or any of its applicable affiliates, will consider a variety of investment factors which may include, among other things: (a) suitability of the investment objectives and strategies for a Fund's portfolio; (b) investment guidelines and restrictions, including restrictions placed on the Fund by federal or state law; (c) the amount of time needed to bring a project to stabilization; (d) available capital including funding limitations; (e) allocation or concentration of certain types of investments; (f) considerations of custodian fees; (g) current market conditions and capacity and or liquidity of the opportunity; and (h) any other information determined to be relevant to the fair allocation of an investment opportunity.

Co-Investment Opportunities

The Funds may offer co-investment opportunities, either directly or through a Co-Investment Fund, with a Co-Investor with respect to one or more portfolio investments where the Adviser determines that the investment would benefit from the participation of a strategic partner or is an opportunity to acquire a portion of an investment not originated by the Adviser. Any allocations among the Funds and Co-Investors (whether directly or through a Co-Investment Fund and whether or not such Co-Investors are existing investors in the relevant Fund) would be made in such proportions as the Adviser determines in its sole discretion based on what the Adviser believes to be appropriate, subject to the terms and conditions set forth in the Governing Documents of the particular Fund. Co-Investors may have a variety of different relationships with the Funds, the General Partners, or the Adviser, creating potential conflicts of interest for the General Partners in determining any allocation to such Co-Investors.

Co-investment opportunities generally will be offered in the Adviser's sole discretion (subject to contractual requirements in the Partnership Agreements of certain Funds), in each case subject to such timing and other conditions as the Adviser may impose, the terms and conditions set forth in the Governing Documents of the particular Fund, and any other considerations that the Adviser determines in good faith is appropriate. When determining the persons to whom the Adviser offers a co-investment opportunity, and the relative amounts offered to each such person, the Adviser will take into account such factors as it

determines appropriate based on the relevant facts and circumstances, which may include one or more of the following: (i) the ability of an investor to commit to invest in a short period of time; (ii) the ability of an investor to commit to a significant portion of such opportunity; (iii) whether an investor provides strategic value in respect of such investment, such as by having relevant experience in the sector or existing relationships with management or other relevant parties; (iv) the size of an investor's commitment to one or more Funds; (v) whether and to what extent an investor has accepted prior co-investment opportunities offered to it; or (vi) such other factors as the Adviser deems relevant, which may include subjective determinations such as working relationships and strategic benefits to the Adviser or to one or more Funds.

The Adviser has adopted written compliance policies to ensure compliance with the provisions of the Governing Documents that address potential conflicts of interest relating to the allocation of investment and co-investment opportunities, as applicable, to Co-Investors.

Item 12 – Brokerage Practices

Due to the nature of the Funds' investments, broker-dealers are not generally selected by the Adviser for the purchase of securities. To date, the Funds' purchase of securities has generally been limited to those offered via placement agents; therefore, the Adviser is not in a position to select the brokers, dealers or underwriters used in purchases, except in the very limited circumstances where a Fund purchases publicly traded securities. In selecting broker-dealers for the execution of sales, the Adviser's objective will be to obtain "best execution" (that is, the most favorable price and execution). The Adviser may consider the scope and quality of a broker-dealer's services, including the nature of the security being traded, the size of the transaction, responsiveness and financial condition, and other considerations described in the Adviser's compliance policies and procedures when selecting a broker-dealer.

Research and Other Soft Dollar Benefits

The Adviser does not utilize soft dollar arrangements (that is, arrangements under which research and certain other services are acquired in connection with brokerage arrangements). The Adviser's policy is to bear the cost of research it receives that is unrelated to the operations and activities of the Funds. The Adviser does not direct investment opportunities or other transactions to brokers in order to acquire research or other services.

Aggregation of Client Trades

It is not typical for the Adviser to allocate trades to multiple Funds. In the event that a trade is allocated and two or more Funds invest simultaneously in the same securities, the purchase or sale of securities may be aggregated for the Funds in the same portfolio

investment. Where a sale opportunity is identified for an investment held by two or more of the Funds, the opportunity will be allocated in accordance with the applicable Partnership Agreements and the Adviser's compliance policies and procedures.

Item 13 – Review of Accounts

The investments made by the Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short term decision to dispose of investments. The Adviser's asset management and operations professionals actively monitor all investments by performing periodic sell/hold, valuation and property performance analyses. Each investment's performance is evaluated against the potential return and risk associated with continuing to hold the asset instead of selling the asset under then-current market conditions.

Limited partners in the Funds receive audited financial statements in compliance with their applicable Partnership Agreements. The General Partners also provide the limited partners of the Funds with periodic reports concerning the operations and performance of the applicable Funds and material changes in the financial condition or results of operations of the portfolio investments and such other information concerning the investments as the General Partners provide.

Item 14 – Client Referrals and Other Compensation

The Adviser has entered into an agreement with a placement agent in connection with the marketing and sale of interests of a Fund.

Item 15 – Custody

Because a related person of the Adviser serves as general partner of each Fund, the Adviser is deemed to have custody of Fund assets. Each limited partner of a Fund receives the Fund's audited financial statements prepared in accordance with generally accepted accounting principles and distributed to each investor in compliance with the applicable Partnership Agreement.

Item 16 – Investment Discretion

The Adviser has discretion to recommend investments for a Fund to such Fund's General Partner without the consent of the Fund's limited partners, subject to the limitations set forth in the applicable Management Agreement and Partnership Agreement. However, the management and the conduct of the activities of a Fund remain the ultimate responsibility of its General Partner, a related person of the Adviser.

Item 17 – Voting Client Securities

The Funds will primarily make real estate investments. Notwithstanding the foregoing, in the event that the Adviser is required to vote proxies on behalf of a Fund, the Adviser will abstain from voting, unless the Adviser determines that it is in the best interest of such Fund to vote the proxies. All conflicts of interest related to proxy voting will be resolved in a manner consistent with the best interests of the Fund.

The Adviser will provide to a Fund's limited partners, upon request: (a) information pertaining to proxies voted or abstentions by the Adviser on behalf of such Fund and/or (b) a copy of the Adviser's proxy voting policies and procedures.

Item 18 – Financial Information

The Adviser has no financial commitments that impair its ability to meet its contractual or fiduciary commitments to the Funds. The Adviser has not been the subject of a bankruptcy proceeding.