



CORAMERICA
A NASSAU RE COMPANY

NASSAU CORAMERICA LLC

1960 East Grand Avenue, Suite 240
El Segundo, CA 90245

(310) 606-8440

www.coramerica.com

FORM ADV PART 2A: FIRM BROCHURE

August 1, 2018

This brochure provides information about the qualifications and business practices of Nassau CorAmerica LLC. If you have any questions about the contents of this brochure, please contact us by phone at (310) 606-8440. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Nassau CorAmerica LLC is available on the SEC’s website at www.adviserinfo.sec.gov. Nassau CorAmerica LLC’s registration with the SEC does not imply a certain level of skill or training.

Item 2. Material Changes

The previous update to this Form ADV Part 2A firm brochure was made on March 28, 2018. Since then, this Form ADV Part 2A firm brochure has been updated to (i) reflect a change in the firm's legal name from "CorAmerica Capital, LLC" to "Nassau CorAmerica LLC," and (ii) update the firm description and related information in Item 4 due to a reorganization of the entities the indirectly beneficially own the firm, which such reorganization did not result in a change in control of the firm. The foregoing is a summary of only those changes made since the most recent update of this Form ADV Part 2A firm brochure that the firm believes are material.

Item 3. Table of Contents

	<u>Page</u>
Item 2. Material Changes.....	i
Item 3. Table of Contents	1
Item 4. Advisory Business.....	2
Item 5. Fees and Compensation.....	3
Item 6. Performance-Based Compensation and Side-by-Side Management	4
Item 7. Types of Clients.....	4
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss	5
Item 9. Disciplinary Information	20
Item 10. Other Financial Industry Activities and Affiliations	20
Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	21
Item 12. Brokerage Practices	23
Item 13. Review of Accounts	24
Item 14. Client Referrals and Other Compensation.....	25
Item 15. Custody.....	25
Item 16. Investment Discretion.....	25
Item 17. Voting Client Securities	25
Item 18. Financial Information	25

Item 4. Advisory Business

A. Firm Description

Nassau CorAmerica LLC, a Delaware limited liability company (the “**Firm**”), is an investment advisory firm founded in January 2009 with a principal place of business in El Segundo, California and an office in Clive, Iowa. The Firm is a subsidiary of Nassau Asset Management LLC, a Delaware limited liability company (“**NAMCO**”), which is itself a wholly-owned subsidiary of Nassau Group Holdings, L.P., a Cayman Islands exempted limited partnership (“**Nassau Group**”). Nassau Group is a subsidiary of Nassau NAMCO Splitter, L.P., a Cayman Islands exempted limited partnership (“**NAMCO Splitter**”), and NAMCO Splitter is owned and controlled by certain private investment funds sponsored and managed by Golden Gate Private Equity, Inc.

NAMCO was founded by Phillip J. Gass and Kostas Cheliotis in 2015.

William M. Petak is the Chief Executive Officer of the Firm.

B. Types of Advisory Services

The Firm provides investment advisory and non-advisory asset management services on both discretionary and non-discretionary bases to institutions, including (i) directly and indirectly to unaffiliated insurance companies and their affiliates, and (ii) indirectly through a subadvisory agreement with NAMCO, both on discretionary and nondiscretionary bases, to institutions, including insurance companies, with which the Firm and NAMCO are affiliated.

The Firm’s services are currently limited to investments in loans secured by real property and commercial improvements, senior loans, commercial mortgage-backed securities (“**CMBS**”), bridge lending, structured debt, real estate investment trust (“**REIT**”) debt, commercial real estate related corporates and equity. The Firm may also, in the future, provide additional types of investment advisory and/or asset management services, or may provide services to additional types of clients.

C. Availability of Customized Services

The Firm tailors its advisory services to each client’s needs and investment mandates as set forth in the investment advisory agreement with each such client.

While much of this brochure applies to all of the Firm’s clients, certain information included herein applies to specific clients only. Thus, it is crucial for any client or prospective client to closely review the applicable investment advisory agreement or other governing documents with respect to, among other things, the terms, conditions and risks of investing.

D. Wrap Fee Programs

The Firm does not participate in wrap fee programs.

E. Assets Under Management

As of December 31, 2017, the Firm managed approximately \$777,278,359 of assets on a discretionary basis and approximately \$1,158,322,964 of assets on a non-discretionary basis.

Item 5. Fees and Compensation

A. Compensation

Compensation to the Firm for investment advisory services takes the form of management fees, while compensation to the Firm for non-advisory investment management services takes the form of management fees, loan origination fees, loan servicing fees and disposition fees. Such compensation may be paid to the Firm or an affiliate of the Firm.

B. Payment of Fees

The Firm, or an affiliate of the Firm, typically receives compensation from the Firm's clients on the percentage of assets the Firm manages. The management fee is typically an amount equal to a percentage of each client's assets under management, determined and payable either monthly or quarterly in arrears. In addition, the Firm, or an affiliate of the Firm, receives loan origination fees at the closing of an investment in loans secured by real property and commercial improvements. The Firm, or an affiliate of the Firm, also receives loan servicing fees, typically an amount equal to a percentage of the outstanding balance of the loans being serviced. Finally, the Firm, or an affiliate of the Firm, receives dispositions fees upon the disposition of certain loans.

Although the foregoing is a brief summary of the investment advisory and non-investment advisory fee arrangements applicable to the Firm's clients, please note that this brief summary is not a substitute for the detailed terms (including, but not limited to, how fees are calculated) provided in the advisory agreement or other governing documents applicable to the Firm's clients.

C. Additional Expenses

The expenses paid by the Firm's clients are set forth in detail in the advisory agreement or other governing documents of the relevant client account. Such expenses may differ among clients and within clients. Thus, although the following is a summary of expenses the Firm's clients may generally bear, it is not an exhaustive or complete list with respect to all client accounts. Clients and prospective clients should therefore review the applicable advisory agreement or other governing documents carefully because such documents, and not the summary in this Form ADV Part 2A firm brochure, describe more specifically the expenses such client will bear.

Generally, each of the Firm's clients will bear its own operating and other expenses, which may include, but are not limited to:

- Due diligence and closing fees in connection with a loan origination;
- Costs and expenses incurred by the Firm during the performance of loan servicing activities, including without limitation, prepayment or exit fees and disposition fees and costs associated with other miscellaneous services;
- Expenses and fees related to the evaluation and development of investments (*e.g.*, investment-related travel and lodging expenses, quotation service expenses, appraisal fees, consulting fees, rating agency expenses, and pricing and valuation fees, and other due diligence expenses), regardless of whether a transaction for such investment is consummated;
- Expenses and fees related to the evaluation and development of investments (*e.g.*, investment-related travel and lodging expenses, quotation service expenses, appraisal fees, consulting fees, rating agency expenses, and pricing and valuation fees, and other due diligence expenses), regardless of whether a transaction for such investment is consummated;

- Expenses and fees related to the acquisition, hedging and disposition of investments (*e.g.*, private placement fees, arranger fees, syndication fees, private placement fees, investment banking fees, commitment fees, servicing fees, brokerage fees, commissions, mark-ups or mark-downs, settlement fees, breakup fees, and other transaction fees);
- Expenses and fees related to the monitoring and holding of investments (*e.g.*, interest expense, recordkeeping expenses, custody fees, bank charges, and risk management expenses);
- Legal expenses;
- Professional fees, including without limitation, appraisers, real estate brokers, contractors, engineers and insurance brokers;
- Expenses related to the purchase, monitoring, sale, settlement, custody or transmittal of assets;
- Expenses of forming, maintaining and winding up transaction vehicles or subsidiaries (*e.g.*, formation and organizational expenses, expenses related to the maintenance of offering documents and disclosure, trustee expenses and administrator expenses);
- Government fees, taxes and levies;
- Administrative expenses;
- Expenses related to services provided by affiliates of the Firm (*e.g.*, shared service expenses); and
- Other costs, expenses and fees described in the applicable advisory agreement or other governing documents.

Expenses to be borne by more than one client will be allocated across the applicable clients in a manner determined by the Firm to be fair and equitable and consistent with the Firm's policies and procedures, generally *pro rata* based on the size of the applicable investment, client or account (as applicable).

D. Advance Payment of Fees

As a general matter, the Firm bills for services monthly or quarterly in arrears.

E. Compensation for Sale of Securities or Other Investment Products

Neither the Firm nor any of its supervised persons receives any transaction-based compensation for the sale of securities. As described in Item 5 above, the Firm, or an affiliate of the Firm, receives dispositions fees upon the disposition of certain loans.

A description of the brokerage and other transaction costs that are expected to be borne by the Firm's clients is in Item 12 of this Form ADV Part 2A firm brochure.

Item 6. Performance-Based Compensation and Side-by-Side Management

The Firm does not receive compensation from clients in the form of performance-based compensation.

Item 7. Types of Clients

The Firm provides investment advisory services on both discretionary and non-discretionary bases to institutions, including (i) directly and indirectly to unaffiliated insurance companies and their affiliates, and (ii) indirectly via a subadvisory agreement with NAMCO to institutions, including insurance companies, with which the Firm and NAMCO are affiliated.

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

The descriptions set forth in this Form ADV Part 2A firm brochure of specific advisory services that the Firm offers to its clients, and investment strategies pursued and investments made on behalf of the Firm's clients, should not be understood to limit in any way the Firm's investment activities. The Firm may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Form ADV Part 2A firm brochure, that the Firm considers appropriate, subject in each case to the relevant client's investment objectives and guidelines.

A. Methods of Analysis and Investment Strategies

The Firm invests its clients' assets in loans secured by real property and commercial improvements, senior loans, CMBS, bridge lending, structured debt, REIT debt, commercial real estate related corporates and equity. The Firm assesses the potential risk-adjusted returns and inefficiencies in the marketplace before making a particular investment.

The Firm conducts what it believes to be comprehensive, commercially reasonable analysis and due diligence with respect to prospective investments, which typically includes a review of:

- Primary strengths, risk and risk mitigants associated with the investment;
- Entity type(s), ownership structure, experience, financial strength and background and credit profile(s) of the borrower and key sponsor(s);
- Property type, location, physical attributes, age, condition, functionality, cash flow and valuation;
- Rent roll, major leases and key tenant financial strength;
- Market and submarket occupancy levels and key supply and demand factors;
- The investment structure, including but not limited to, the term, loan amount, interest rate, rate reset provisions, call rights, amortization schedule, capital structure, prepayment provisions, extension provisions, credit enhancements, guarantees and fees;
- The Firm's proprietary credit risk rating model, together with other credit risk analysis; and
- Property due diligence reports prepared at borrower's expense by vendors selected by the Firm, including an MAI appraisal, environmental report, property physical condition report and seismic report (for properties located in known seismically active zones).

The foregoing is a summary description of the strategies employed by the Firm's clients. The exact strategy employed with respect to each client is set forth in and governed by the terms and conditions of the applicable investment advisory agreement or other governing documents. Thus, any client or prospective client is reminded that the disclosures in this Form ADV Part 2A firm brochure are qualified by, and subject to, such investment advisory agreement or other governing documents.

Clients should be aware that investing in securities and other investment instruments involves risk of loss that clients should be prepared to bear.

B. Material Risks of Investment Strategies

The investment strategies the Firm uses entail substantial risks, including, but not limited to, those identified below. Further details regarding these risks and other applicable other risk factors are included in the investment advisory agreement or other governing documents applicable to the Firm's client accounts. Clients are advised to carefully review all risk factors described in such documents, and the following is not intended to supersede the material contained in such documents.

Dependence on Key Individual. The success of the Firm's investment advisory and non-investment advisory management services provided on behalf of its clients depends upon the ability of the Firm, particularly those of Mr. Petak, to develop and implement strategies that achieve the Firm's clients' objectives. If the Firm was to lose the services of Mr. Petak, the consequences to its clients could be material and adverse.

Conflicts of Interest. Various potential and actual conflicts of interest may arise between and among the Firm, its clients and each of their affiliates. The following briefly summarizes some of these conflicts, but is not intended to be an exhaustive list of all such conflicts.

Receipt and Permissible Use of Certain Market Information

The Firm and/or its affiliates will likely, from time to time, cause certain of their respective clients to invest in securities or other investment instruments that would be appropriate as investments to be acquired by one or more of the Firm's other clients. The Firm and/or its affiliates may also have ongoing relationships with, render services to or engage in transactions, either directly and/or through one or more clients, that invest: (i) in assets of a similar nature to those of one or more of the Firm's clients; and (ii) with companies whose securities or loans are acquired by one or more of the Firm's clients and may own equity or debt securities of such companies. As a result, certain principals, members, directors, officers, employees or affiliates of the Firm and its affiliates may possess information relating to issuers of investment instruments held in certain client accounts that is not known to the individuals at the Firm responsible for monitoring investments held in such accounts. Accordingly, there may be circumstances in which the Firm will be restricted from effecting purchases and/or sales of assets on behalf of one or more of its clients. At times, the Firm, in an effort to avoid such restrictions, may elect not to receive certain information that other market participants are eligible to receive or have received.

Differing Valuation Methodologies

Various of the Firm's clients may require the Firm and/or its affiliates to apply different valuation methodologies in valuing specific investments. As a result of such different methodologies, the assigned values of certain investments held in certain of the Firm's client accounts may differ from the value assigned to the same investments held by certain other Firm client accounts which, in turn, could result in different calculations of management fees for different clients holding the same investments.

Conflicting Investments or Roles Among Clients

The Firm and its affiliates and their respective clients and personnel may invest, or have already invested, in securities or other financial instruments that are senior or junior to securities or financial instruments of the same issuer or borrower that are held or may be acquired by one or more Firm clients. In addition, the Firm and/or its affiliates and their respective personnel may serve as a general partner, adviser, officer, director, sponsor or manager of funds and/or entities organized to issue collateralized debt obligations secured by assets similar to investments held in certain of the Firm's client accounts. In addition, certain of the Firm's clients may, but are not required to, invest in investment vehicles managed by one or more of

the Firm or its affiliates. The Firm recognizes that conflicts may arise under such circumstances and will endeavor to treat each of the Firm's clients fairly and equitably.

Conflicts Regarding Investment Allocations

It is the policy of the Firm to allocate investment opportunities among the Firm's clients so as to not favor one client account over another. However, the Firm may be unaware of, and will not generally take into account, investments made by or opportunities presented to other affiliates of the Firm. The Firm will have no obligation to purchase, sell or exchange any security or financial instrument for one Firm client that the Firm may purchase, sell or exchange for another client if the Firm believes in good faith at the time the investment decision is made that such transaction or investment would be unsuitable, impractical or undesirable for such other client. There is no assurance that the Firm's clients with strategies or investment objectives that are similar will hold the same assets or perform in a similar manner.

Because of the nature of the fixed income markets, as well as specific client guidelines and objectives, *pro rata* allocation of investment opportunities by the Firm among its clients may not be feasible in all circumstances, particularly with respect to commercial mortgage loans. Accordingly, the Firm does not prescribe one specific manner in which securities or financial instruments are allocated among its clients, and the Firm may use *pro rata*, rotational, percentage, or other allocation methods. An allocated transaction may be modified if strict adherence to an anticipated allocation may lead to impractical or undesirable results such as odd lots or *de minimis* allocations. The factors that the Firm may consider in allocating investments among its clients include, but are not limited to, (i) variations in investment objectives, (ii) variations in investment parameters and/or restrictions, (iii) other investment opportunities that may be available to one client but not another, (iv) portfolio limitations due to margin or credit facility requirements, (v) legal, regulatory or contractual limitations or requirements, (vi) tax considerations, (vii) liquidity needs, (viii) concentration limitations relative to a particular issuer, industry, sector or geographic region, or (ix) timing considerations. In certain circumstances, the Firm may give special consideration to certain of its clients, such as new clients (including those in which the Firm and/or its affiliates or their personnel may have an interest) with a substantial amount of available cash. The investment decisions of the Firm and its affiliates may result in different investment decisions and allocations even with respect to the Firm's clients with similar objectives.

Conflicts Regarding Trade Execution

The Firm seeks to obtain the best execution for all orders placed with respect to any trade in a manner it believes to be in the best interests of the participating clients. In allocating brokerage business, the Firm may take into account a number of considerations, including but not limited to, (i) ability to source securities, (ii) likelihood of execution, (iii) availability of new issues, (iv) operational efficiency, and (v) desired timing of the transaction. Although the Firm seeks competitive prices, it may not necessarily obtain the lowest price for a particular transaction.

The Firm may, in the allocation of business, take into consideration research and other brokerage services furnished to the Firm and/or its affiliates. Such services may be used by the Firm in connection with its other advisory activities or investment operations.

Conflicts Regarding Aggregate Investment Transactions

Orders for investments placed at the same time for two or more of the Firm's clients may, but are not required to, be "batched" or placed as an aggregated order for execution. When an aggregated order is filled through multiple trades at different prices on the same day, each participating client will generally receive the average price with transaction costs allocated *pro rata* based on the size of each client's participation in

the order (or allocation in the event of a partial fill) as determined by the Firm. In the event of a partial fill, allocations may be modified on a basis that the Firm deems to be appropriate, including, for example, in order to avoid odd lots or *de minimis* allocations. The Firm may elect not to aggregate trades. In such cases where no orders are aggregated, trades are processed in the order they are placed with the broker or counterparty selected by the Firm. As a result, certain trades in the same security or instrument for one client (including a client in which an affiliate of the Firm or its personnel may have a direct or indirect interest) may receive more or less favorable prices or terms than another client and orders placed later may not be filled entirely or at all, based upon the prevailing market prices at the time of the order or trade. In addition, some opportunities for reduced transaction costs and economies of scale may not be achieved. The Firm generally will not aggregate orders with, or otherwise coordinate the purchase or sale of, investments with affiliates of the Firm.

Conflicts Regarding Investment Decisions Among the Firm and its Affiliates

The Firm and its affiliates may have or establish relationships with companies, including acting as sponsor, equity investor, adviser, lender or agent bank, whose equity securities or debt obligations are assets held in one or more of the Firm's client accounts, or may be considered for purchase by one or more of the Firm's clients, and may now or in the future own or seek to acquire equity securities or debt obligations issued by issuers of assets held in one or more of the Firm's client accounts, and such securities or obligations may have characteristics or interests different from or adverse to assets held in such client accounts. The Firm and its affiliates may buy, sell, or hold securities or other instruments for themselves and/or on behalf of one or more clients (including a client in which an affiliate of the Firm or its personnel may have a direct or indirect interest) while the Firm is making different investment decisions with respect to one or more other clients and *vice versa*. In addition, the Firm and its affiliates may engage in any other business and furnish asset management and investment advisory services to certain of the Firm's clients, including persons that may have investment policies similar to those followed by the Firm with respect to other clients and which may own securities of the same class, or of the same type, as those owned by other clients. The Firm will be free, in its sole discretion, to make recommendations to clients, or effect transactions on behalf of itself or for others, which may be the same as or different from those it effects or directs others to effect for other clients. Neither the Firm nor any of its affiliates is under any obligation to offer investment opportunities of which it or they become aware to any Firm client or to account any such transaction or any benefit received by them from any such transaction or to inform any Firm client of any investments before offering such investments to any other Firm client(s). The Firm and its affiliates may make an investment on behalf of any client that they manage or advise without offering the investment opportunity to, or making any investment on behalf of, any other Firm client. Furthermore, the Firm and its affiliates may make an investment on their own behalf without offering the investment opportunity to any Firm client or the Firm on behalf of any Firm client. Affirmative obligations may exist or may arise in the future whereby the Firm and/or its affiliates are obligated to offer certain investments to certain Firm clients before or without the Firm offering those investments to other clients. The Firm may make investments on behalf of certain of its clients in securities, or other assets, that it has declined to invest in for its own account, the account of any Firm affiliates or the account of any other Firm client. The Firm will endeavor to resolve conflicts arising therefrom in a manner that it deems equitable to the extent possible under the prevailing facts and circumstances and applicable law.

Conflicts Regarding Time Commitments

Although the Firm and the personnel available to it will devote as much time to each of the Firm's clients as the Firm deems appropriate to perform its duties in accordance with the applicable investment

management agreement and in accordance with reasonable commercial standards, such personnel may have conflicts in allocating time and services among the Firm's clients.

Conflicts Regarding Other Activities of the Firm and its Affiliates

There is no limitation or restriction on the Firm or its affiliates with regard to acting as investment adviser or asset manager to multiple client accounts. This and other future activities of the Firm and its affiliates may give rise to additional conflicts of interest and/or intensify the conflicts of interest already described in this brochure.

Limited Ethical Screens or Information Barriers

Certain of the Firm's affiliates currently share a principal place of business, and the Firm and certain of its affiliates share the same principals, members, directors, officers and employees. The Firm and such affiliates have endeavored to put into place ethical and information barriers among the Firm and such affiliates of the type that many firms implement to separate persons who make investment decisions from others who might possess material, non-public information that could influence such decisions. Nevertheless, if the Firm, its affiliates or any of their personnel were to receive material non-public information about an issuer of a security, the Firm might be prevented from causing the purchase or sale of such security or another investment instrument due to internal restrictions imposed on the Firm. Notwithstanding the maintenance of certain internal controls relating to the management of material non-public information, it is possible that such controls could fail and result in the Firm, or one of its investment professionals, buying or selling a security or other investment instrument while, at least constructively, in possession of material non-public information. Inadvertent trading on material non-public information could have adverse effects on the Firm's reputation and/or result in the imposition of regulatory or financial sanctions on the Firm, its affiliates, its personnel and/or one or more of the Firm's clients and, as a consequence, negatively impact the Firm's ability to perform services for its clients.

Other Potential Conflicts of Interest

Affiliates of the Firm may, in the future, provide other services to the Firm's clients and/or may receive fees from them in other capacities. Other present and future activities of the Firm and its affiliates may give rise to additional conflicts of interest.

Lack of Diversification. The Firm's client accounts will be limited in the types of assets the Firm manages on their behalf. Such lack of diversification could increase volatility.

Execution Risks and Investment Manager Error. The execution of the trading and investment strategies employed by the Firm will often require complex trades, difficult to execute trades, the use of negotiated terms with counterparties and/or the execution of trades involving less common or novel instruments. In each case, the Firm will seek to negotiate, settle and clear such trades without miscommunication or other error. However, in light of the complexity involved, some miscommunications and other errors, including miscommunications with brokers and counterparties, are inevitable and could result in losses to the Firm's clients.

No Assurance of Investment Return. There is no assurance that the Firm will be able to generate returns for its clients or that the returns will be commensurate with the risks of investing in the type of investments described herein.

Cybersecurity. The Firm, service providers to the Firm and/or its clients, and other market participants increasingly depend on complex information technology and communications systems to conduct business

functions. These systems are subject to a number of different threats or risks that could adversely affect the Firm's business and its clients' investments, despite the efforts of the Firm and service providers to the Firm and/or its clients to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems or data therein. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of various systems to disclose sensitive information in order to gain access to the Firm's and/or its clients' data. A successful penetration or circumvention of the security of the Firm's systems could result in the loss or theft of a client's data, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. The Firm's clients could be negatively impacted as a result of a cybersecurity breach.

Financial Markets and Regulatory Change. The laws and regulations affecting businesses in general continue to evolve in an unpredictable manner. Laws and regulations, particularly those involving taxation, investment and trade, applicable to the Firm's clients' activities can change quickly and unpredictably, and may at any time be amended, modified, repealed, or replaced in a manner adverse to the interests of the Firm's clients. The Firm, its affiliates and/or the Firm's clients may be, or may become, subject to unduly burdensome and restrictive regulation. In particular, in response to significant recent events in international financial markets, governmental intervention and certain regulatory measures have been or may be adopted in certain jurisdictions. The extent to which the underlying causes of these recent events are pervasive throughout global financial markets and economies, and have the potential to cause further instability, is not yet clear. These recent events, and their underlying causes, are likely to continue to be the catalyst for changes in global financial regulation for some time, and may result in major and unavoidable losses to the Firm's clients.

Political, Economic and Other Conditions. The Firm's clients' investments may be adversely affected by changes in economic conditions or political events that are beyond the Firm's control. For example, a stock market break, continued threats of terrorism, the outbreak of hostilities involving the United States or any other jurisdiction in which the Firm's clients invest, the death of a major political figure, or the overthrow or replacement of a current ruling body may have significant adverse effects on the Firm's clients' investment results. Additionally, a serious pandemic, such as avian influenza, or a natural disaster, such as a hurricane, could severely disrupt the global, national, and/or regional economies and/or markets. Other factors, such as changes in U.S. or non-U.S. tax laws, U.S. or non-U.S. securities laws, bank regulatory policies, or accounting standards, may make corporate financings less desirable. Similarly, legislative acts, rulemaking, adjudicatory, or other activities of the United States Congress, the SEC, the Federal Reserve Board, the New York Stock Exchange, the Financial Industry Regulatory Authority or other U.S. or non-U.S. governmental or quasi-governmental bodies, agencies, and regulatory organizations may make the investments made on behalf of the Firm's clients less attractive. A negative impact on economic fundamentals and consumer confidence may negatively impact market value, increase market volatility, and cause credit spreads to widen, each of which could have an adverse effect on asset performance.

Competition; Availability of Investments. The Firm may be unable to find a sufficient number of attractive opportunities to meet the Firm's clients' investment objectives or fully invest their assets and/or committed capital. Among other factors, competition for suitable investments from investment funds and other investors may reduce the availability of investment opportunities. There has been significant growth in the number of private funds and managed accounts organized to make investments similar or identical to the Firm's clients' investments, which may result in increased competition to the Firm's clients in obtaining

suitable investments. There can be no assurance that the Firm will be able to identify or successfully pursue attractive investment opportunities in such an environment.

Combination or “Layering” of Multiple Risks May Significantly Increase Risk of Loss. Although the various risks discussed in this brochure are generally described separately, the potential effects of the interplay of multiple risk factors should be considered. Where more than one significant risk factor is present, the risk of loss to a Firm client may be significantly increased

Disruptions in Global Capital and Credit Markets. Recent conditions in the global markets and economy are unprecedented and have become a challenge that generated tighter credit conditions, slower growth and recession in most of the major economies in 2009 and has continued. Despite signs of recovery, there is continuing concern about the systemic impact of inflation, the availability and cost of credit, the decline in property values and geopolitical problems that contribute to volatile markets and uncertain expectations for the global economy. These conditions, together with decreased levels of business and consumer confidence, unemployment rates and volatile oil prices, contributed to unprecedented levels of volatility in capital markets during recent years. Any additional disruption, continued or recurring, to the capital markets and credit can adversely affect the Firm’s clients’ investments. Because of these market conditions, cost and availability of credit have been, and may continue to be, adversely affected. Concern about the stability of the markets in general and the strength of the counterparties in particular has led many institutional investors and creditors to reduce and, in some cases fail to provide, financing to businesses and consumers.

Highly Competitive Market. A number of entities will compete with the Firm to make the types of investments that the Firm makes on behalf of its clients. The Firm competes with domestic and foreign public and private funds, commercial and investment banks, private and public finance companies, and a number of other investors. Many of the Firm’s competitors are substantially larger and have considerably greater financial, technical and marketing resources than the Firm does. Some competitors may have a lower cost of funds and access to funding sources that are not available to the Firm. In addition, some of the Firm’s competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establishment relationships than the Firm. The Firm cannot guarantee that the competitive pressures it faces will not have a material adverse effect on its business, financial condition and results of operations. Also, as a result of this competition, the Firm may not be able to take advantage of attractive investment opportunities from time to time, and the Firm can offer no assurance that it will be able to identify and make investments that are consistent with a client’s objectives.

Impact of a Prolonged Economic Downturn or Recession. An economic downturn or a recession may have a significant adverse impact on the Firm’s operations and financial condition because it could negatively affect the value of properties underlying client’s investments at a time when defaults on the mortgage loans underlying such investments are more likely. Accordingly, the Firm’s clients could experience larger than anticipated losses on investments due to higher loss rates on the underlying mortgage loans.

Impact of Future Terrorist Activity. The terrorist attacks in the United States on September 11, 2001 disrupted the global financial and insurance markets and negatively impacted the global economy in general. Clients’ investments or the areas in which they are located could be subject to future acts of terrorism. In addition to the potential direct impact of any such future act, future terrorist attacks and the anticipation of any such attacks could have an adverse impact on the U.S. financial and insurance markets and economies, thus harming the demand for, and the value of, the Firm’s clients’ assets.

C. Material Risks of Investments Types Used in Investment Strategies

The following summary identifies the material risks related to certain types of investments made for the Firm's clients, but does not intend to identify all possible investments that may be made or all possible risks related to such investments. Further details regarding these risks and other applicable other risk factors are included in the investment advisory agreement or other governing documents with respect to each client. Clients are advised to carefully review all risk factors described in such documents, and the following is not intended to supersede the material contained in such documents.

General Investment Risks

The Firm May Not be Able to Acquire Assets that Satisfy Clients' Investment Criteria. The ability of the Firm to identify and acquire a portfolio of assets that satisfies a client's applicable investment criteria at the projected prices, ratings, rates of interest and any other applicable characteristics will be subject to market conditions and availability of such investments. There is no assurance that the Firm will be able to acquire assets that satisfy the applicable investment criteria.

Reinvestment Risk. Reduced liquidity and relatively lower volumes of issuance and trading in certain assets in which the Firm's clients are invested, in addition to restrictions on investments applicable to certain clients, could result in periods of time during which such clients are not able to fully invest available cash or during which the assets available for investment will not be of comparable quality. The longer the period such cash is not fully invested, the greater the likely adverse impact on the client.

The level of earnings on reinvestments will depend on the availability and purchase price of investments determined by the Firm to be appropriate investments by the Firm's clients and the interest rates thereon. The need to satisfy applicable investment criteria and identify acceptable investments may require the purchase of assets having lower yields than those assets previously acquired on behalf of a client as current investments mature, prepay or are sold or require temporary investment in cash and cash equivalents. In addition, obligors on debt instruments may be more likely to exercise any rights they may have to redeem or refinance such obligations when interest rates or spreads are declining.

Certain Third Parties May Take Positions Adverse to a Client. The Firm may, from time to time, consult with, receive input from, and provide information to, third parties in respect of obligations being considered for acquisition by one or more of the Firm's clients. Some of those same third parties may have interests adverse to the Firm's clients and may take a short position (for example, by buying protection under a credit default swap) relating to any such obligations or other financial instruments.

General Economic Conditions May Change or Deteriorate. Negative trends or volatility in economic conditions generally or in particular financial and credit markets are likely to increase the number of non-performing debt investments acquired by the Firm's clients and decrease the value and collectability of such debt investments. It is difficult to predict which markets, products, businesses and assets will be affected by particular economic or business conditions (or to what degree the health of particular markets or industries are dependent on monetary policies of central banks, particularly the Federal Reserve). There is no assurance that conditions in the credit and other financial markets will remain stable and will not deteriorate at any time, and there is a material possibility that economic activity will be volatile or will slow over the moderate to long-term. A decrease in market value of the assets in a client's portfolio would also adversely affect the proceeds that could be obtained upon the sale of such assets.

Negative economic trends would also increase the likelihood that major financial institutions or other entities having a significant impact on the financial and credit markets may suffer a bankruptcy or

insolvency, as occurred during the recession in the U.S. economy several years ago. The bankruptcy or insolvency of any such entity may have an adverse effect on the Firm's clients and may trigger future crises in the global credit markets and overall economy, which could have a significant adverse effect on the Firm's clients.

Several nations, particularly within the European Union (the "**EU**"), have recently suffered or are currently suffering from significant economic distress. There can be no assurance as to the resolution of the economic problems in those countries, nor as to whether such problems will spread to other countries or otherwise negatively affect economies or markets. A debt default by a sovereign nation or other potential consequences of these economic problems may trigger additional crises in the global credit markets and overall economy which could have a significant adverse effect on the Firm's clients. In addition, issuers of securities or other investment instruments in which one or more of the Firm's clients are invested may be organized in, or otherwise domiciled in, or have a substantial percentage of their revenues or assets in, certain of such countries currently suffering from economic distress, or other countries that may begin to suffer economic distress, and the uncertainty and market instability in any such country may increase the likelihood of default by such issuers. In the event of its insolvency, any such issuer, by virtue of being organized in such a jurisdiction or having a substantial percentage of its revenues or assets in such a jurisdiction, may be more likely to be subject to bankruptcy or insolvency proceedings in such jurisdiction at the same time as such jurisdiction is itself potentially unstable. In addition, it is possible that countries that have adopted the euro could abandon the euro and return to a national currency and/or that the euro will cease to exist as a single currency in its current form. The effects on a country of abandonment of the euro or a country's forced expulsion from the EU are impossible to predict, but are likely to be negative. The exit of any country out of the EU or the abandonment by any country of the euro would likely have a destabilizing effect on all Eurozone countries and their economies and a negative effect on the global economy as a whole.

The outcome of the United Kingdom's referendum on membership of the EU, held on June 23, 2016, was that the United Kingdom (the "**UK**") public voted by a majority in favor of the UK government taking the necessary action for the UK to leave the EU and on March 29, 2017, the UK government triggered exit negotiations. This could lead to a period of uncertainty in both domestic and global financial markets, which would likely become more severe if other countries also decide to withdraw from the EU. Furthermore, the UK's decision to leave the EU has caused, and is anticipated to continue to cause, significant new uncertainties and instability in the financial markets, which may adversely affect the assets held in client accounts.

Credit Ratings are Not a Guarantee of Quality. Credit ratings of assets represent the rating agencies' opinions regarding their credit quality and are not a guarantee of quality or performance. A credit rating is not a recommendation to buy, sell or hold assets and may be subject to revision or withdrawal at any time by the assigning rating agency. If a rating assigned to any client asset is lowered for any reason, no party is obligated to provide any additional support or credit enhancement with respect to such asset. Rating agencies attempt to evaluate the relative future creditworthiness of an obligation and do not address other risks, including but not limited to, liquidity risk, market value or price volatility; therefore, ratings do not fully reflect the true risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an obligor's current financial condition may be better or worse than a rating indicates. Consequently, credit ratings of any asset should be used only as a preliminary indicator of investment quality and should not be considered a completely reliable indicator of investment quality. Rating reductions or withdrawals may occur for any number of reasons and may affect numerous assets at a single time or within a short period of time. It is possible that many credit ratings of assets included in or similar to the assets comprising a client account's portfolio will be subject to significant or severe adjustments downward.

Loan Prepayments May Affect the Ability to Invest and Reinvest Available Funds. Loans are generally prepayable in whole or in part at any time at the option of the borrower at par plus accrued unpaid interest. Prepayments on loans may be caused by a variety of factors which are often difficult to predict. Consequently, there exists a risk that loans purchased at a price greater than par may experience a capital loss as a result of such a prepayment. In addition, proceeds received upon such a prepayment are subject to reinvestment risk. Any inability of the Firm to reinvest payments or other proceeds in assets with comparable interest rates that satisfy the applicable investment criteria of a client may adversely affect such client. There is no assurance that the Firm will be able to reinvest proceeds in assets with comparable interest rates at favorable purchase prices that satisfy the applicable investment criteria or as to the length of any delays before such investments are made.

The rate of prepayments, amortization and defaults may be influenced by various factors including:

- Changes in borrower performance and requirements for capital;
- The level of interest rates;
- Lack of credit being extended and/or the tightening of credit underwriting standards in the commercial lending industry; and
- The overall economic environment, including any fluctuations in the recovery from the current economic conditions.

The Firm cannot predict the actual rate of prepayments, accelerated amortization or defaults which may be experienced with respect to debt instruments.

Liens Arising by Operation of Law May Take Priority Over a Lien on a Borrower's Underlying Collateral and Impair Recovery in the Event of a Default or Foreclosure. Federal or state law may grant liens on the collateral (if any) securing a loan that has priority over a lender's interest. An example of a lien arising under federal or state law is a tax or other government lien on property of a borrower. A tax lien may have priority over a client's lien on such collateral. To the extent a lien having priority over a client account's lien exists, such client account's interest in the asset will be subordinate to such lien. If the creditor holding such lien exercises its remedies, it is possible that, after such creditor is repaid, sufficient cash proceeds from the underlying collateral will not be available to pay the outstanding principal amount of such client's investment.

Fraudulent Conveyance and Preference Considerations. Various federal and state laws enacted for the protection of creditors may apply to the purchase of the Firm's clients' investments. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of a borrower, such as a trustee in bankruptcy or the borrower as debtor-in-possession, were to find that the borrower did not receive fair consideration or reasonably equivalent value for incurring indebtedness evidenced by an investment and the grant of any security interest or other lien securing such investment, and, after giving effect to the incurring of such indebtedness, the borrower (i) was insolvent, (ii) was engaged in a business for which the assets remaining in such borrower constituted unreasonably small capital, or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could invalidate, in whole or in part, such indebtedness and such security interest or other lien as fraudulent conveyances, could subordinate such indebtedness to existing or future creditors of the borrower or could allow the borrower to recover amounts previously paid by the borrower to the creditor (including to the Firm's clients) in satisfaction of such indebtedness or proceeds of such security interest or other lien previously applied in satisfaction of such indebtedness. In addition, in the event of the insolvency of an issuer of an investment, payments made on a client's investment could be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one year) before insolvency depending on a number of factors, including the amount of equity of the borrower owned by such client and its affiliates and any contractual arrangement

between the borrower, on the one hand, and such client and its affiliates, on the other hand. The measure of insolvency for purposes of the foregoing will vary depending on the law of the jurisdiction which is being applied. Generally, however, a borrower would be considered insolvent at a particular time if the sum of its debts was greater than all of its assets at a fair valuation or if the then-present fair saleable value of its assets was less than the amount that would be required to pay its probable liabilities on its then-existing debts as they became absolute and matured. There can be no assurance as to what standard a court would apply in order to determine whether a borrower was insolvent after giving effect to the incurrence of the loan or that, regardless of the method of evaluation, a court would not determine that the borrower was “insolvent” upon giving effect to such incurrence.

In general, if payments on an investment are avoidable, whether as fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient (such as the Firm’s clients) or from subsequent transferees of such payments.

Although the Firm does not intend to engage in conduct that could form the basis for a successful cause of action based upon fraudulent conveyance, preference or equitable subordination, there can be no assurance, as to whether any lending institution or other party from which a client may acquire such indebtedness engaged in any such conduct (or any other conduct that would subject such indebtedness and such client to insolvency laws) and, if it did, as to whether such creditor claims could be asserted in a U.S. court (or in the courts of any other country) against such client.

Rising Interest Rates May Render Some Borrowers Unable to Pay Interest. To the extent interest rates on a debt instrument bearing a floating interest rate increases, periodic interest obligations owed by the related borrower will also increase. As prevailing interest rates increase, some borrowers may not be able to make the increased interest payments on underlying debt instruments or refinance their balloon and bullet debt instruments, resulting in payment defaults. Conversely if interest rates decline, borrowers may refinance their debts at lower interest rates.

Balloon Loans and Bullet Loans Present Refinancing Risk. Balloon and bullet loans involve a greater degree of risk than other types of transactions because they are structured to allow for either small (balloon) or no (bullet) principal payments over the term of the loan, requiring the borrower to make a large final payment upon the maturity of the underlying debt instrument. The ability of such borrower to make this final payment upon the maturity of the debt instrument typically depends upon the borrower’s ability either to refinance the debt instrument prior to maturity or to generate sufficient cash flow to repay the debt instrument at maturity. The ability of any borrower to accomplish any of these goals will be affected by many factors, including the availability of financing at acceptable rates to such borrower, the financial condition of such borrower, the marketability of the collateral (if any) securing such debt instrument, the operating history of the related business, tax laws and the prevailing general economic conditions. Consequently, such borrower may not have the ability to repay the underlying debt obligation at maturity, and client accounts that own such debt obligation could lose all or most of the principal of the investment. Given their relative size and limited resources and access to capital, some borrowers may have difficulty in repaying or refinancing their balloon and bullet debt obligations on a timely basis or at all.

Real Estate Loan Risks

General Risks. Real property investments, like all investments, are subject to varying degrees of risk. The yields available from such investments depend on the amount of revenue generated and expenses incurred. If an investment does not generate sufficient revenues to satisfy acquisition and operating expenses, the Firm’s clients’ cash flow and ability to receive distributions may be adversely affected. The revenues generated by, and the value of, a particular investment may be adversely affected by a number of factors,

including (i) the cyclical nature of the real estate market; (ii) national, regional and local economic climates; (iii) local real estate market conditions; (iv) fluctuations in operating costs; (v) changes in interest rates; and (iv) the availability, cost and terms of financing. Real estate values are also affected by such factors as government regulations (including those governing usage, improvements, zoning and taxes), interest rate levels, the availability of financing and potential liability under changing environmental and other laws.

Real estate investments are subject to various risks, including (i) acts of God, such as earthquakes, hurricanes, floods and other natural disasters, which may result in uninsured losses; (ii) acts of war or terrorism, including the consequences of terrorist attacks; (iii) adverse changes in national and local economic and market conditions; (iv) changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances; (v) environmental liabilities, including costs of remediation and liabilities associated with environmental conditions; and (vi) uninsured or under-insured property losses and property losses for which insurance coverage is unavailable. If any of these or similar events occur, it may reduce the return from an affected property or investment and, therefore, adversely impact a clients' investments.

Commercial Mortgage Loans. Commercial mortgage loans are secured by multifamily or commercial property and are subject to risks of delinquency and foreclosure and risks of loss that are material. The ability of a borrower to repay a loan secured by an income-producing property typically is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower's ability to repay the loan may be impaired. Net operating income of an income producing property can be affected by, among other things, (i) tenant mix, success of tenant businesses, property management decisions; (ii) property location and condition; (iii) competition from comparable types of properties; (iv) changes in laws that increase operating expense or limit rents that may be charged; (v) any need to address environmental contamination at the property; (vi) the occurrence of any uninsured casualty at the property; (vii) changes in national, regional or local economic conditions and/or specific industry segments; (viii) declines in regional or local real estate values; (ix) declines in regional or local rental or occupancy rates; (x) increases in interest rates, real estate tax rates and other operating expenses; (xi) changes in governmental rules, regulations and fiscal policies, including environmental legislation; and (xii) acts of God, terrorism, social unrest and civil disturbances.

In the event of any default under a mortgage loan beneficially owned by a client, such client may bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the mortgage loan. In the event of the bankruptcy of a mortgage loan borrower, the mortgage loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law.

Foreclosure of a mortgage loan can be an expensive and lengthy process, which could have a substantial negative effect on a client's anticipated return on the foreclosed mortgage loan.

Development Risks. The Firm's clients may participate in real estate developments and may be subject to the risks normally associated with such activities. Such risks include, without limitation, (i) risks relating to the availability and timely receipt of zoning and other regulatory approvals; (ii) the cost and timely completion of construction (including risks beyond the control of the Firm or its clients, such as weather, labor conditions or material shortages); and (iii) the availability of both construction and permanent financing on favorable terms. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of

which could have an adverse effect on an investment and on the amount of funds available for distribution. Properties under development or properties acquired for development may receive little or no cash flow from the date of acquisition through the date of completion of development and may continue to experience operating deficits after the date of completion. In addition, market conditions may change during the course of development that makes such development less attractive than at the time it was commenced.

Zoning Risks. Governmental authorities at the federal, state and local levels are actively involved in the promulgation and enforcement of regulations relating to land use, zoning restrictions and building and development requirements. Regulations may be promulgated which could have the effect of restricting or curtailing certain uses of existing structures or requiring that such structures be renovated or altered in some fashion. Such regulations could have the impact of increasing the expenses and lowering the profitability of any of the properties affected thereby and/or preventing completion of development activities as originally planned.

Environmental Risks. Investments may be subject to various federal, state and local laws, ordinances, regulations and administrative rulings, which, among other things, establish standards for the treatment, storage and disposal of hazardous waste. Joint and several liabilities may be imposed on past and present owners and users of real property for hazardous substance remediation and removal costs without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. Although the Firm intends to comply with applicable environmental rules and regulations, certain investments may be exposed to substantial risk of loss from environmental claims arising in respect of real estate acquired with undisclosed or unknown environmental liabilities. Also, the Firm cannot give any assurance that such conditions do not exist or may not arise in the future, and the presence of such substances on the clients' real estate investments could adversely affect such clients' ability to sell such investments or to borrow using such investments as collateral, and also, may have an adverse effect on the ability for cash to be distributed from the investment. Pursuant to certain environmental laws, clients could be liable for, among other things, the cost of removal or remediation of certain hazardous or toxic substances. The cost of any required remediation and the clients' liability therefor as to any property are generally not limited under such laws and could exceed the value of the property underlying the investment. Therefore, clients may be exposed to substantial risk of loss from environmental claims arising in respect of any real properties underlying an investment.

Expedited Transactions. Investment analyses and decisions by the Firm may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the Firm at the time of making an investment decision may be limited, and we may not have access to detailed information regarding the investment property, such as physical characteristics, environmental matters, zoning regulations or other local conditions affecting an investment property. Therefore, no assurance can be given that the Firm will have knowledge of all circumstances that may adversely affect an investment. In addition, the Firm expects to rely upon independent consultants in connection with the evaluation of proposed investment properties, and no assurance can be given as to the accuracy or completeness of the information provided by such independent consultants.

CMBS Investment Risks

General Risks. CMBS bonds evidence interests in, or are secured by, a single commercial mortgage loan or a pool of commercial mortgage loans. Accordingly, the CMBS that the Firm's clients invest in are subject to all of the risks of the underlying mortgage loan(s).

Illiquidity of Investments. The Firm's clients' investments may be subject to certain transfer restrictions, including restrictions under applicable securities laws that may also contribute to illiquidity. Similarly

affecting liquidity, the Firm and/or its clients may from time to time possess material, non-public information about a borrower, which could limit the ability of the Firm and/or its clients to buy and sell certain investments.

Interest Rate Risk. “Interest rate risk” refers to the risks associated with market changes in interest rates. Most CMBS (especially those with fixed rates) in which the Firm’s clients invest are particularly subject to interest rate risk and typically decline in value when long-term interest rate increases. Even in the case of CMBS that are guaranteed by the Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac) or Government National Mortgage Association (Ginnie Mae), such guarantees do not protect a client from declines in market value caused by changes in interest rates. Adjustable rate instruments also react to interest rate changes in a similar manner, although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules. In the case of CMBS collateralized by ARMs, increases in interest rates can lead to increases in delinquencies and defaults as borrowers become less able to make their mortgage payments following payment resets. Declines in market value, if not offset by any corresponding gains on hedging instruments, may ultimately reduce earnings or result in losses to the Firm’s clients.

Market Risk. The price of CMBS could be affected by factors affecting securities markets generally, such as real or perceived adverse economic conditions, supply and demand for particular instruments, changes in the general outlook for the real estate market or corporate earnings, interest rates or adverse investor sentiment generally. The market values of the Firm’s clients’ investments may decline for a number of reasons, including increases in defaults resulting from changes in overall economic conditions, increases in prepayments resulting from increased borrower mobility or the availability of “cash-out,” refinancing opportunities, and widening of credit spreads. Unfavorable market conditions may also increase the investments’ funding costs, limit its access to the capital markets or result in a decision by lenders not to extend credit. These events could have an adverse effect on the operating results of an investment.

Credit Risk. In general, credit risk is broadly gauged by the credit ratings of the securities in which a client invests. However, ratings are only the opinions of the agencies issuing them, may change less quickly than relevant circumstances, are not absolute guarantees of the quality of the securities, and are subject to downgrade. Furthermore, the Firm’s clients’ assets may not be rated by any rating agency or may be below investment grade.

CMBS investments are also subject to a risk that an issuer of securities will be unable to pay principal and interest when due, or that the value of the security will suffer because investors believe the issuer is less able to pay. In particular, with respect to CMBS and related investments in which the Firm’s clients invest, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect credit risk. Securities in which the Firm’s clients may invest may be deemed by rating companies to have substantial vulnerability to default in payment of interest and/or principal. Other securities may have the lowest quality ratings or may be unrated. In the case of below-investment-grade (or unrated) CMBS and related investments, these securities will generally be subordinated to other more “senior” securities of the same issue or series. The default-related risks of the underlying mortgages or assets may be severely magnified in subordinated securities. Default risks may also be further pronounced in the case of CMBS and related investments secured by, or evidencing an interest in, a relatively small or less diverse pool of underlying mortgage loans or assets. Accordingly, these securities may experience significant price and performance volatility with respect to a variety of market and non-market factors.

Concentration of Investments. Certain of the Firm's clients' portfolios are concentrated in relatively few strategies, industries or markets. In addition, because of the type of investments in which the Firm's clients invest, clients may be especially susceptible to risks related to the real estate and mortgage sectors of the economy. Such non-diversification would make such clients more susceptible to risks associated with a single economic political or regulatory occurrence than a more diversified portfolio might be. The Firm's clients could be subject to significant losses if they hold a relatively large position in a single strategy, issuer, industry, market or a particular type of investment that declines in value, and the losses could increase even further if such investments cannot be liquidated without adverse market reaction or are otherwise adversely affected by changes in market conditions or circumstances.

Mortgage-Backed Securities. The value of some CMBS may be particularly sensitive to changes in prevailing interest rates. The yield and payment characteristics of CMBS differ from traditional debt securities. Interest and principal prepayments are made more frequently, usually monthly, over the life of the mortgage loans and principal generally may be prepaid at any time because the underlying mortgage loans generally may be prepaid at any time. Faster or slower prepayments than expected on underlying mortgage loans can dramatically alter the yield to maturity of a mortgage-backed security, and early repayment of principal on some mortgage-related securities may result in a lower rate of return upon reinvestment of principal.

The value of most CMBS, like traditional debt securities, tends to vary inversely with changes in interest rates. When interest rates rise, the value of CMBS generally will decline. However, when interest rates decline, the value of CMBS with prepayment features may not increase as much as other fixed income securities because prepayment of mortgages tends to accelerate during periods of declining interest rates. The rate of prepayments on underlying mortgages will affect the price and volatility of CMBS, and may shorten or extend the effective maturity of the security beyond what was anticipated at the time of purchase. If unanticipated rates of prepayment on underlying mortgages increase the effective maturity of CMBS, the volatility of the security can be expected to increase. The value of such securities may fluctuate in response to the market's perception of the creditworthiness of the issuers. Further, prepayments shorten the time over which investments receive income at the higher rate.

The value of CMBS may be substantially dependent on the servicing of the underlying asset pools, and are therefore subject to risks associated with the negligence by, or defalcation of, their servicers. Additionally, any fees related to such outside loan origination and servicing contracts could negatively affect returns. In certain circumstances, the mishandling of related documentation may also affect the rights of security holders in and to the underlying collateral. The insolvency of entities that generate receivables or that utilize the assets may result in added costs and delays in addition to losses associated with a decline in the value of underlying assets. Furthermore, debtors may be entitled to the protection of a number of state and federal consumer credit.

Lender Liability Considerations and Equitable Subordination. In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed "***lender liability***"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of certain of the Firm's clients' investments, such investments could be subject to allegations of lender liability.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lending institution (i) intentionally takes an action that results in the undercapitalization of a borrower to

the detriment of other creditors of such borrower, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors, or (iv) uses its influence as a stockholder to dominate or control a borrower to the detriment of the other creditors of such borrower, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called “*equitable subordination*.”

If a client purchases debt securities of an affiliate in the secondary market at a discount, (i) a court might require such client to disgorge profit it realizes if the opportunity to purchase such securities at a discount should have been made available to the issuer of such securities, or (ii) such client might be prevented from enforcing such securities at their full face value if the issuer of such securities becomes bankrupt.

Item 9. Disciplinary Information

Neither the Firm nor any of its directors, officers or principals has been involved in any criminal or civil action in a domestic, foreign or military court that the Firm believes is material to a client’s or prospective client’s evaluation of the Firm’s advisory business or the integrity of the Firm’s management.

Neither the Firm nor any of its directors, officers or principals has been involved in any administrative proceedings before the U.S. Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority.

Neither the Firm nor any of its directors, officers or principals has been involved in any self-regulatory organization proceedings.

Item 10. Other Financial Industry Activities and Affiliations

A. Broker-Dealer Registrations

Neither the Firm nor any of its directors, officers or principals is registered, or has an application pending to register, as a broker-dealer or registered representative of a broker-dealer.

B. CFTC Registrations

Neither the Firm nor any of its directors, officers or principals is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator or commodity trading advisor, or is an associated person of any of the above.

C. Affiliates

The Firm is affiliated with the following advisers, broker-dealers and insurance companies, although the Firm does not believe that its affiliation with any creates a material conflict of interest with respect to the Firm’s clients:

- 1851 Securities Inc.
- Angel Island Capital Management, LLC
- Angel Island Capital Services, LLC
- Constitution Life Insurance Company
- GGCOF Co-Invest Management, L.P.
- GGCOF Executive Co-Invest, L.P.
- GGC Opportunity Fund Management, L.P.

- Golden Gate Capital Management, LLC
- Golden Gate Capital Management II, LLC
- Golden Gate Private Equity Inc.
- Green Street Advisors, LLC
- Green Street Advisors (UK) Limited
- Green Street Investors, LLC
- Green Street Trading LLC
- Nassau Corporate Credit LLC
- Nassau Re (Cayman) Ltd.
- NCC CLO Manager LLC
- PHL Variable Insurance Company
- Phoenix Life Insurance Company
- Saybrus Equity Services, Inc.
- The Pyramid Life Insurance Company

D. Other Investment Advisers

The Firm does not recommend or select other investment advisers for its clients, nor does the Firm have other business relationships with advisers that the Firm believes creates material conflicts of interest.

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

A. Code of Ethics

The Firm has adopted a Code of Ethics, which is designed to comply with SEC requirements. The purpose of the Code of Ethics is to identify the ethical and legal framework in which the Firm and its personnel are required to operate and to highlight some of the guiding principles and mechanisms for upholding the Firm's standard of business conduct. The Firm's Code of Ethics is designed to ensure that all applicable personnel are aware of and adhere to the Firm's policies and procedures. The description below is a summary only. The Firm will provide a complete copy of its Code of Ethics to clients and prospective clients.

Standard of Business Conduct. The Firm and its personnel have a fiduciary duty to the Firm's clients, and in this fiduciary capacity, the Firm must place the interests of its clients before the Firm's own interests.

Basic Principles. The Firm's Code of Ethics is based on a few basic principles: (i) the Firm and its personnel must place the interests of the Firm's clients above their own; (ii) the professional activities and personal investment activities of the Firm's personnel must be consistent with the Code of Ethics and avoid any actual or potential conflict between the interests of clients and those of the Firm or its personnel; (iii) the activities of the Firm's personnel must be conducted in a way that avoids any abuse of any such person's position of trust with and responsibility to the Firm and its clients; (iv) the Firm's employees must not take any inappropriate advantage of their positions at the Firm; (v) the Firm must maintain independence in its investment decision-making process; and (vi) the Firm's personnel may not engage in any act, practice or course of conduct that would violate the provisions of Rule 204A-1 of the Investment Advisers Act of 1940, as amended (the "***Advisers Act***"), and other applicable securities laws.

Conflicts of Interest. As a fiduciary, the Firm has an affirmative duty of care, loyalty, honesty and good faith to act in the best interests of its clients. The Firm makes every effort to avoid conflicts of interest and fully disclose all material facts concerning any conflict of interest that may arise with respect to any of its

clients, the Firm stresses that individuals subject to the Code of Ethics must try to avoid situations that have even the appearance of conflict or impropriety.

Insider Trading. The Firm's personnel may not trade, either personally or on behalf of another, on material non-public information or communicate material non-public information to another person in violation of the law. This policy applies to all of the Firm's personnel and extends to their activities both within and outside their duties for the Firm. The Firm has also implemented policies and procedures designed to detect and prevent insider trading.

Personal Securities Transactions. All personnel must comply with the Firm's policy on personal trading. Except with respect to certain excepted personnel, securities (including, indices, mutual funds, exchange-traded funds and certain government securities) and/or accounts for which a person does not exercise investment discretion, personal securities transactions by the Firm's personnel must be pre-approved by the Firm's Chief Compliance Officer (the "***Chief Compliance Officer***").

Holdings and Transactions Reports. Every employee and access person must submit both initial and annual holdings reports to the Chief Compliance Officer that disclose all covered securities held in any personal account. Every employee and access person must also submit a quarterly transaction report to the Chief Compliance Officer for each covered securities transaction in any personal account.

Service as a Director. The Firm's employees are prohibited from serving on the boards of directors of any outside company, unless the service (i) would be in the best interests of the Firm or its clients and (ii) has been approved in writing by the Chief Compliance Officer; provided that the Firm's employees will not be required to obtain prior written approval for service on the boards of directors of charitable or civic organizations. In addition, any employee serving on the board of a private company which is about to go public may be required to resign either immediately or at the end of the current term.

Reporting of Violations. The Firm has implemented policies and procedures whereby its personnel are required to report any violation, apparent violation or potential violation of the Firm's Code of Ethics to the Chief Compliance Officer.

Review and Enforcement. The Chief Compliance Officer is responsible for ensuring adequate supervision over the activities of all persons who act on the Firm's behalf in order to prevent and detect violations of the Firm's Code of Ethics by such persons.

B. Material Financial Interest in Client Transactions

Generally, neither the Firm nor any related person of the Firm recommends to the Firm's clients, or buys or sells for the Firm's clients, securities in which the Firm or a related person of the Firm has a material financial interest.

C. Participation in Client Transactions

Generally, neither the Firm and nor any related persons of the Firm invest in the same securities or related securities that the Firm or a related person of the Firm recommends to the Firm's clients.

D. Transactions Simultaneous with Client Transactions

Generally, the Firm does not recommend securities to the Firm's clients, or buy or sell securities for the Firm's clients, at or about the same time that the Firm buys or sells the same securities for the Firm's own account. The Firm does, however, recommend securities to certain of its clients, or buy or sell securities for

certain of its clients, at or about the same time that the Firm buys or sells the same securities for insurance companies with which the Firm and NAMCO are affiliated.

From time to time, subject to client or investment guidelines and restrictions, the Firm is authorized to direct one of the Firm's clients to sell investments to another of the Firm's clients through an internal cross transaction in which the Firm will receive no compensation. In most cases, an independent pricing mechanism will be used to ensure objectivity. However, there could be times in which that pricing mechanism is not feasible or fair to the Firm's clients, in which case the Firm will seek some pricing mechanism that is fair to both such clients.

To the extent that any such transaction may be viewed as a principal transaction due to the ownership interest in the client by the Firm and its personnel, the Firm will comply with the requirements of Section 206(3) of the Advisers Act, and provide written notification to such client and obtain client consent either prior to the principal transaction or prior to its settlement.

In addition, the Firm may give advice or take action with respect to investments of one or more of the Firm's clients that may not be given or taken with respect to the Firm's other clients with similar investment programs, objectives and strategies. Accordingly, the Firm's clients with similar investment strategies may not hold the same investments or achieve the same performance. The Firm may also advise clients with conflicting programs, objectives or strategies. These activities may also adversely affect the prices and availability of other investments held or potentially considered for one or more clients.

From time to time, the Firm may acquire securities or other financial instruments of an issuer for one of the Firm's clients which are senior or junior to securities or financial instruments of the same issuer that are held by, or acquired by, another of the Firm's clients. The Firm recognizes that conflicts may arise under such circumstances and will endeavor to treat all of its clients fairly and equitably.

Item 12. Brokerage Practices

A. Selection of Broker-Dealers

The Firm has full authority to select broker-dealers to execute certain of the Firm's clients' investment transactions. The Firm will allocate a portion of each such client's brokerage business to such brokers on the basis of certain considerations, which may include:

- The amount of commission;
- The quality of execution;
- Reputation, financial strength and stability;
- Operational efficiency
- Ability to source securities;
- Block trading and block positioning capabilities;
- Willingness to execute difficult transactions;
- Likelihood of execution;
- Desired timing of the transaction;
- Willingness and ability to commit capital;
- Access to underwritten offerings and secondary markets;

- Ongoing reliability;
- Overall costs of a trade;
- Nature of the security and the available market makers;
- Desired timing of the transaction and size of trade;
- Confidentiality of trading activity; and/or
- Market intelligence regarding trading activity.

Although the Firm will seek competitive rates, it may not necessarily obtain the lowest possible commission for client account transactions. The commissions and/or transaction fees charged by a broker-dealer may be higher or lower than those charged by other broker-dealers.

Neither the Firm nor any related person receives client referrals from any broker-dealer or third party that provides brokerage services to the Firm's clients.

At this time the Firm is not a party to, and does not anticipate entering into, any formal "soft dollar" arrangements. However, one or more of the Firm's clients may permit the Firm to use "soft dollars" generated by such clients to pay for the research related services. In the event that the Firm utilizes allocations of commission dollars, the Firm would do so solely to pay for products or services that qualify as "research and brokerage services" within the "safe harbor" of Section 28(e) of the Securities Exchange Act of 1934, as amended.

B. Aggregation of Orders

Generally, the Firm does not aggregate the purchase or sale of securities. However, if the Firm determines to engage in aggregation activities on behalf of its clients, it would do so in accordance with the applicable investment advisory agreement or other governing documents of such clients.

Item 13. Review of Accounts

Mr. Petak and certain other Firm personnel conduct various weekly, monthly, quarterly and annual reviews of the investments in the firm's clients' portfolios. Such reviews are conducted in the context of the stated objectives and guidelines set forth in the applicable investment advisory agreement or other governing documents of such clients.

Other conditions may trigger a review, such as changes in applicable laws, new investment information, a default, changes in the market, changes in a particular client's circumstances and other events described in a client's investment advisory agreement or other governing documents.

The Firm provides written reports to clients as required in each client's investment advisory agreement or other governing documents. Such reports may include periodic (monthly and/or quarterly) transaction, holding and performance reports. Additional written and/or verbal reports may also be provided to certain clients on an ad hoc basis or in accordance with such clients' investment advisory agreement or other governing documents.

Item 14. Client Referrals and Other Compensation**A. Non-Client Economic Benefits**

The Firm does not, nor do any of its principals or employees, receive any economic benefit from non-clients for providing advisory services to the Firm's clients.

B. Compensation for Client Referrals

At this time the Firm is not a party to an arrangement to pay a third party for the referral or solicitation of clients.

Item 15. Custody

Although the Firm does not have custody of certificated securities (which are typically custodied by the Firm's clients' third party custodian), the Firm is deemed to have custody over the assets of certain of its clients according to the custody rule set forth in Rule 206(4)-2 under the Investment Advisers Act of 1940, as amended. The Firm complies with such custody rule by engaging an independent public accountant to verify such assets by surprise examination at least once during each calendar year.

Item 16. Investment Discretion

The Firm has been provided with discretionary authority to manage the investment accounts of certain of its clients, and the limitations of such authority set forth in, and limited by, the terms and conditions of the investment advisory agreement or other governing documents of such clients.

Prior to accepting discretionary authority to manage a client's account, the Firm and such client will enter into a written investment advisory agreement.

Item 17. Voting Client Securities

The Firm does not have the authority to vote proxies relating to securities in client accounts.

Item 18. Financial Information

The Firm does not require, nor does it solicit, prepayment of more than \$1,200 in fees per client, six months or more in advance.

The Firm has never been the subject of a bankruptcy petition.