

Item 1 – Cover Page



ELMTREE FUNDS, LLC

**Form ADV Part 2A
Firm Brochure**

August 28, 2019

This brochure provides information about the qualifications and business practices of ElmTree Funds, LLC (collectively with its affiliates and subsidiaries “ElmTree”). If you have any questions about the contents of this brochure, please contact us at 314.828.4200 or info@elmtreefunds.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

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

Registration with the SEC as an investment adviser does not imply that ElmTree or any principals or employees of ElmTree possess a particular level of skill or training in the investment advisory or any other business.

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www.elmtreefunds.com

Item 2 – Material Changes

Since the initial brochure dated May 2, 2019, this brochure has been updated to reflect the launch of the ElmTree Unity Debit Fund, LP (formerly the ET Opportunity Debt Fund, LP). No other material changes have been made.

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Item 4 – Advisory Business

ElmTree Funds, LLC (collectively with its affiliates and subsidiaries, “ElmTree”) was formed in 2011. ElmTree is principally owned and controlled by James G. Koman, through one or more trusts formed for the benefit of Mr. Koman and his family members.

ElmTree recently launched a privately offered real estate debt fund, ElmTree Unity Debt Fund, LP (the “Fund”), which is exempt from registration under the Investment Company Act of 1940, as amended. The Fund focuses primarily on investing in commercial real estate debt products used for acquisitions, refinancing, new construction, renovations and working capital, or any combination thereof, principally in the United States. ElmTree manages the Fund consistent with the investment strategy described in its offering documents. Investment advice is provided directly to the Fund, subject to the discretion and control of the Fund’s general partner. ElmTree does not provide specifically tailored advice to investors in the Fund. Any investment restrictions applicable to the Fund are set forth in its offering documents.

The debt Fund is an expansion of Elm Tree’s existing real estate advisory business, which has centered on managing private funds that own real estate and real estate-related investments, such as single-tenant, net leased commercial real estate in the United States, with a focus on institutional quality industrial, office and healthcare properties that are leased to, or guaranteed by, investment grade and other high-quality tenants on a long-term triple-net basis. These existing real estate funds are closed to new investors and, therefore, are not the focus of this brochure.

Total regulatory assets under management as of 7/31/2019 were \$75,000,000. Total assets attributable to ElmTree’s existing real estate funds and accounts as of 12/31/2018 was over \$1 billion.

Item 5 – Fees and Compensation

Management Fees

As compensation for its investment advisory services to the Fund, ElmTree receives a management fee, paid quarterly in advance, calculated on an investor-by-investor basis in an amount equal to, with respect to an investor, 1.25% per annum of such investor’s aggregate capital contributions. The management fee is generally not negotiable, although ElmTree retains the discretion to waive fees for one or more investors, in whole or in part, without notification to other investors.

The capital account of an investor admitted to the Fund on a day other than the first day of the calendar quarter is charged a pro rata portion of the management fee corresponding to the number of months remaining in the quarter. Similarly, in the event of any withdrawal by an investor as of a date other than the last day of the calendar quarter, the investor’s capital account would be credited with a pro rata portion of the management fee corresponding to the number of months remaining in the quarter. In the case of a termination of ElmTree’s investment management agreement with the Fund prior to the end of a calendar quarter, the management fee for such period would be pro-rated to the date of such termination with any excess payment refunded to the Fund and credited to investor capital account balances.

The management fee shall be offset on a dollar-for-dollar basis (but not below zero) by any fees (net of any associated expenses) received by ElmTree or its affiliates (other than the Fund) in

connection with any investments (other than co-investments). To the extent the amount of such fees is in excess of the management fee payable for a calendar quarter, the excess shall be carried forward and shall reduce the management fee on a dollar-for-dollar basis (but not below zero) payable for the next (and, if applicable, succeeding) calendar quarters. The management fee may be applied by ElmTree or one of its affiliates to offset amounts otherwise due to the Fund ElmTree or its affiliates.

Expenses

In addition to the management fee, an investor bears its allocable share of expenses associated with the organization, ownership and operations of the Fund. These include, among others:

- all unreimbursed borrower expenses incurred during the origination of a loan, including, but not limited to, attorneys, accountants, appraisers and other consultants;
- any expenses associated with the evaluation and making of potential investments in whole loans or securities (including any due diligence costs or expenses of any third parties);
- all fees, costs and expenses related to the holding, development, management, monitoring, administering, servicing, foreclosing and enforcing or otherwise exercising remedies related to, and sale or other disposition of, Fund assets (including any legal, audit, appraisal, structural review, environmental review, insurance, consulting, brokerage, underwriting and indemnification costs and expenses);
- all costs and expenses relating in any way to any offerings of interests following the initial closing, including, without limitation, all costs relating to preparing offering documents, verifying investor suitability requirements and complying with any and all applicable laws, orders and regulations related thereto, as determined by the Fund's general partner in its sole discretion, complying with the laws of applicable jurisdictions and payment of filing fees;
- all quotation and valuation costs and expenses, including, without limitation, the fees and out-of-pocket expenses of any third-party service provider;
- reasonable and necessary expenses of the members of the Fund's advisory committee;
- all insurance costs;
- all fees and expenses associated with licensing and insuring the activities of the Fund;
- all litigation and indemnification expenses;
- all costs and expenses related to any financing, hedging, ratings, securitization or capitalization;
- all expenses related to making temporary investments and any interest expenses;
- all expenses associated with software licensing fees necessary to conduct Fund related activities;
- extraordinary expenses;
- amounts to be contributed or advanced to any investment vehicle or Fund asset for the purpose of such entity or investment paying any cost of the type described in the foregoing clauses;
- organization expenses, including, but not limited to, all out of pocket legal and other organization expenses (including expenses incurred by ElmTree) related to the formation and organization of the Fund and the Fund's general partner and the offering and sale of interests to prospective investors at the initial closing, along with costs and expenses relating to verification of suitability (as noted above), provided that to the extent the

organization expenses exceed \$250,000, such excess will be borne by the Fund but applied to reduce future management fees on a dollar-for-dollar basis; and

- certain compliance-related expenses of ElmTree, not to exceed the amount as disclosed in the Fund's offering documents.

The foregoing will be considered Fund expenses whether incurred directly by the Fund or by ElmTree or an affiliate on behalf of the Fund.

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

The Fund does not charge a performance fee; therefore, this item is not applicable at this time.

Item 7 – Types of Clients

Types of Clients

ElmTree provides investment advice directly to the Fund, interests of which are offered pursuant to applicable exemptions from registration under the Securities Act of 1933, as amended (the "Securities Act") and applicable state laws. Investors in the Fund may include high net worth individuals, banks, thrift institutions, pension and profit-sharing plans, sovereign wealth funds, trusts, estates, charitable organizations, university endowments, corporations, limited partnerships and limited liability companies or other business entities.

The minimum capital commitment is \$3,000,000, although the Fund's general partner, in its sole discretion, may waive this requirement.

Investors must be "accredited investors" under Regulation D promulgated under the Securities Act, and "qualified purchasers" within the meaning of the Investment Company Act of 1940, as amended.

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

Investment Strategy

The Fund has a focused, well-defined investment strategy to originate and acquire loans, with a specific emphasis on the aggregation of a large loan portfolio diversified across product type, property type and tenant base. The Fund pursues a disciplined investment approach to identify attractive opportunities with predictable income, capital appreciation and downside risk protection.

The investment strategy in the near term is to capture market opportunities caused by the dislocations in the U.S. capital markets through the origination and acquisition of loans. The Fund intends to primarily invest in commercial real estate debt products used for acquisitions, refinancing, new construction, renovations and working capital, or any combination thereof, principally in the United States, that ElmTree believes are available at a discount to their underlying fundamental value. The loans made by the Fund may include origination or purchase of existing debt, where the underlying collateral is the real estate, first mortgage commercial real estate loans, mezzanine loans and preferred or gap equity, of single and multi-tenant retail, office, industrial and healthcare assets.

Methods of Analysis

The Fund's investment approach includes the origination of loans through sourcing from owners, developers, lenders and the brokerage community, leveraging ElmTree's experience, the prudent underwriting of the real estate fundamentals, the strength of the sponsor and the quality of the loan. Similar to ElmTree's prior real estate funds, the Fund's approach includes aggregating a granular and diversified portfolio across product type, property type and tenant base. The Fund continually monitors the public and private markets and refines its strategy to capitalize on inefficiencies in the market.

ElmTree plans to implement a multi-pronged investment strategy which is expected to include:

- utilizing extensive real estate debt investment experience to take advantage of dislocations in the credit markets;
- applying ElmTree's real estate operating experience;
- originating transactions through both non-conventional and more traditional real estate channels, such as owners, developers, lenders and the brokerage community by leveraging ElmTree's vast experience in the commercial real estate industry;
- targeting transactions in the \$2 to \$5 million range, and product types, property types and tenant base that may be underserved by traditional lenders and larger investors;
- performing independent due diligence and leveraging extensive access to commercial real estate data from a multitude of internal and external sources to underwrite loans; and
- continuously monitoring asset performance and evaluating each loan quarterly.

ElmTree intends to execute investments utilizing the strategies and process identified below.

Real Time Market Intelligence and Applied Research Capabilities

ElmTree will draw upon its extensive research resources in support of an investment process that is both data driven and fully immersed in the realities of the market. In addition, ElmTree intends to leverage the sophisticated forecasting models and proven analytical experience of its investment team. ElmTree believes its rigorous approach to modeling and forecasting, combined with the transactional knowledge and local market expertise of management, will provide ElmTree with powerful market information on which to base new debt origination activities on both a micro and macro basis.

On a micro level, accurate and comprehensive local and regional market information facilitates more accurate assumptions around specific property performance. On a macro level, larger trends on a regional or property-specific basis help drive directional investment strategy and ultimately portfolio composition decisions.

Dedicated Team Structure

In order to more effectively align its interests with those of its investors, ElmTree established an operational structure based on focused investment management teams. The dedicated teams possess the experience and expertise to execute the applicable investment strategy. This structure aligns the interests of the team members with those of investors, maintains accountability and enhances investment performance. The dedicated teams share resources such as accounting/financial control, information technology, investor services and research.

Material Risks

Investing is speculative and involves significant risks, including the risk of total loss of invested capital. The following information is not intended to be a summary of all the risks associated with an investment in the Fund, but rather certain risks associated with investing in a private fund in general, as well as selected specific risks associated with ElmTree's strategy and the securities in which the Fund will typically invest which ElmTree's believes are important for investor to consider. Investors should carefully review the expanded summary of risks in the Fund's private offering memorandum.

Risks Related to Investing in a Private Fund

Illiquid, Long-Term Investment

An investment in a private fund, like the Fund, is speculative and volatile, requiring a long-term commitment with no certainty of return. In most cases, a private fund's investments will be long-term in nature and may require many years from the date of investment to the date of disposition. During that time, a portfolio investment may not distribute any dividends, royalties or other income to a fund, and, as a result, investors might not receive any distributions from a fund for an extended period of time. A fund's investments are considered highly speculative and may result in the loss of a fund's entire investment. Because a fund may only make a limited number of investments and because many of a fund's investments may involve a high degree of risk, poor performance by a few of the investments could significantly reduce the total returns to investors.

Lack of Limited Partner Control over Policies of the Fund

The management, origination, acquisition and disposition policies of the Fund and its policies with respect to certain other activities, including its distributions and operating policies, will be determined by ElmTree. These policies may be changed from time to time at the discretion of ElmTree without a vote of the investors, although ElmTree does not have a present intention to make any such changes.

Lack of Liquidity of Investments

The investments to be made by the Fund are likely to be illiquid. Illiquidity may result from the absence of an established market for the investments, as well as legal, contractual or other restrictions on their resale by the Fund. Dispositions of investments may be subject to legal, contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof.

Leverage

The Fund may leverage its investments with debt financing which will be non-recourse to investors. Although the use of leverage may enhance returns and increase the number of investments that can be made, it may also substantially increase the risk of loss of principal.

Potential Restrictive Covenants

The Fund may enter into one or more credit facilities with one or more lenders in order to finance its investments. It is anticipated that any such credit facility will contain a number of common covenants that, among other things, might restrict the ability of the Fund to: (i) acquire or dispose of assets or businesses; (ii) incur additional indebtedness; (iii) make capital expenditures; (iv) make cash distributions; (v) create liens on assets; (vi) enter into investments or acquisitions; (vii) engage in mergers or consolidations; (viii) make capital calls to investors; or (ix) engage in certain transactions with affiliates, and otherwise restrict corporate activities of the Fund.

Valuation of Fund Investments

The Fund does not expect to retain an independent third party to review the valuation work performed by the Fund's general partner or value the Fund's assets, unless the Fund's assets constitute "plan assets" under the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and regulations thereunder. As a result, there will be no assurance that any valuations by the Fund's general partner will be accurate.

If the Fund's investments are overvalued, a subscribing investor will overpay for interests and the payment of redemption proceeds to a redeeming investor will be higher than if a lower value had been used. If the Fund's investments are undervalued, a subscribing investor will underpay for interests and the payment of redemption proceeds to a redeeming investor will be lower than if a higher value had been used. The use of inaccurate valuations may prohibit the Fund from effectively managing its investment portfolio and risks, and may affect the diversification and management of the Fund's portfolio.

There can be no assurance that the Fund's general partner will have all the information necessary to make valuation decisions in respect of investments which are not readily marketable, or that any information provided by third parties on which such decisions are based will be correct.

Failure to Meet Targeted Returns

The Fund will make investments based upon ElmTree's projections of internal rates of return, which in turn will be based upon projections of future growth rates and interest rates of the Fund's investments and the applicable market and/or operating costs and disposition timing and proceeds, all of which are inherently uncertain. The actual performance of the Fund's investments may differ materially. There can be no assurance that the actual rates of return achieved by the Fund will equal or exceed the stated targeted returns to the investors in the Fund.

Possible Lack of Diversification

While ElmTree plans to actively manage the Fund's diversification in accordance with the Fund's organizational documents, the Fund may at certain times hold large positions in a relatively limited number of investments. The Fund could be subject to significant losses if it holds a relatively large

position in a limited number of investments or a particular type of investment that declines in value, and the losses could increase even farther if the investments cannot be liquidated in a timely manner or without adverse market reaction or are otherwise adversely affected by changes in market conditions or circumstances. To the extent the Fund concentrates its investments in one or more specific types of investments or geographic areas, the Fund will be subject to risks of adverse events or conditions.

Expedited Transactions

Investment analyses and decisions may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available at the time of making an investment decision may be limited, and ElmTree may not have access to detailed information regarding the investment, such as conditions affecting collateral. In addition, ElmTree expects to rely upon independent consultants in connection with its evaluation of proposed investments, and no assurance can be given as to the accuracy or completeness of the information provided by such independent consultants or to the Fund's right of recourse against them in the event errors or omissions do occur.

Risks Pertaining to Investments in Real Estate Debt

Investments in real estate are subject to various risks, including adverse changes in regional and national economic conditions, adverse local market conditions, the financial condition of tenants, buyers and sellers of properties, changes in availability of debt financing, changes in interest rates, real estate tax rates and other operating expenses, environmental laws and regulations, zoning laws and other governmental rules and fiscal policies, among others as further outlined in the private offering memorandum. All such risks increase the risk of borrower default with respect to real estate-related debt investments.

Loan Risks

In the event of a default under a mortgage loan or other debt instrument held by the Fund, the Fund bears a risk of loss to the extent of any deficiency between the value of the collateral (net of the Fund collection costs) and the principal and accrued interest of the mortgage loan, which could have a material adverse effect on the Fund's expected returns.

Mortgage Investments

The Fund generally expects to originate, participate in and/or acquire real estate loans that will often be non-recourse to the borrower. Mortgage investments have special inherent risks relative to collateral value. To the extent the Fund makes or acquires subordinated or "mezzanine" debt investments, the Fund does not anticipate having absolute control over the underlying collateral as the Fund will be dependent upon third-party borrowers and agents and will have rights that are subordinate to those of senior lenders. In certain circumstances, the Fund's loans may not be secured by a mortgage, but instead by partnership interests or other collateral that may provide weaker rights than a mortgage. In any case, in the event of default, the Fund's source of repayment will be limited to the value of the collateral and may be subordinate to other lienholders. The collateral value of the property may be less than the outstanding amount of the Fund's investment; in cases in which the Fund's collateral consists of partnership or similar interests, the Fund'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 of the loan's servicer to foreclose and liquidate the mortgage loan.

Lower Credit Quality Loans

There are no restrictions on the credit quality of the loans in which the Fund invests. Loans may be deemed to have substantial vulnerability to default in payment of interest and/or principal. Certain of the loans may have large uncertainties or major risk exposures to adverse conditions, and may be considered to be predominantly speculative. Generally, such loans offer a higher return potential than better quality loans, but involve greater volatility of price and greater risk of loss of income and principal.

Loans to Companies in Distressed Situations

The Fund may invest in loans made to companies that are experiencing significant financial or business difficulties, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Although the terms of such financing may result in significant financial returns to the Fund, they involve a substantial degree of risk.

Bank Loans

A portion of the Fund's investments may consist of interests in loans originated by banks and other financial institutions. The loans invested in by the Fund may include term loans and revolving loans, may pay interest at a fixed or floating rate and may be senior or subordinated.

Bridge Financing

If the Fund makes or invests in a bridge loan or interim financing for a portfolio company which intends to refinance all or a portion of that loan, there is a risk that the borrower will be unable to successfully complete such refinancing.

Fixed-Income Investments

While it is anticipated that the Fund will generally hold debt investments to maturity with certain interest rate risk hedged, the value of fixed-income securities that may be held by the Fund changes as the general levels of interest rates fluctuate.

Partial Sale and Securitization Considerations

The Fund may, in an effort to meet its investment and return objectives, sell, participate, securitize or otherwise dispose of all or a portion of the loans it originates or acquires. If the Fund splits loans and sells the senior portions of loans to third parties and retains the remaining portion of such loans, it may face additional risks as a holder of a junior note.

ERISA Considerations

The Fund does not intend to limit participation by employee benefit plan investors and, as a result, the Fund's assets could be subject to fiduciary provisions of ERISA, which in turn could constrain the Fund's investment activities by requiring ElmTree to take certain actions that are not in the

interest of non-ERISA investors or to refrain from actions that are in the interest of non-ERISA investors.

Item 9 – Disciplinary Information

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

Item 10 – Other Financial Industry Activities and Affiliations

Neither ElmTree nor any of its management persons is registered, or has an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or associated person of any of the foregoing entities.

ElmTree shares office facilities with The Leavitt Firm, LLC ("The Leavitt Firm"), an independent law firm that may, in the future, provide legal services to ElmTree and/or its affiliates. David H. Leavitt, Managing Partner, GC, Head of Strategy and CCO of ElmTree, is the sole member of The Leavitt Firm and licensed to practice law in Colorado, Missouri and Illinois. The Leavitt Firm will charge legal fees to the Funds in accordance with disclosures as outlined in each respective Fund's offering documents. From time to time the Leavitt Firm may represent ElmTree or other affiliates, and may have different fee payment arrangements for such parties, including the acceptance of carried interest.

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

Code of Ethics

ElmTree has adopted a Code of Ethics Policy for all employees describing its high standards of conduct and fiduciary duties to its clients. The Code includes provisions relating to the confidentiality of client and firm information, prohibitions on insider trading and market manipulation, policies and procedures regarding personal trading, and disclosure and approval requirements for gifts, business entertainment and other conflicts of interest.

Employees are permitted to make investments in their personal accounts, subject to certain pre-clearance and other restrictions as required by the Investment Advisers Act of 1940, as amended ("Advisers Act"). All transactions in reportable securities are reported to ElmTree's Chief Compliance Officer in accordance with the reporting requirements outlined in the Code.

A copy of the Code of Ethics will be provided upon request.

Conflicts of Interest

Activities of Certain Affiliates of ElmTree

ElmTree and its affiliates have a history of being in the business, and will continue to be in the business, of owning, financing, leasing, operating, managing, syndicating, brokering, investing in and developing real estate. ElmTree and its affiliates may also compete with the Fund in

connection with the acquisition, sale or operation of properties with respect to which the Fund could invest under some circumstances. It is possible that ElmTree and other funds sponsored by ElmTree and its affiliates may own interests in other properties in the same general area as the Fund's properties, and that such properties may compete with those of the Fund for buyers, tenants or financing. The terms of the Fund's organizational documents do not prohibit ElmTree or its affiliates from engaging in such other business activities, which may involve substantial time and resources of ElmTree or such affiliates.

ElmTree and its affiliates also perform services for other clients and real estate investment funds similar to the services to be performed for the Fund. ElmTree and its affiliates also invest in real estate for their own accounts, including investing in other real estate investment funds (and such affiliates and other clients may have investment objectives and policies comparable to those of the Fund and may compete with the Fund). In addition, the Fund may from time to time engage in certain transactions (only on terms, including the consideration to be paid, that are determined by the Fund's general partner to be fair and reasonable to the Fund) with affiliates of ElmTree.

ElmTree will be actively involved in the acquisition, ownership, financing, management, operations and dispositions of other real estate investments, including investments and activities which may meet some or all of the Fund's investment criteria. In the event of such a conflict, such investment opportunities shall be allocated and such decisions shall be made on a basis that is deemed by the Fund's general partner to be fair and reasonable.

ElmTree may encounter conflicts of interest in allocating management time and services between such investments. ElmTree believes that it has, and will in the future continue to have, adequate personnel and resources to fully discharge its obligations to the Fund and such other real estate investments.

ElmTree and its affiliates may engage in a broad range of activities, including engaging in investment activities for their own account (such as co-investment vehicles) and for the account of other investment funds and providing advisory, management and other services to funds and operating companies, including portfolio investments of the Fund.

Investments by Affiliates in Other Parts of the Capital Stack

The Fund may make debt investments in an entity in which an affiliate is simultaneously making an equity investment. Although the Fund will seek attractive risk-adjusted returns in accordance with the guidelines contained in its offering memorandum, it is possible that an investment by the Fund may at the same time inure to the benefit of such affiliate. Each of such ownership and other relationships may create conflicts of interest for the Fund.

Affiliates may participate with or alongside the Fund in one or more investment opportunities, whether on a *pari passu*, senior or junior basis, in securities of the issuer of the Fund investment.

Co-Investment Opportunities

ElmTree may, but shall not be obligated to, make available opportunities to co-invest with the Fund to certain investors or other third parties. Participants may include, without limitation, investors whose participation is deemed advisable for strategic purposes (such as local partners and operators), investors with specific market or product expertise, investors who provide the Fund

with access to an investment that would not otherwise be available to the Fund, lenders or prospective lenders, or other investors whose investment, in the opinion of ElmTree may be beneficial to the Fund or the investment. Any co-investment will be on terms and conditions that ElmTree believes to be fair and reasonable to the Fund.

ElmTree or an affiliate may receive and retain, without reducing any management fee payable by the Fund, fees with respect to any co-investment.

Other Relationships

ElmTree and its affiliates have existing and potential relationships with a significant number of corporations, institutions and individuals in matters unrelated to real estate investments. As a result of these relationships, ElmTree may face conflicts of interest in connection with any transactions involving an investment by the Fund with such persons, including with respect to the consideration offered by, and the obligations of, such persons. In determining whether to pursue a particular transaction on behalf of the Fund, these relationships could be considered by ElmTree and there may be certain potential transactions which will not be pursued on behalf of the Fund in view of such relationships. As a result, there can be no assurance that all potentially suitable investment opportunities that come to the attention of ElmTree will be made available to the Fund.

Side Letters

ElmTree may, without the approval of investors, enter into side letters or other writings with specific investors which have the effect of establishing rights under, or altering or supplementing, the terms of the Fund's organizational documents or any subscription agreement.

ERISA Considerations

Notwithstanding the foregoing descriptions of certain conflicts of interest that ElmTree may have in connection with the activities of the Fund, during any period that the Fund is deemed to contain assets subject to the fiduciary provisions of ERISA, the standards and rules of ERISA will apply and will impose limitations on ElmTree's and the Fund's ability to engage in certain of the transactions described above.

Resolution of Conflicts

ElmTree has established an advisory committee whose purpose is to consult with ElmTree with respect to various issues and conflicts of interest involving the Fund. The advisory committee is empowered to waive any conflicts of interest presented for its consideration and to provide any approvals or consents as may be required or requested pursuant to applicable law.

Item 12 – Brokerage Practices

As the Fund primarily make real estate, real estate-related investments and/or investments in debt, ElmTree anticipates that investments in publicly traded securities will be infrequent occurrences. Therefore, this item is generally not applicable to ElmTree. Issues relating to soft dollars, directed brokerage by clients, and block trades do not exist with respect to ElmTree's investment advisory services at this time.

Item 13 – Review of Accounts

Oversight and Monitoring

The Fund intends to hold investments until maturity however the investment team monitors the Fund's portfolio structure and evaluates the portfolio performance against peer universes, risk/return ratios and expectations for the investment process in specific market environments. Additionally, the investment team periodically assesses the borrowers for significant developments that may affect the Fund's portfolio. The Fund will use third-party administrators to confirm the payment of real estate taxes and insurance, conduct annual inspections of properties and monitor the construction draw process. The investment committee meets at least quarterly to conduct periodic reviews, but may convene more frequently in response to market, sector and geographic developments.

Reporting

Investors will receive a quarterly report containing unaudited financial statements of the Fund for the first three quarters as well as annual audited financial statements subsequent to year end. Investors also receive regular reporting updates through quarterly letters, investor meetings and other materials provided on ElmTree's investor website.

Item 14 – Client Referrals and Other Compensation

ElmTree does not receive any economic benefit from anyone other than its clients for providing investment advice or other advisory services to its clients, nor does ElmTree compensate any person for client referrals.

Item 15 – Custody

While ElmTree does not hold investor subscription monies, ElmTree is deemed to have custody over the funds and securities of the Fund as a result of the authority of ElmTree and the Fund's general partner to withdraw funds or securities from the Fund for the payment of management fees and other expenses, as well as the overall access of such persons to the funds and securities of the Fund.

Consistent with the requirements for custody of client assets under the Advisers Act, the assets of the Fund, where possible, are held in accounts with a qualified custodian within the meaning of the Advisers Act. In accordance with guidance from the SEC, with respect to certain investments in privately offered securities, a specified custodian may hold only documentation relating to or referencing such investments but not the actual investment itself, and/or investments of a Fund may not be registered in the name of the custodian. Consequently, the custodian may not have control over the disposition of such investments, or the ability to direct delivery of sale proceeds or other distributions from such investments to the custodian. Further, for such investments, the custodian may not have the ability to validate or reconcile ownership of the investment with any third party, including the issuer.

In addition, the annual financial statements of the Fund are prepared in accordance with GAAP, audited by an independent accounting firm registered with the Public Company Accounting Oversight Board and distributed to all investors within 120 days of the Fund's fiscal year end.

Item 16 – Investment Discretion

ElmTree has full discretionary authority over all assets it manages for the Fund, consistent with the investment objectives and strategy described in the Fund's offering documents. This discretionary authority is conferred upon ElmTree pursuant to its investment management agreement with the Fund (entered into upon the authority conveyed to the Fund's general partner). ElmTree does not provide advisory services directly to investors in the Fund.

Item 17 – Voting Client Securities

ElmTree's business does not involve the acquisition of publicly traded securities. For this reason, ElmTree does not expect to be in a position to vote securities on behalf of clients (the Fund) with any regularity. That being said, ElmTree will vote on any matters that do arise in the best interests of the Fund. Neither the Fund nor its' investors will have the right to direct the vote of ElmTree. A copy of ElmTree's voting policies is available upon request.

Item 18 – Financial Information

ElmTree does not require or solicit prepayment of any fees six months or more in advance and does not have any financial condition that would impair its ability to meet contractual commitments to clients.

Item 19 – Requirements for State-Registered Advisers

Item 19 is not applicable to ElmTree.