

**Investment Adviser Brochure
Form ADV Part 2A**

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This investment adviser brochure (“Brochure”) provides information about the qualifications and business practices of Driftwood Advisors, LLC. If you have any questions about the contents of this Brochure, please contact us at the telephone number noted above. 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.

Driftwood Advisors, LLC is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). However, such registration does not imply a certain level of skill or training.

Additional information about Driftwood Advisors, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item II. Material Changes

Item I, Cover Page, has been amended to reflect the date of this filing

Item IV, Advisory Business, has been amended to reflect: a) the new Assets Under Management;

You will receive a summary of any material changes to subsequent Brochures within 120 days of the close of our business's fiscal year, which is December 31 of each year. We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. Currently, our Brochure may be requested by contacting us at telephone number (786) 582-2346 and/or by email at crodriguezjr@dadlp.com

Additional information about Driftwood is also available via the SEC's web site www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with Driftwood who are registered, or are required to be registered, as Investment Adviser Representatives ("IARs") of Driftwood.

Item III. Table of Contents

Item Number	Item	Page
I	Cover Page	1
II	Material Changes	2
III	Table of Contents	3
IV	Advisory Business	5
V	Fees and Compensation	6
VI	Performance-Based Fees and Side-by-Side Management	9
VII	Types of Clients	10
VIII	Methods of Analysis, Investment Strategies and Risk of Loss	11
XIX	Other Financial Industry Activities and Affiliations	18
XX	Conditions for Managing Accounts	18
XI	Code of Ethics, Participation or Interest in Client Transactions Personal and Trading	20
XII	Brokerage Practices	22
XIII	Review of Accounts	22
XIV	Client Referrals and Other Compensation	23
XV	Custody	23
XVI	Investment Discretion	24
XVII	Voting Client Securities	24
XVIII	Financial Information	24

Item IV. Advisory Business

A. Description of Firm

Driftwood Advisors, LLC (“DALLC”), a Delaware limited liability corporation, is a real estate investment adviser that provides investment management and advisory services on real estate assets to institutional and qualified clients.

DALLC was established in 2017 as an affiliate of Driftwood Acquisitions & Developments, L.P. (“DADLP”). DALLC registered with the SEC as an investment adviser in 2017. The direct parent company of DALLC is Driftwood Financial LP.

DALLC provide investment advisory services to different institutional clients, including Limited Partnerships investing in real estate assets. DADLP and affiliates have successfully completed the acquisition and development of over 100 hotels. They are one of the top 20 largest owners/operators of hotels nationwide; owning and managing over 45 hotels across the United States accounting for more than 9,000 rooms and 4,000 employees.

B. Description of Advisory Services

DALLC’s primary business is to advise clients on real estate-related investments (e.g., direct investments in real estate, investments in real estate limited partnerships, joint ventures with real estate partners, real estate loans, including subordinated or “mezzanine” loans, and direct equity investments in real estate assets through the purchase of all or substantially all of the issued securities of real estate investment trusts (“REITs”) and similar structures) and to manage those investment portfolios. Other services provided by DALLC include providing strategic research, guidance on investment strategy, acquisitions and dispositions, portfolio and asset management, cash management, financial reporting, accounting, due diligence and client services. DALLC’s client base is comprised generally of private companies and individuals acting as General Partners for limited partnerships, as well as separate accounts, which DALLC refers to as “separate accounts.” The investors in the limited partnerships and the owners of the separate accounts are predominantly institutional investors and qualified clients.

DALLC accepts engagements on a discretionary and non-discretionary basis. In the case of discretionary engagements, DALLC is given full authority to acquire and dispose of real estate-related assets and to manage the real estate-related assets owned by the client. Clients in non-discretionary engagements, represented by the General Partner, withhold some or all of the authority otherwise granted to DALLC in discretionary engagements. For example, non-discretionary clients often require DALLC to obtain client approval before purchasing or selling a property.

C. Tailoring Advisory Services and Client Restrictions on Advisory Services

DALLC works with clients to address their investment objectives to the extent DALLC can accommodate such needs and not adversely affect the services DALLC provides to other clients.

DALLC generally provides investment advice related to three primary strategies: core, value-add, and opportunistic (further described in Item 8.A). DALLC can also further tailor a strategy to limit investments to certain geographic locations or types of real estate. In the case of private fund clients, DALLC will create the investment objectives and determine the real estate strategy or strategies used to achieve those objectives. Due to the nature of limited partnerships and IPT, DALLC does not provide individualized investment advice to the investors in limited partnerships or IPT and such investors are expected to participate in the overall investment program for the applicable private fund or IPT. However, certain investors may be excused from a particular investment due to legal, regulatory or other applicable constraints or for other agreed upon

reasons. In the case of separate account clients, the owners of the separate account have the ability to choose the investment objectives and real estate strategy or strategies and, thus, are able to restrict on the types of investments of the account.

The Advisers may enter into side letters or other similar agreements with certain investors that have the effect of establishing rights under, supplementing or altering a private fund's partnership agreement or an investor's subscription agreement. Such rights or alterations could be regarding economic terms, fee structures, excuse rights, information rights, co-investment rights (including the provision of priority allocation rights to limited partners who have capital commitments in excess of certain thresholds to one or more limited partnerships), or transfer rights. Furthermore, pursuant to a private fund's Governing Documents, some of such rights, terms or conditions may be elected by certain sizeable investors with "most favored nations" ("MFN") rights.

D. Wrap Fee Programs

DALLC does not provide services to wrap fee programs.

E. Assets Under Management

As of July 30, 2018, DALLC has approximately \$580,000,000 in Assets Under Management.

Item V. Fees and Compensation

A. Description of Compensation Arrangements

DALLC may receive one or more of the following fees for its services:

- A fixed management and/or advisory fee typically based upon the cost or fair market value of AUM, the amount of committed equity, the amount of equity invested or a blend of these fee structures;
- incentive fees that generally are calculated as a specified percent of investments made by new investors referred by DALLC to any of the pooled investment vehicles under advice. Any incentive fees charged comply with Rule 205-3 under the Advisers Act;

In circumstances where DALLC sponsors a private fund, DALLC will establish the base fees under which DALLC will be paid for providing services to the fund. These fees are generally based on the type of services DALLC will perform for the fund and the fund's investment strategy or strategies.

In the case of DALLC's separate accounts, DALLC generally charges a fixed fee based on the size of the real estate-related portfolio or on percentage of net operating income. Some separate accounts also have an acquisitions fee and incentive fee structure in place. These fees are individually negotiated with each separate account.

B. Manner of Fee Payment

The manner in which DALLC is paid for its services varies by client and the type of service and is documented in the advisory agreement with each client. DALLC generally bills in arrears for fees for its separate accounts. In the case of DALLC-sponsored limited partnerships, fees owed to DALLC and its affiliates are payable in accordance with the fund's Governing Documents. Fund documents typically do not require DALLC to generate an invoice; instead, the Governing Documents require the private fund to calculate the fees payable by the fund and disburse the funds from the client's account to DALLC.

Fees are payable periodically depending on the nature of the fee. For example, management fees are

generally payable on a quarterly basis, transaction fees (such as acquisition fees) are payable within a certain period of time following the closing of the transaction and incentive fees are payable on a periodic basis (annually or longer) only if the designated threshold was reached.

C. Other Fees Clients May Be Charged

In addition to those fees described above, DALLC's clients will be charged fees payable to third-party service providers (including affiliated service providers), which will be documented in each client's investment advisory agreement or other Governing Documents. These fees are primarily comprised of services related to the operation of the client's property portfolio. In the case of property management fees, DALLC hires property managers on behalf of the client to manage the individual properties a client owns. Such management agreement may include a separate allocation for the reimbursement of salaries of employees dedicated to the property, as well as other administrative costs. Fees payable to the property manager are generally sourced from the income generated by the property. The client is also responsible for fees associated with bank accounts opened on behalf of the client, which would generally be comprised of general account maintenance fees, statement delivery charges and bank transaction charges. Other fees that can arise during the course of a client relationship include:

- real estate transaction fees, such as costs and fees associated with the purchase or sale of a property (taxes, attorney fees, brokerage commissions);
- fees associated with transacting leases;
- due diligence fees;
- annual audit review fees;
- fees associated with tax preparation and filings made with the applicable tax authorities;
- insurance premiums;
- developer fees;
- costs related to construction oversight;
- servicing fees;
- legal fees;
- accounting fees;
- fees for outside appraisers;
- fees for architectural engineering or other studies or reports related to proposed or existing investments;
- fees and expenses of unaffiliated party's incident to the preparation and distribution of reports; and
- travel expenses and other out-of-pocket expenses incurred with the evaluation, negotiation, operation or sale of proposed or existing investment and operations of portfolios.

Limited partnerships and IPT also generally bear their own operating and other expenses (in addition to those listed above) including, but not limited to: (i) marketing expenses; (ii) legal expenses; (iii) internal and external accounting, audit and tax preparation expenses; (iv) insurance; and (v) operating expenses. Clients are not required to reimburse DALLC for DALLC's overhead and operating expenses.

Item VI. Performance-Based Fees and Side-By-Side Management

DALLC manages accounts that have both performance-based fee structures and non-performance-based fee structures. Performance-based fee structures are common in DALLC-sponsored limited partnerships and they also exist in certain separate accounts. In these payment structures, DALLC generally would participate in the portfolio's return once the separate account or private fund investor receives a total return of a fixed percentage, which is usually based on an internal rate of return or time weighted return benchmarks.

Managing accounts with performance-based return fee structures side-by-side with accounts without those structures generates conflicts of interest that may not exist with fee structures comprised solely of fixed fee arrangements. For example, an account with a performance-based fee could incentivize DALLC to focus greater attention on that account at the expense of other non-performance based fee accounts in order to maximize the fees for DALLC. Side-by-side management could also incentivize DALLC to cause the account to pursue greater risks in order to achieve higher fees for DALLC. DALLC believes the following factors help mitigate this conflict:

- DALLC co-invests through an affiliate in its sponsored limited partnerships and, in some cases, alongside separate accounts, which further aligns DALLC's interests with those of the investors and clients, respectively;
- DALLC's ability to raise future capital and its success as an investment manager on a go-forward basis is dependent upon the success of its overall investment program for all of its limited partnerships and separate accounts;
- DALLC allocates potential investments among its accounts on a rotational basis and in an open-book format, which allows clients to review the decision-making process (see more detail below);
- investment guidelines often restrict how DALLC can allocate monies with respect to the type (i.e., industrial, office, apartment, retail), strategy (i.e., core, value-add, opportunistic) and geographic region;
- each account presents an annual strategic plan to DALLC's Investment Committee; and
- DALLC's Investment Committee monitors the purchase and sale of properties and the performance of those assets on a regular basis.

A particular investment opportunity may be appropriate for more than one account. DALLC adopted allocation procedures to ensure it allocates potential real estate investments in a fair and transparent manner. DALLC's general policy is to allocate investment opportunities in an open-book process so that each actively investing client is treated fairly regarding the available allocations, including properties that ultimately are acquired. An allocation priority is established for each allocation meeting based on the time elapsed since each client's most recent first round allocation. The longer the elapsed time, the higher the client's position is in the allocation queue. Every selection made in the first round of allocations will impact the order of the queue for the following allocation meeting. If there are no first selections made in the first round of an allocation meeting, the order of the queue will remain the same for the next allocation meeting regardless of whether any allocations are made in the subsequent rounds. When an allocation is made during the first round, the client to whom a property is allocated will drop to the bottom of the allocation queue for the next meeting. This client will rise up in the allocation queue as other clients receive allocations in the first round. For those clients being considered for a specific allocation, the respective portfolio managers will be asked in descending order (i.e., starting with the client with the first priority and working down to the client with the least priority) if they wish to select a property for allocation. Properties will be allocated to the client which expresses an interest in selecting a property for

allocation and which is ranked highest in the allocation queue. Consequently, it is possible for a client with a low allocation position to be awarded an allocation for a specific property if higher ranked clients are not willing to “spend” their allocation priority. If an “active client” is in the top spot of the queue and has not selected an allocation for six weeks, it will be deemed to have made a selection and drop to the bottom of the rotation. This is intended to assure that clients are truly “active” and not occupying the top allocation spot for the “once in a year” deal.

In some cases, portfolio managers may have responsibility for more than one client. To the extent possible, DALLC assigns portfolio managers clients with different strategies in order to mitigate the potential for conflicts resulting from one portfolio manager having more than one client. In addition, DALLC believes its allocation process and investment committee also mitigates any resulting conflicts.

Under certain circumstances, DALLC’s Head of U.S. Acquisitions, Chief Executive Officer and Chief Operating Officer may, by at least two votes, determine that a property otherwise appropriate for allocation should not be allocated through DALLC’s allocation process (e.g., where a property available for allocation conflicts with a property currently held in an existing client’s portfolio). To the extent that such a decision is made, information about the property and the rationale behind not including it in the allocation process will be disclosed during the applicable allocation meeting and documented as part of the minutes of the meeting.

DALLC does on occasion allocate off-market deals to a client brought to it by such client. In addition, DALLC occasionally allocates a transaction to a client outside of the allocation process when it is clear that no other client’s strategy will support the transaction. Any such transactions are recorded and reported as part of the allocation process in the meeting minutes.

Item VII. Types of Clients

DALLC provides real estate investment management and advisory services to separate accounts and limited partnerships, all of whose assets are comprised generally of investments in real estate. All of DALLC’s separate account clients are institutional investors, including public and private pension plans. Additionally, DALLC will serve as an advisor or manager to special purpose vehicles organized to hold title to real properties on behalf of clients or to act as borrowers for loans related to such properties.

DALLC imposes investment minimums for its limited partnerships on a fund-by-fund basis depending on, among other things, the target raise of the fund and the types of entities investing in the private fund. The minimum investment amount in limited partnerships generally is \$100,000, although DALLC has discretion to accept a lower investment amount. Separate account clients are generally required to invest at least \$5,000,000 with DALLC, although DALLC has discretion to accept a lower investment amount.

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

A. Methods of Analysis and Investment Strategies

DALLC characterizes its investment strategies generally as opportunistic acquisitions and development:

- an “opportunistic” strategy seeks to invest in real estate assets with varying-risk attributes. Leverage can be up to 75% loan to value or greater.
- These strategies define the types of properties DALLC will purchase on behalf of a client.

DALLC’s process for identifying assets for a client is generally consistent across all strategies.

The Research and Strategy Team guides the investment process at both the macro (top-down) and micro (bottom-up) levels. A top-down approach is used to monitor local, regional, national and global economic and investment trends and to guide overall investment strategy. A number of databases and econometric forecasting models developed by DALLC are also used to coordinate strategy and guide decision-making. Once appropriate investment opportunities have been identified, a bottom-up approach is

used to closely examine the fundamentals impacting the potential real estate opportunity at a “micro” or submarket level. The bottom-up approach is also used, in some cases, to uncover and identify investment opportunities or risks that may not otherwise be known to the wider marketplace.

DALLC conducts physical, environmental, economic and legal due diligence on all potential investments as part of the underwriting process. Legal due diligence, including title and survey work, is conducted by external counsel and overseen by DALLC’s Acquisitions Team. Physical and environmental due diligence is conducted by third party consultants under the scope and direction of the DALLC Due Diligence Team. The acquisitions officer responsible for sourcing the investment opportunity, working in conjunction with the Acquisition Team, Asset Management Team, fund or portfolio manager, and legal counsel, leads the economic due diligence process. Economic due diligence includes a review of all leases and tenant correspondence, tenant receivables, operating expenses, real estate taxes, recent capital expenditures and any pending litigation.

The Investment Committee is comprised of seven of the most senior executives of DALLC. The Investment Committee approves the annual strategic plans of all clients and limited partnerships as well as all property transactions, both acquisitions and dispositions, prior to execution.

Investing in real estate and securities involves risk of loss that all clients should be prepared to bear. Although DALLC’s clients generally do not invest in securities, investors in DALLC’s limited partnerships generally would be deemed to be investing in a security, and they should be prepared to bear the risk of loss associated with investments in limited partnerships.

B. Risks Associated with Investing in Real Estate and/or DALLC-Sponsored Limited partnerships

Impact of Real Estate Cycle

Historically, real estate has experienced significant variations and cycles in value and local market conditions, which may result in reductions in the value of real property and, possibly, the income generated by real property. All real estate-related investments are subject to the risk that a general downturn in either the national or the local economy will weaken real estate prices and revenues.

Economic turmoil may adversely affect investments in real estate by, among other things:

- (i) a decline in the value of real estate and real estate securities, which may continue for a prolonged period, resulting in higher volatility and an uncertain business environment for investors, and
- (ii) a lack of available credit, lack of confidence in the financial sector and reduced business activity.

DALLC may not be able to timely anticipate or manage existing, new or additional risks or developments, including regulatory changes and trends in new products and services.

Real Property Risks

Investments in real property are subject to differing risk levels. The yields available from equity investments in real estate depend on a variety of factors including the amount of income earned and capital appreciation generated by properties as well as the expenses incurred. If real estate assets do not generate enough income to meet their operating expenses, including debt service and capital expenditures, the ownership of such real estate could be adversely affected. Income from, and the value of, real estate is affected by the general economic climate, local conditions such as oversupply or a reduction in demand for such properties, attractiveness to potential tenants, competition from other properties, increases in

maintenance, insurance and operating costs (including insurance premiums, utilities and real estate taxes). In addition, revenues and real estate values are affected by such factors as the cost of complying with regulations and the potential for liability under applicable laws, including changes in tax laws, and interest rate levels and the availability of financing. Income from real estate investments is adversely affected if a significant number of tenants are unable to pay rent or if properties are vacant and cannot be rented on favorable terms. Certain considerable expenditures associated with an investment in real estate (such as mortgage payments, real estate taxes and maintenance costs) generally do not decline when circumstances cause a reduction in income from the property.

Highly competitive market for investment opportunities

There is significant competition for real estate investment opportunities. Some competitors may have a lower cost of funds and access to funding sources that are not available to clients. As a result of this competition, DALLC may not be able to take advantage of attractive investment opportunities from time to time. No assurance can be given that DALLC will be able to acquire properties, and real estate-related debt investments on terms, including financing, favorable to DALLC clients.

Possible Inability to Complete Renovation, Expansion or Development on Advantageous Terms

One strategy employed by DALLC to varying degrees depending on the client is to invest in renovation, expansion and development opportunities. Investments involving renovation, expansion and/or development of real estate involves significant risks in addition to those involved in the ownership and operation of properties, including the risks that favorable financing may not be available, and that construction may not be completed on schedule or within budget, resulting in increased debt service expense and/or construction costs and delays in leasing and generating cash flow. Substantial renovation, expansion and development activities are also subject to risks relating to the inability to obtain, or delays in obtaining, all necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations. Once completed, new, expanded or renovated properties may perform below anticipated levels and produce cash flow below forecasted amounts. In addition, substantial renovation and expansion, as well as new development activities, regardless of whether they are ultimately successful, typically require a substantial portion of management's time and attention, which could divert management's time from the other investment activities. Renovation, expansion or development activities may be financed through construction loans, in which case there is a risk that, upon completion of construction, permanent financing may not be available or may be available only on disadvantageous terms.

Concentration of Investment in the Real Estate Sector

DALLC provides investment advice exclusively with respect to real estate and real estate- related investments. Only a portion of an investor's overall portfolio should be allocated to real estate and real estate-related investments.

Real Estate Investments are Illiquid

Because private real estate investments are relatively illiquid, DALLC's ability to sell properties or diversify a portfolio in response to changing economic, financial and investment conditions is limited.

Investments in the Limited partnerships are Illiquid

There is a limited private market for secondary investments in the limited partnerships.

Adverse economic and other conditions can negatively affect occupancy levels and lease rates

Adverse economic or other conditions would be expected to lower real estate occupancy levels and

limit the ability of property owners to increase rents. The following factors, among others, may negatively affect real estate investments:

- local or regional real estate property leasing market conditions;
- period of economic slowdown, recession or rising interest rates or the public perception that any of these events may occur;
- increased operating costs;
- changes in supply of, or demand for competing properties in an area;
- the impact of environmental protection laws;
- acts of gods, terrorist acts, civil disturbances or acts of war that may result in uninsured or underinsured losses or render such properties less desirable in the marketplace; and
- changes in tax, real estate and zoning laws.

Leasing delays or tenant bankruptcies impact real estate cash-flows

Real estate investments are dependent upon the payment and performance of lease obligations by tenants, such as property maintenance, payment of taxes, utilities and other charges and maintenance of insurance. Property owners do not have control over the success or failure of their tenants' businesses and, at any time, a tenant may experience a decline in its business that may weaken its financial condition. As a result, tenants may delay lease commencement or renewal, fail to make lease payments or declare bankruptcy. Any of these events could result in the termination of the tenant's lease.

If a tenant is unable to satisfy the terms of its leases, the property owner may be forced to modify the lease to the owner's detriment. Alternatively, the failure of a tenant to satisfy a lease or to renew a lease could require the owner to declare a default, repossess the property, find a suitable replacement tenant, operate the property or sell the property.

Any bankruptcy filings by, or relating to, a tenant could bar all efforts to collect pre-bankruptcy debts from that tenant or seize its property, unless the creditor receives an order permitting such collection from the bankruptcy court, which it may be unable to obtain. A tenant bankruptcy could also delay the property owner's efforts to collect past due balances under the relevant leases and could ultimately preclude full collection of these sums. If a tenant assumes the lease while in bankruptcy, all pre-bankruptcy balances due under the lease must be paid to the property owner in full. However, if a tenant rejects a lease while in bankruptcy, the owner would have only a general unsecured claim for pre-petition damages. Any unsecured claim may be paid only to the extent that funds are available and only in the same percentage as is paid to all other holders of unsecured claims.

Debt Financing

DALLC employs the use of leverage to the extent permitted by the specific client. DALLC may cause the clients to incur secured, unsecured, recourse and non-recourse debt. Clients that employ leverage are subject to risks normally associated with debt financing, including the risk that cash flow after debt service will be insufficient to accumulate sufficient cash for distributions, the risk that existing indebtedness (which is unlikely to be fully amortized at maturity) will not be able to be refinanced, that the terms of available refinancing will not be as favorable as the terms of existing indebtedness or that the loan covenants will not be complied with. If principal payments due at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions, such as new debt or equity capital, it is possible that the client's cash flow may not

be sufficient in all years to repay all such maturing debt. Furthermore, if prevailing interest rates or other factors at the time of refinancing (such as the reluctance of lenders to make commercial real estate loans) result in higher interest rates upon refinancing, the interest expense relating to such refinanced indebtedness would increase. If a property is mortgaged to secure payment of indebtedness and the client is unable to meet mortgage payments or otherwise comply with loan covenants, the property could be foreclosed upon or otherwise transferred to the mortgagee, with a consequent loss of income and asset value.

Debt Investments

Clients may originate, participate in and/or acquire real estate loans that are non-recourse to the borrower including subordinated or “mezzanine” loans. Mortgage investments have special inherent risks relative to collateral value. To the extent the client makes or acquires subordinated or “mezzanine” debt investments, DALLC does not anticipate having absolute control over the underlying collateral as the client will be dependent upon third-party borrowers’ payments of debt service and performance of other obligations under the mortgage loan documents and will have rights that are subordinate to those of senior lenders. In certain circumstances, the client’s loans may not be secured by a mortgage but instead by partnership interests or other collateral that may provide weaker rights and remedies for defaults than a mortgage. In any case, in the event of default, the client’s source of repayment will be limited to the value of the collateral and may be subordinate to other lien holders. The collateral value of the property may be less than the outstanding amount of the client’s investment. In cases in which the client’s collateral consists of partnership or similar interests, the client’s rights and level of security may be less than if it held a mortgage loan. Returns on an investment of this type depend on the borrower’s ability to make required payments, and, in the event of default, the ability to foreclose and liquidate the collateral or sell the note.

Hedging against interest rate exposure may result in losses

Subject to client restrictions, DALLC may enter into interest rate swap agreements to hedge interest rate risk or pursue other hedging strategies. Clients’ hedging activity will vary in scope based on the level and volatility of interest rates, the type of portfolio investments held, and other changing market conditions. Interest rate hedging may fail to protect or could adversely affect clients because, among other things:

- interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates;
- available interest rate hedging may not correspond directly with the interest rate risk for which protection is sought;
- the duration of the hedge may not match the duration of the related liability;
 - the credit quality of the party owing money on the hedge may be downgraded to such an extent that it impairs the client’s ability to sell or assign its side of the hedging transaction;
 - the party owing money in the hedging transaction may default on its obligation to pay; and
 - the client’s hedging activity may adversely affect its earning.

The decision to enter a hedging transaction is predicated on the expectation of future movements of interest rates, and changes in interest rates may result in poorer overall investment performance than if the client had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. Moreover, for a variety of reasons, DALLC may not seek to establish a perfect

correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent a client from achieving the intended hedge and expose the client to risk of loss.

Interest Rate Risks

Investments in real estate result in exposure to interest rate risks, meaning that changes in prevailing interest rates could negatively affect the value of investments (e.g., interest rate changes may affect, among other items, the cash flows of an investment directly and the cost of leverage).

Cyber Security Risk

With the increased use of technologies such as the Internet to conduct business, a portfolio is susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events and are not limited to, gaining unauthorized access to systems, misappropriating assets or sensitive information, corrupting data, or causing operational disruption, including the denial-of-service attacks on websites. Cyber security failures or breaches by a third-party service provider have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, the inability to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs, including the cost to prevent cyber incidents.

Regulation and Enhanced Scrutiny of the Private Investment Fund Industry

In July 2010, the Dodd-Frank Wall Street Reform Act (the “Dodd-Frank Act”) was signed into law in the U.S. The Dodd-Frank Act is expansive in scope and requires the adoption of extensive regulations and numerous regulatory decisions. The continued adoption of these regulations and decisions will determine the impact of the Dodd-Frank Act on DALLC and other financial services firms. The Dodd-Frank Act may significantly change DALLC’s operating environment and the financial markets in unpredictable ways. It is not possible to predict the effects that the Dodd-Frank Act, or subsequent implementing regulations and decisions, will have upon business, financial condition, and operations.

Properties Owned Through Partnerships and Joint Ventures

DALLC may cause its clients to invest in joint ventures with developers or other unaffiliated persons or entities active in the real estate business. Joint venture investments involve the risks that the joint venture partner might become bankrupt (in which event the client could remain liable for the obligations of such joint venture), that such joint ventures might have economic or other business interests or goals that are inconsistent with the business interests or goals of the client, and that such joint ventures may be in a position to take actions contrary to DALLC instructions or requests or contrary to the client’s policies or objectives. In addition, agreements governing joint ventures often contain restrictions on the transfer of a joint venture’s interest, “buy-sell” or similar provisions that may result in a requirement that the client purchase or sell its interest at a disadvantageous time or on disadvantageous terms.

Government Property Regulations

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 environmental protection. Such regulations may hinder or prevent planned renovation, expansion or development. Even with respect to improved real estate, regulations may be promulgated which would have the effect of restricting or limiting certain usages of existing structures or requiring that such structures be renovated or altered in some

fashion. Such regulations could have the effect of increasing the expenses or lowering the profitability of any of the affected properties. One example of such regulation is the institution of rent controls or other economic controls.

Environmental Regulation

DALLC engages environmental experts to conduct on-site studies and studies of the history and current usage of properties, as it deems appropriate. However, environmental studies cannot guarantee that DALLC will be aware of all contamination at such properties and the costs of removal, management or remediation, either because such conditions were latent or because of changes in laws and regulations. Such laws often impose liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The cost of investigation, remediation, management or removal of the substances may be substantial, and the presence of such substances or the failure to properly remediate may adversely affect the owner's ability to sell or rent such property or to borrow against the property. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages it incurs in connection with the contamination. Finally, the owner of a site may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from a site. In connection with its ownership and operation of real estate, clients may incur liability for such costs.

Litigation

In the ordinary course of its business, owners of real estate may be subject to litigation from time to time. The outcome of such proceedings may adversely affect the value of an investment and may continue without resolution for long periods of time.

Property Management and Leasing

DALLC relies on third party property managers and leasing agents to manage and lease vacancies in client properties. The third party property managers have decision-making authority with respect to the management of our properties in accordance with the terms outlined in legal agreements with those service providers. DALLC's ability to direct and control how client properties are managed on a day-to-day basis may be limited because third parties are engaged to perform specific duties on behalf of the owner. Any adversity experienced by property managers or leasing agents could adversely impact the operation and profitability of client properties.

Item 9. Disciplinary Information

Neither DALLC nor its management persons have been involved in legal or disciplinary events that are responsive to Items 9.A, 9.B. or 9.C of this Brochure. Neither DALLC nor its management persons have any other material legal or disciplinary events.

Item 10. Other Financial Industry Activities and Affiliations

- A. Neither DALLC nor any of its management persons are registered or have an application pending to register as a future commission merchant, commodity pool operator, a commodity trading advisor or an associated person of the foregoing entities.
- B. DALLC has the following relationships with its affiliates that it believes are material to its business:
 - 1. Driftwood Acquisitions & Developments, LLP, an affiliated private equity fund and

DALLC's primary client.

Item XI. Code of Ethics, Participation or Interest in Client Transactions (including Principal and Cross Transactions) and Personal Trading

- A. DALLC's Code of Ethics (the "Code") is designed to comply with Rule 204A-1 of the Adviser's Act. The Code prohibits, among other things, any DALLC supervised person from (i) entering an order to make an investment that anticipates (i.e., front runs) or competes with a separate/fund order or investment, (ii) purchasing an interest in a private offering without the prior approval of the CCO, (iii) purchasing an interest in a publicly offered REIT without the prior approval of the CCO, and (iv) transacting in any security if the decision is based on material non-public information. Additionally, the Code requires certain DALLC employees ("Access Persons") to make initial (upon becoming subject to the Code) and annual securities holdings reports to DALLC that identify all brokerage accounts in which the Access Person has any direct or indirect beneficial interest. These reports contain information about the securities held in such brokerage accounts. The Code also requires Access Persons to provide quarterly transaction reports to DALLC or to instruct their brokers to provide duplicate confirmations for all securities transactions to DALLC. DALLC will provide any current or prospective client with a copy of the Code upon request. DALLC or its personnel may, from time to time, come into possession of material non-public or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, DALLC and its personnel are prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of DALLC. Accordingly, should DALLC or its personnel come into possession of material non-public or other confidential information with respect to any public company, DALLC is prohibited from communicating such information to clients and has no responsibility or liability for failing to disclose such information to clients as a result of following its policies and procedures designed to comply with applicable law.
- B. DALLC sponsors limited partnerships that invest in real estate and serves as the advisor to such companies. Depending on the structure, a DALLC affiliate would act as the general partner or managing member of the fund and/or its employees would serve in certain key capacities with the general partner. DALLC would also be engaged to act as the adviser to the private fund. During the fund-raising stage, senior DALLC employees dedicated to the fund participate in the solicitation process. However, the compensation structure of its fund management team is based in part on the overall performance of the fund itself not pure solicitation activities. DALLC also prepares its marketing materials consistent with the Advisers Act, and requires the information presented in its materials to be supported by data. DALLC employees dedicated to marketing and client engagement are also registered representatives of DALLC's affiliated broker-dealer, DCLLC, and these individuals also participate in the solicitation process in a "finder" capacity. As explained above, the registered representatives are incentivized to recommend DALLC's limited partnerships to institutional investors because of the indirect compensation they may be awarded in the form of an annual bonus. These conflicts are addressed in part by their adherence to FINRA's suitability requirements and DALLC's general motivation to admit only sophisticated investors, which are primarily institutional, to the applicable fund given the long-term investment horizon such a commitment requires.

Entities managed by DALLC or an affiliate of DALLC have co-invested in DALLC- sponsored limited partnerships, as well as some separate accounts structured as partnerships. For certain co-investments, an affiliate of DALLC owns approximately 10% of the co-investment entities and for

others affiliates also co-invests directly in DALLC- sponsored limited partnerships and separate accounts. All co-investments are on terms and conditions comparable to those of the separate account client or other private fund investors. DALLC notes that some major investors in limited partnerships and many separate accounts condition their investment upon DALLC's co-investment in the private fund or alongside the separate account. In these cases, DALLC has an indirect interest in the fund and also serves as the adviser to the fund. In some cases, investors in limited partnerships and separate accounts also require co-investment by employees involved in management of the account. DALLC believes the co-investment structure aligns the interests of DALLC and its employees with those of the investors and clients. A conflict that may arise in this structure could be an event that causes the interest of DALLC and its affiliates and/or employees to diverge from those of the private fund investors or the separate account. DALLC believes these conflicts are mitigated generally through DALLC's fiduciary obligations to act in the best interest of its clients, as well as the allocation process and investment committee. DALLC believes that contractual limitations in the investment management agreements that govern DALLC's activities as advisor and the necessity of maintaining DALLC's strong reputation in the real estate investment advisory marketplace also serve to ensure that DALLC appropriately address conflicts.

- C. DALLC does not generally engage in principal or cross transactions. If DALLC were to engage in principal or cross transactions, DALLC would not, without obtaining the consent of any impacted client, or in the case of a private fund, the fund's advisory board, prior to the settlement of such transaction: (i) as principal, sell an asset to, or buy an asset from, any client; or (ii) cause the client(s) to participate in a cross transaction in which DALLC arranges for a client to buy an asset from, or sell an asset to, another client. In particular, DALLC would not engage in such transactions without providing appropriate disclosure and obtaining the prior informed consent from the client(s).

In more limited situations, DALLC may also direct client funds to purchase equity investments in the private real estate sector and opportunistic investments in private real estate loans, including participating loans. Similar to the paragraph immediately above, DALLC's co-investment vehicle would also be the beneficiary of the advice that DALLC would be providing to the fund.

- D. As a general matter, DALLC does not recommend securities to clients, or buy or sell securities for client accounts, at or about the same time that DALLC or its related persons buys or sells the same securities for DALLC's or the related person's own account. In certain circumstances, DALLC or its related person will co-invest in an investment or private fund alongside a client.

Item XII. Brokerage Practices

Given the nature of DALLC's investment program, it generally does not provide investment management services with respect to publicly traded securities. In the event DALLC executes a brokerage transaction for a private fund or separate account, it will generally consider qualitative factors including, but not limited to, the broker's reliability and execution capabilities for the transaction, the commissions charged by the broker, and the broker's reputation and responsiveness to requests for trade data and other financial information.

Item XIII. Review of Accounts

DALLC reviews client accounts and financial plans on a periodic basis. On an annual basis, DALLC's Investment Committee reviews all client accounts based on a set of pre-established criteria that are reflected in the investment management agreements entered between DALLC and the client, as well as the input from

analysts and portfolio managers. The review includes performance, client objectives and guidelines, and other criteria relevant to the types of real estate assets held in the accounts.

In addition, on an annual basis, each portfolio manager prepares a portfolio level strategic plan for the upcoming year that is reviewed by the Investment Committee in order to establish performance standards. As part of the annual review of the portfolio, the portfolio's performance is then assessed and compared to the budget benchmarks and strategic plan for that portfolio and against the financial performance of the portfolio in prior year. Strategic plans are the basis for all investment decisions for the both the portfolio and underlying properties, focused on, but not limited to, the following items:

- review of and alignment with client objectives;
- performance against prior year's objectives;
- major lease expiration schedule and debt maturity schedule for the portfolio;
- updated cash flow and return projections;
- updated property valuations;
- hold/sell recommendations; and
- key initiatives to be accomplished during the upcoming year.

In addition to the annual plans described above, DALLC's client teams prepare quarterly written reports to clients. The reports include unaudited financial statements, which are prepared and reviewed by internal accounting professionals. In the substantial majority of cases, year-end financial statements are audited by certified public accountants, most of which are one of the "big-four" accounting firms and all of which are AICPA independent of DALLC and the account they are auditing. Capital items, including paid in capital, invested capital and distributions are reviewed by internal accounting professionals as transactions occur to ensure they are completed in accordance with the separate account or fund agreements and/or bylaws.

In general, written quarterly reports and financial statements are issued to clients between 45 and 60 days after quarter-end. Quarterly reports contain a high-level executive summary, financial schedules, property profiles and fair value based financial statements. Client financial statements detail the contributions, distributions and ownership amounts of each client's investment. Electronic quarterly reports and financial statements are provided to clients via a secured website. Email notifications are sent to clients when reports and statements are available. Hard copies are made available upon request.

Item XIV. Client Referrals and Other Compensation

DALLC does not have an arrangement with a non-client whereby DALLC receives an economic benefit as a result of the non-client providing investment advice or other advisory services to our client(s). Employees at other DALLC affiliates participate in soliciting investors for DALLC's clients, which is taken into account at year-end compensation determinations for such affiliates.

As noted above in Item 10 "*Other Financial Industry Activities and Affiliations*", DALLC compensates its employees for their efforts in referring clients to DALLC-sponsored limited partnerships.

Item XV. Custody

To the extent that DALLC has custody of client securities, it arranges for the qualified custodian(s) of client bank accounts associated with those securities (and which do not otherwise qualify for an exemption under Rule 206(4)-2(b) of the Advisers Act) to deliver bank account statements to clients, or an independent

representative that DALLC has engaged to receive bank account statements, on at least a quarterly basis. Clients or the independent representative will receive these account statements directly from the qualified custodian in these cases. In all cases, clients, or if applicable, investors that receive bank account statements from the qualified custodian should and are directed to carefully review the statements.

Clients may also require DALLC to provide quarterly statements (please see Item 13 “*Review of Accounts*” above) that provide transactional and financial information about the account.

Item XVI. Investment Discretion

DALLC accepts discretionary authority to manage accounts on behalf of clients. Limitations on this authority are reflected in a written investment advisory agreement between DALLC and the client, as well as in the Governing Documents of DALLC-sponsored limited partnerships. Limitations vary among agreements, but customarily address the following points:

- level of authority granted to DALLC to purchase and dispose of real estate related assets;
- property type and class and geography;
- authority to effect leases and mortgage financing;
- authority to open bank accounts;
- ability to make capital and tenant improvements;
- ability to hire third parties, including affiliates, to perform obligations arising under the agreement;
- content and timing of written reports to the client; and
- calculation of fees.

DALLC does not execute other documentation to evidence its authority to execute transactions on behalf of the client’s account.

Item XVII. Voting Client Securities

DALLC’s primary business is to provide investment advisory services for direct real estate investing on behalf of institutional clients. These activities generally do not involve investments in publicly-traded securities and proxy voting services are not included in DALLC’s services to clients. However, DALLC may, from time to time, receive amendments, consents or resolutions applicable to investments held by clients (collectively, “proxies”), such as limited partner consents for real estate private equity limited partnerships in which the clients may invest, and is generally granted authority to vote and consent on such matters on behalf of clients. DALLC’s proxy voting policies and procedures seek to ensure that DALLC votes proxies in the best interest of its clients and consistent and in a manner consistent with its fiduciary duties, including where there may be material conflicts of interest. Clients may obtain a copy of our proxy voting policies and procedures as well as the voting records relating to proxies upon request.

Item 18. Financial Information

DALLC does not require or solicit prepayment of any fees from its clients. DALLC is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. DALLC has not been the subject of a bankruptcy petition at any time during the past ten years.