

INVESTMENT ADVISER BROCHURE

AJ CAPITAL MANAGEMENT LLC

**133 N. JEFFERSON ST.
4TH FLOOR
CHICAGO, IL 60661
WWW.AJCPT.COM**

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This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of AJ Capital Management LLC, a Delaware limited liability company. If you have any questions about the contents of this Brochure, please contact us at 312-275-1071. 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 authority.

AJ Capital Management 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 regarding AJ Capital Management LLC is also available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2 — MATERIAL CHANGES

AJ Capital Management LLC filed its most recent Form ADV Part 2A on August 27, 2018. This annual amendment updates the descriptions of the business practices and advisory services of AJ Capital Management LLC, including with respect to terms and expenses applicable to the Funds (as defined herein), addition of new advisory affiliates and new Funds and other related updates.

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ITEM 4 —ADVISORY BUSINESS

AJ Capital Management LLC, a Delaware limited liability company (the “**Investment Manager**”), and its advisory affiliates provide investment advisory services to investment funds privately offered to qualified investors in the United States and elsewhere. The Adviser commenced investment advisory operations in December 2017. AJ Capital Management, LLC, which is headquartered in Chicago, Illinois, is the registered investment advisory affiliate of Adventurous Journeys, a vertically-integrated real estate developer and owner.

The following general partner and manager entities are affiliated with the Adviser:

- AJ Capital Fund II GP LLC, a Delaware limited liability company (the “**Fund II GP**”);
- Graduate Hotels Fund III GP LLC, a Delaware limited liability company (the “**Fund III GP**”).
- AJ Phase I Manager LLC, a Delaware limited liability company (the “**Phase I Manager**”); and
- AJ Phase II Manager LLC, a Delaware limited liability company (the “**Phase II Manager**”)

Each of Fund II GP, Fund III GP, Phase I Manager, and Phase II Manager (each a “**General Partner**” or “**Manager**” and together with the Investment Manager, “**AJ Capital**”) is affiliated with the Investment Manager and is subject to the Advisers Act pursuant to the Investment Manager’s registration in accordance with SEC guidance. This Brochure also describes the business practices of the General Partners and Managers, which operate together with the Investment Manager as a single advisory business.

AJ Capital’s clients include the following investment vehicles:

- Graduate Hotels Real Estate Fund III LP, a Delaware limited partnership (together with any feeder vehicles, parallel funds, alternative investment vehicles and other special purpose entities, “**Fund III**”);
- AJ Capital Real Estate Fund II LP, a Delaware limited partnership (together with any feeder vehicles, alternative investment vehicles and other special purpose entities, “**Fund II**”)
- AJ Nashville Phase I Opportunity LLC, a Delaware limited partnership (together with any feeder vehicles, parallel funds, alternative investment vehicles and other special purpose entities, “**Phase I**”); and
- AJ Nashville Phase II Opportunity Fund LLC, a Delaware limited partnership (together with any feeder vehicles, parallel funds, alternative investment vehicles and other special purpose entities, “**Phase II**” and together with Fund II, Fund III, Phase I and any future

private investment fund to which AJ Capital provides investment advisory services, the “**Funds**”).

The Funds are private real estate funds and invest through negotiated transactions in properties and other real estate-related securities and assets, generally referred to herein as “portfolio investments.” AJ Capital’s investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments.

AJ Capital’s advisory services are detailed in the applicable private placement memoranda or other offering documents (each, a “**Memorandum**”), investment management agreements, limited partnership or other operating agreements or governing documents (each, a “**Partnership Agreement**”) and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Investors in the Funds participate in the overall investment program for the applicable Fund. A Fund or AJ Capital may enter into side letters or other similar agreements with certain investors that have the effect of establishing rights (including with respect to the Management Fee (as defined below), other economic provisions or other terms) under, or altering or supplementing the terms of, the relevant Partnership Agreement with respect to such investors.

Additionally, from time to time and as permitted by the relevant Partnership Agreement, AJ Capital has the ability to provide (or agree to provide) co-investment opportunities (including the opportunity to participate in co-invest vehicles) to certain investors or other persons, including other sponsors, market participants, finders, consultants and other service providers, AJ Capital’s personnel and/or certain other persons associated with AJ Capital and/or its affiliates (*e.g.*, a vehicle formed by AJ Capital’s principals to co-invest alongside a particular Fund’s transactions). Such co-investments typically involve investment and disposal of interests in the applicable portfolio investment at the same time and on the same terms as a Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle may purchase a portion of an investment from one or more Funds after such Funds have consummated their investment in the portfolio investment (also known as a post-closing sell-down or transfer). Any such purchase from a Fund by a co-investor or co-invest vehicle generally occurs shortly after the Fund’s completion of the investment to avoid any changes in valuation of the investment. Where appropriate, and in AJ Capital’s sole discretion, AJ Capital is authorized to charge interest on the purchase to the co-investor or co-invest vehicle, and to seek reimbursement to the relevant Fund for related costs. However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the relevant Fund.

AJ Capital is principally owned and controlled by Ben Weprin. As of December 31, 2018, AJ Capital managed approximately \$925,638,412 in client assets on a discretionary basis.

ITEM 5 — FEES AND COMPENSATION

In general, AJ Capital or its affiliate receives a management fee and a carried interest in connection with the advisory services provided to the Funds. AJ Capital or its affiliates also

receive additional compensation in connection with management and other services performed for portfolio investments, and a Fund's share of such additional compensation (not including any Services Fees, as defined herein) generally will offset in whole or in part the management fees otherwise payable to AJ Capital. Investors in a Fund also bear certain expenses.

Management Fees

Each of Fund II, Fund III, Phase I and Phase II pay AJ Capital a management fee (the "**Management Fee**") equal to 2.0% on an annual basis (for Fund II and Fund III, the payment is made quarterly in advance; for Phase I and Phase II, the payment is made monthly in advance) of aggregate investor capital commitments ("**Commitments**") to the applicable Fund, as further described in each Partnership Agreement. The aggregate annual Management Fee of 2.0% of Commitments may be structured as a partial payment from limited partners of a Fund, from a Fund directly and/or from vehicles (e.g., a subsidiary REIT) through which a Fund invests or some combination thereof, as further described in each Partnership Agreement. For Fund II and Fund III, investors participating in a closing after the initial closing generally bear the Management Fee from the initial closing date, including interest thereon. For Fund II and Fund III, upon the earliest to occur of certain events specified in the applicable Partnership Agreement (e.g., the expiration of a Fund's commitment period (which is a three year period from the date of initial closing for each of Fund II and Fund III or, if earlier, the date on which all Commitments to the applicable Fund have been drawn, allocated to investments or earmarked to pay expenses, liabilities or commitments)) the Management Fee will be reduced and will equal 2.0% of aggregate funded Commitments (including capital committed to a Fund investment, whether or not drawn down), as reduced by permanent write-offs and distributions constituting returns of capital under the applicable Partnership Agreement. The Management Fee will be payable until the dissolution of a Fund or until AJ Capital's relationship with the Fund is terminated for other reasons (as described in the relevant Partnership Agreement). Installments of the Management Fee payable for any period other than a full three-month period are adjusted on a *pro rata* basis according to the actual number of days in such period.

As further described in the applicable Partnership Agreement, AJ Capital or its affiliated advisory entities may receive certain supplemental fees and compensation (including monitoring fees, break-up fees and/or other similar compensation) (such fees, "**Special Fees**") with respect to portfolio investments. The Management Fee for a Fund will be reduced by an amount equal to such Fund's share of Special Fees (net of any unreimbursed expenses incurred in connection with such portfolio investment) paid to AJ Capital. To the extent that such an offset credit would reduce a Fund's Management Fee for a given quarter below zero, the credit will be carried forward for future application against payable Management Fees, and if a credit remains upon dissolution, a payment will be made to limited partners that have not elected to waive such amount for tax or other reasons.

From time to time, AJ Capital also receives Special Fees from, on behalf of or with respect to co-investors in an investment. The portion of any such fees received attributable to amounts co-invested (or on behalf or with respect to any co-investors in a Fund investment) will not reduce the Management Fee payable by any Fund(s) that have also invested in such

investment, and as a result a Fund will, in most cases, only benefit with respect to its allocable portion of any such fee and not the portion of any fee that relates to such co-investors

In addition, as further described in the applicable Partnership Agreement, certain affiliates of AJ Capital currently, or may in the future, provide certain services including, but not limited to, customary real estate property development and related services in connection with a Fund's portfolio investments, including property development, marketing, brand licensing, hotel management and other similar services. For example, AJ Capital or its affiliates typically provide property development or re-development services in connection with a Fund property and receive a development fee equal to a specified percentage of the aggregate amount of certain costs, including hard costs, construction-related soft costs, costs related to furniture, fixtures and equipment, costs related to operating supplies and equipment, pre-opening expense, in each case, as further described in a Fund's Partnership Agreement. Additionally, in connection with certain Fund investments, AJ Capital is permitted to charge certain brand licensing and brand marketing fees, as described in a relevant Fund's Partnership Agreement. In the event that AJ Capital or its affiliates provide such services, they are expected to receive fees in connection with the provision of such services in accordance with the applicable Partnership Agreement (such fees, "**Services Fees**"). Such Services Fees are separate from and in addition to any other compensation received by AJ Capital or its affiliates for the provision of investment advice, and no portion of such Services Fees will offset the Management Fee payable to AJ Capital.

Carried Interest

For Fund II and Fund III, AJ Capital or its affiliate will receive a carried interest equal to 20% of all realized profits subject to a 7% annually compound preferred return, as more fully described in the applicable Partnership Agreements. The carried interest distributed to AJ Capital is subject to a potential giveback at the end of life of a Fund if the General Partner has received excess cumulative distributions.

For Phase I and Phase II, AJ Capital or its affiliates will receive a carried interest equal to 20% of all realized profits, as more fully described in the applicable Partnership Agreements.

To the extent that AJ Capital personnel are assigned varying percentages of carried interest from the Funds, such personnel are subject to potential conflicts of interest, to the extent they are involved in identifying investment opportunities as appropriate for Funds from which they are entitled to receive a higher carried interest percentage.

AJ Capital seeks to address the potential for conflicts of interest in these matters [with allocation practices that provide that transactions and investment opportunities will be allocated to the Funds in accordance with each Fund's investment guidelines and Governing Documents, as well as other factors that do not include the amount of performance-based compensation received by AJ Capital or any personnel.

The existence of performance-based compensation has the potential to create an incentive for AJ Capital to make more speculative investments on behalf of a Fund than it would otherwise

make in the absence of such arrangement, although AJ Capital generally considers performance-based compensation to better align its interests with those of its investors.

Other Information

AJ Capital is permitted to exempt certain investors in a Fund from payment of all or a portion of Management Fees and/or carried interest, including AJ Capital, its affiliates and any other person designated by AJ Capital. Any such exemption from fees and/or carried interest may be made by a direct exemption or indirectly through an investment in a co-investment vehicle. For example, in instances where an AJ Capital professional or its affiliate invests in a Fund, such professional or its affiliate generally will be exempt from payment of all or a portion of the Management Fee and/or carried interest with respect to such Fund.

As further described in the Memorandum or Partnership Agreement of a relevant Fund, AJ Capital and its principals (and certain other persons designated by AJ Capital from time to time) typically agree to make a commitment to a Fund (or portfolio investment) in a specified amount. Where applicable, AJ Capital expects to fulfill such commitment either through capital committed to a Fund by a General Partner or Manager or from capital invested by one or more special purpose entities or investment vehicles associated with AJ Capital or its principals directly into the relevant portfolio investment.

Each Fund invests on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the applicable Partnership Agreement, over the term of a Fund and investors generally are not permitted to withdraw or redeem interests in a Fund.

Principals or other current or former employees of AJ Capital generally receive salaries and other compensation derived from and including portions of the Management Fee, carried interest or other compensation received by AJ Capital or its affiliates.

In addition to the Management Fee and carried interest payable to AJ Capital or its affiliate, each Fund bears certain expenses. As set forth more fully in the applicable Memorandum and Partnership Agreement and subject to any limitations set forth therein, a Fund generally bears all fees, costs, expenses, liabilities and obligations relating or attributable to a Fund's activities to the extent not paid by portfolio investments, including, without limitation all or some of the following (which differ across Funds): (i) activities with respect to identifying, evaluating, developing, negotiating, organizing, consummating, acquiring, bidding on, structuring, acquiring, financing and re-financing (including all interest and other borrowing-related costs), monitoring, owning, managing, operating, holding, hedging, disposing of, restructuring, trading, taking public or private or otherwise dealing with investments and follow-on investments, including, without limitation, any engineering, appraisal, environmental, travel, legal, financing, transaction, third-party payment processing and accounting expenses, any deposits and commitment fees and other fees and out-of-pocket costs related thereto and other fees or expenses payable to attorneys, accountants, investment bankers, lenders, service providers, consultants and similar professionals in connection therewith and any fees and

expenses related to transactions that may have been offered to co-investors, in each case whether an investment or follow-on investment is consummated or not consummated, and the costs of rendering financial assistance to or arranging for financing for any assets or businesses constituting investments or for working capital or other Fund, parallel fund, alternative investment vehicle and/or subsidiary purposes; (ii) taxes, fees or other governmental, regulatory, licensing, filing or registration fees or charges levied against, or incurred by, a Fund, any parallel fund, any alternative investment vehicle and/or any subsidiary; (iii) actual, threatened or otherwise anticipated litigation, arbitration, mediation or other dispute resolution, regulatory or tax proceedings, investigations or audits (including any judgments, awards or settlements paid in connection therewith), in each case, involving a Fund, any parallel fund, any alternative investment vehicle and/or any subsidiary; (iv) expenses and fees payable to third party accountants, administrators, consultants, attorneys and tax advisors with respect to a Fund, any parallel fund, any alternative investment vehicle and/or any subsidiary and their respective activities and on-going operations, including the preparation, auditing and filing of Fund-related or investment-related financial reports and statements, tax returns, tax estimates, Schedule K-1s and costs associated with the distribution of financial and other reports to investors; (v) broker, dealer, finder, underwriting (including both commissions and discounts), investment banker, finder and similar services and other investment costs incurred by or on behalf of a Fund, any parallel fund, any alternative investment vehicle and/or any subsidiary and paid to third parties; (vi) obtaining and maintaining insurance for a Fund, any parallel fund, any alternative investment vehicle and/or any subsidiary and their assets and to protect a General Partner or Manager, AJ Capital and their respective officers, employees, agents and representatives, including directors and officers liability, errors and omissions liability, crime coverage and general partnership liability premiums, cybersecurity insurance and other insurance and regulatory expenses; (vii) indemnification (including any fees, costs and expenses incurred in connection with indemnifying any partner or other person pursuant to the Partnership Agreement or otherwise and advancing fees, costs and expenses incurred by any such Person in defense or settlement of any claim that may be subject to a right of indemnification pursuant to the Partnership Agreement), except as otherwise set forth in the Partnership Agreement; (viii) the maintenance of bank or custodian accounts or brokerage, sale depository, trustee, record keeping, account and similar services; (ix) the registration of the securities of a Fund, any parallel fund, any alternative investment vehicle and/or any subsidiary under applicable securities laws or regulations; (x) all reasonable expenses relating to the activities of a Fund advisory committee (including reasonable out-of-pocket costs and expenses incurred by Fund advisory committee members, permitted observers and other Persons in attending or otherwise participating in meetings of a Fund advisory committee and reasonable legal expenses), (xi) obtaining, satisfying or repaying indebtedness and guarantees, including financing, commitment, origination and similar fees and expenses; (xii) legal, accounting, research, auditing, administration (including fees and expenses associated with a Fund's third-party administrator and administration or reporting software, if any), information, appraisal, advisory, valuation (including third-party valuations, appraisals or pricing services), consulting (including consulting and retainer fees and other compensation paid to consultants performing investment initiatives and other similar consultants), tax and other professional services; (xiii) reverse breakup, termination and other similar fees; (xiv) filing, title, licensing, transfer, registration and other similar fees and expenses; (xv) printing, communications, marketing and publicity; (xvi) developing, licensing,

implementing or maintaining any web portal, extranet tools, computer software, cybersecurity software or other administrative or reporting tools (including subscription-based services) for the benefit of a Fund or the limited partners; (xvii) any activities with respect to protecting the confidential or non-public nature of any information or data; (xviii) (A) complying with any law or regulation related to the activities of a Fund, a General Partner or Manager and/or AJ Capital (including the fees and expenses of any third-party regulatory compliance consultants or similar service providers, the regulatory expenses of a General Partner or Manager and AJ Capital incurred in connection with acting as the investment adviser to, or the operation of a Fund (including with respect to the initial and annual preparation and filing of AJ Capital's Form ADV, Form PF and any other regulatory filings (and any amendments thereto)) and related legal fees and expenses) and/or (B) any litigation or governmental inquiry, investigation or proceeding involving a Fund, including the amount of any judgments, settlements or fines paid in connection therewith, except to the extent such expenses or amounts have been determined to be excluded from the indemnification provided for in the applicable Partnership Agreement; (xix) distributions to the partners of a Fund and other expenses associated with the acquisition, holding and disposition of a Fund's investments, including extraordinary expenses, incurred by or on behalf of a Fund, any parallel fund, any alternative investment vehicle and/or any subsidiary; (xx) Management Fees, management development fees and other Services Fees; (xxi) defaults by partners of a Fund in the payment of any capital contributions; (xxii) unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer of limited partner interests; (xxiii) meetings or conferences of or with Fund investors (as described in the applicable Partnership Agreement), if any; (xxiv) preparation, negotiation, distribution and approval of amendments to and waivers, consents or approvals pursuant to, the Partnership Agreement or the other organizational documents of the feeder fund, parallel fund, alternative investment vehicle or any subsidiary; (xxv) the termination, liquidation, winding-up and dissolution of a Fund, any parallel fund, any alternative investment vehicles and any subsidiaries; (xxvi) any travel (including, where appropriate as determined by a General Partner or Manager, the cost of using private aircraft or other private air travel at a cost no higher than the cost of first class commercial airfare; provided that a General Partner or Manager determines in its reasonable discretion that substantially similar first class (or equivalent) commercial air travel was unavailable or not feasible), lodging or meals relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities or in connection with the activities or proceedings of a Fund advisory committee; (xxvii) organizational expenses (as described in the applicable Partnership Agreement); (xxviii) placement fees; and (xxix) any other fees, costs, expenses, liabilities or obligations approved by a Fund advisory committee.

A Fund also bears expenses indirectly to the extent a portfolio investments pays expenses, including expenses of AJ Capital and/or its affiliates. As further described in each Fund's Partnership Agreement, excluded from Fund expenses are ordinary administrative and overhead expenses of AJ Capital's advisory business, which generally includes costs and expenses relating to office space, facilities, utility services, supplies and necessary administrative and clerical functions in connection with AJ Capital's advisory operations and salaries and benefits provided to AJ Capital's related employees. As is typical for private equity funds, the Funds likely bear additional and greater expenses, directly or indirectly, than many other pooled

investment products, such as mutual funds. To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth in “Brokerage Practices.”

In certain circumstances, one Fund is expected to pay an expense common to multiple Funds and/or one or more co-investors (including without limitation legal expenses for a transaction in which all such Funds and/or co-investors participate, or other fees or expenses in connection with services the benefit of which are received by other Funds over time), and be reimbursed by the other Funds and/or co-investors by their share of such expense, without interest. While AJ Capital believes such circumstances to be highly unlikely, it is possible that one of the other Funds or co-investors could default on its obligation to reimburse the paying Fund. In certain circumstances, AJ Capital is expected to advance amounts related to the foregoing and receive reimbursement from the Funds to which such expenses relate.

As described above, in certain circumstances, AJ Capital is expected to permit certain investors to co-invest in investments alongside one or more Funds, subject to AJ Capital’s related policies, the relevant Partnership Agreement(s) and/or side letter(s) or similar arrangements. Where a co-invest vehicle is formed, such entity will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction, ultimately is not consummated, all fees and expenses, or other liabilities or obligations, incurred for transactions not consummated (“Broken Deal Expenses”) relating to such unconsummated transaction will be borne by the Fund(s), and not by any prospective co-investors, that were to have participated in such transaction. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such vehicle is expected to bear its share of such Broken Deal Expenses.

ITEM 6 — PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described under “Fees and Compensation,” AJ Capital receives a carried interest allocation on certain realized profits in the Funds. AJ Capital currently does not advise any Funds not subject to a carried interest, although it generally has the authority to waive or reduce carried interest with respect to certain affiliated partners (and/or other limited partners). The terms of the Management Fee and Carried Interest are further described under “Fees and Compensation.”

The existence of performance-based compensation has the potential to create an incentive for AJ Capital to make more speculative investments on behalf of a Fund than it would otherwise make in the absence of such arrangement, although AJ Capital generally considers performance-based compensation to better align its interests with those of its investors.

ITEM 7 — TYPES OF CLIENTS

AJ Capital provides investment advice to the Funds. The Funds may include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The

investors participating in Funds may include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates, endowments, charitable organizations, corporations or other business and investment entities and may include, directly or indirectly, employees of AJ Capital and its affiliates and members of their families and other service providers retained by AJ Capital.

Fund II had a minimum investment amount from each limited partner of \$20 million. Fund III generally has a minimum investment amount of \$5 million. Phase I and Phase II generally have no minimum investment amounts. Such minimum investment amounts may be waived by AJ Capital, in its discretion.

ITEM 8 —METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

General

AJ Capital is a privately owned real estate investment firm that specializes in researching, conceptualizing and executing real estate investments and developments with a focus on creative real estate opportunities located in premier urban communities, gateway markets, and university locations. The primary emphasis of AJ Capital is to seek to carefully identify and manage the risks inherent in real estate investing while producing attractive risk-adjusted returns through the Funds.

AJ Capital, and its affiliated advisory entities, provide investment advisory services to the applicable Funds. As described below and in the applicable Partnership Agreement, each Fund has a unique investment methodology and strategy. There can be no assurance that AJ Capital will achieve the investment objectives of each of the Funds and a loss of investment may be possible.

Investment and Operating Strategies

The Funds typically pursue their investment strategies by investing through one or more limited partnerships, limited liability companies or other entities that, in turn, invest in the properties described below. The Funds plan to invest in opportunities which allow AJ Capital to create significant value through AJ Capital's unique approach to real estate development. Target markets will share common characteristics and fundamentals.

Each Fund will leverage AJ Capital's disciplined, institutional approach to real estate development. Each Fund intends to target properties that AJ Capital believes have significant upside potential and opportunities to deliver attractive multiples on equity over time through development, redevelopment, repositioning, refurbishment, and asset management strategies.

Selection Process

Each Fund will employ a rigorous approach to deal selection and analysis. AJ Capital's underwriting process has been developed through years of experience. Each transaction will have

a detailed business plan describing the specific asset's opportunities and significant risk factors. Each opportunity will be reviewed and approved by AJ Capital's investment committee.

Value-Add and Ground-Up Development and Asset Management

AJ Capital's development managers, designers, asset managers, and marketing team will assess each Fund's investment opportunities with the intention of either implementing a repositioning strategy and/or developing properties from the ground-up, in each case to enhance the value of an existing property and/or the underlying real estate.

AJ Capital expects to pursue investments within its Graduate Hotels® brand strategy. The Graduate Hotels platform is a hospitality real estate investment strategy that was initially developed in 2014. This investment strategy is focused on boutique hotels in university-anchored markets. AJ Capital is the sole developer for the Graduate Hotels® platform and currently manages various Graduate hotel projects across the U.S. and has other such properties in various stages of development.

In addition, AJ Capital expects from time to time to pursue investments in "qualified opportunity zones" within the meaning of the Internal Revenue Code ("**Opportunity Zones**"). Opportunity Zones are a community development tool designed to promote capital investment to census tracts across the U.S. that demonstrate higher poverty and unemployment rates than the rest of the country. U.S. tax law provides incentives for investors to reinvest capital gains into a Qualified Opportunity Fund ("**QOF**"). AJ Capital intends to operate Phase I and Phase II as QOFs.

AJ Capital may also engage in other real estate property investment and development strategies in the future in association with the management of existing and future Funds.

Investment Realization

AJ Capital seeks to assess the particular market for each investment and consider disposition strategies and timing over the investment's life cycle. The time horizon for investments will vary depending on the particular strategy; however, investments will have a target hold period within the stated term of the Funds and as detailed in the applicable Partnership Agreement. To achieve attractive dispositions, AJ Capital also seeks to leverage its extensive network and relationships as well as the higher-profile characteristics of Fund investments to identify strategic private and institutional buyers for real estate.

Risks of Investment

Each Fund and its investors bear the risk of loss from the investment strategy employed by AJ Capital. Investors should review each Fund's Memoranda and each Fund's Partnership Agreement, as applicable, for additional information regarding risks specific to each Fund. An investment in the Funds involves a high degree of risk and, therefore, should be undertaken only by qualified investors whose financial resources are sufficient to enable them to assume these risks and to bear the loss of all or part of their investment.

In general, the risks involved with the Adviser's investment strategy and an investment in the Funds include the risks discussed below. The following risk factors should be considered carefully, but are not meant to be an exhaustive listing of all potential risks associated with an investment in the Funds. Investors should consult with their own financial, legal and tax advisors prior to investing in the Funds.

For purposes of this section, references to a Fund should generally be understood to apply to all Funds.

General Real Estate Risks

Funds directly or indirectly will be acquiring real estate and investing in equity related to real estate. Real estate historically has experienced significant fluctuations and cycles in performance that may result in reductions in the value of a Fund's real estate-related investments. The performance and value of its investments once acquired depends upon many factors beyond such Fund's control. The ultimate performance and value of a Fund's investments are subject to the varying degrees of risk generally incident to the ownership and operation of the properties in which such Fund invests. The ultimate performance and value of a Fund's investments will depend upon, in large part, such Fund's ability to operate any given property so that it produces sufficient cash flows necessary to pay that Fund as an equity investor. Revenues and cash flows may be adversely affected by: changes in national or local economic conditions, including unemployment rates and consumer spending/confidence; changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics; the supply of available properties to acquire at attractive pricing in a particular market; competition from other investors pursuing the same or similar strategies; competition from other properties offering the same or similar services and amenities, including technology capabilities; access to transportation, highways and roadways; changes in interest rates and in the state of the debt and equity capital markets; the on-going need for capital improvements, particularly in older building structures; changes in real estate tax rates and other operating expenses; civil unrest, acts of God, including earthquakes, hurricanes and other natural disasters, acts of war or terrorism, which may decrease the availability of or increase the cost of insurance or result in uninsured losses; changes in governmental rules/regulations and fiscal policies which may result in adverse tax consequences, unforeseen increases in operating expenses generally or increases in the cost of borrowing; the bankruptcy or liquidation of major tenants or a decline in the business operated by tenants; adverse changes in zoning laws; the impact of present or future environmental legislation and compliance with environmental laws; the impact of lawsuits which could cause the applicable Fund to incur significant legal expenses and divert management's time and attention away from the day-to-day operations of such Fund; and other factors that are beyond a Fund's control and the control of the property owners. In the event that any of a Fund's investments experience any of the foregoing events or occurrences, the value of, and return on, such investments would be negatively impacted.

Lack of Diversification

The investments made by a Fund could potentially be concentrated in one investment type or in relatively few investment types. Furthermore, a Fund may make investments in contemplation of sales or refinancings which do not occur as expected, resulting in a Fund having an unintended long-term investment and reduced diversification. As a consequence, the aggregate return on a Fund's investments may be adversely affected by the geographic concentration of a Fund's investments or the unfavorable performance of a particular investment type and will be at a greater risk to overall changes in the economy or interest rates than if a Fund were less concentrated in a particular investment type or location. Because a Fund may only make a limited number of investments and since many of the investments may involve a high degree of risk, poor performance by a few of the investments could severely affect the total returns to investors. In addition, if a Fund is unable to raise its target capitalization, a Fund may make fewer investments, which may result in a greater concentration of a Fund's capital and the types of investments available to a Fund may be more limited than if a larger portion of the maximum offering proceeds is raised. This lack of diversification may have a negative impact on the ability of a Fund to achieve its investment objectives.

Investment in Hospitality Properties

Fund II and Fund III intend to invest in hospitality properties or other types of hospitality-related investments. Macroeconomic and other factors beyond the control of a Fund as well as the business, financial, operating and other risks of the hospitality industry can adversely affect demand for hospitality products and services. This includes demand for rooms at properties that a Fund may develop, own or, operate. These factors include: general changes in business and leisure travel patterns; increases in lodging supply or competition; war, civil unrest, terrorist activities or threats and heightened travel security measures instituted in response to these events; fear of outbreaks or outbreaks of pandemic or contagious diseases; changes in the desirability of particular locations or travel patterns of customers; the financial condition of the airline, automotive and other transportations-related industries and its impact on travel; decreased airline capacities and routes; travel-related accidents; oil prices and travel costs; and organized labor activities, which could cause a diversion of business from hotels involved in labor negotiations and loss of group business for hotels generally as a result of certain labor tactics.

In addition, the Graduate Hotels® branded hotels are targeted in or near cities or towns with universities or colleges which form an essential part of the local economy. The utilization of such hotels will be heavily influenced by the level of student enrollment at and economic viability of such universities and colleges.

Hospitality properties are subject to certain operating risks. For example, if a property's occupancy or room rates drop to the point where its revenues are insufficient to cover its operating expenses, then additional funds, including reserves, will need to be expended to cover such property's operating expenses. Hospitality properties are continually subject to increases in real estate and other tax rates, wages and benefits, utility costs, insurance costs, repairs and

maintenance and administrative expenses, all of which may adversely affect such property's cash flows. More so than other property types, hospitality properties are impacted by an on-going obligation to make renovations and other capital improvements in order to stay competitive, including replacements, from time to time, of furniture, fixtures and equipment, particularly if the hotel is a branded hotel. This obligation is subject to the risks that cash flow from operations and reserves may be inadequate to fund capital improvements, financing for these capital improvements may not be available to a Fund's properties on affordable terms and market demand for hotel properties following the undertaking or completion of capital improvements will not exist or will continue to be diminished until the economy recovers. Consequently, the costs of these capital improvements could negatively impact the financial condition of a Fund's investments and in turn the amount of cash available for distribution to a Fund's investors.

The hotels acquired by or invested in by a Fund, including Graduate Hotels® branded hotels, will be managed by third-party hotel management companies or by a newly organized affiliate of AJ Capital pursuant to management agreements. Under the terms of these management agreements, the third-party hotel managers control the daily operations of the hotels and are compensated with a base management fee tied to revenues generated from operations and in many cases, an incentive management fee based on achieving specific performance thresholds. Accordingly, the hotel's business and operating results depend in large part upon the performance of these hotel management companies under their management agreements. While a Fund will seek to invest in hotel properties and put quality management in place, there is no guarantee that the third party management company for any given hotel property will meet the performance objectives desired by a Fund.

Investment in Development and Construction Projects

Development and construction work are subject to a number of risks, including the cost and timely completion of construction, risks of construction delays or significant cost overruns that may increase project costs, risks that the project will not achieve anticipated occupancy levels or sustain anticipated rent levels or generate anticipated revenue and new project commencement risks, such as the failure to obtain zoning, occupancy or other required governmental permits and authorizations. The ability to obtain zoning, occupancy or other governmental permits and authorizations are subject in large part to the discretion of one or more governmental bodies and can involve political interests and community level concerns or involvement, which may result in delays or the failure to obtain these necessary permits or authorizations. Latent site conditions may also lead to increased costs and loss of revenue. The purchase price of each project will be based upon projections as to the expected operating results of such project, subjecting a Fund to risks that the project may not achieve anticipated operating results or may not achieve these results within anticipated time frames. For all of these reasons, development and construction projects entail risks that investments may not perform in accordance with expectations and can carry an increased risk of litigation (and its attendant risks) with contractors, subcontractors, suppliers, partners and others.

Opportunity Fund Risks

Phase I and Phase II were organized with the express purpose of qualifying as QOFs. However, there can be no assurance that either Phase I or Phase II will be successful in qualifying as a QOF or maintaining such status. The laws and regulations establishing QOFs (the “**QOF Rules**”) are relatively new law and their provisions are as yet untested. In addition, future guidance from the Internal Revenue Service may negatively affect Phase I or Phase II’s ability to qualify as a QOF.

Phase I or Phase II may not meet the requirements to be treated as a QOF, even though both Phase I and Phase II intend to operate in conformity with the requirements of the QOF Rules and any subsequently issued guidance thereunder. In general, a QOF is any investment vehicle organized as a corporation or a partnership for the purpose of investing in certain qualified property (other than another QOF) and that holds at least 90% of its assets in qualified property. The Company will generally be required to test for compliance with these requirements twice a year. Qualified property includes “qualified opportunity zone partnership interests.” The Manager intends that investments will be held through one or more entities complying with the requirements to qualify as a “qualified opportunity zone business” within the meaning of the Internal Revenue Code and certain related safe harbors, and as such, interests in such entities will be qualified opportunity zone partnership interests. However, there can be no assurance that such interests will be so treated. In the event that Phase I or Phase II failed to qualify as a QOF, such fund would likely be adversely affected, including lower than expected returns.

The QOF Rules have been established in order to incentivize investment in areas that have otherwise suffered a historical lack of investment. Such lack of investment may have resulted from problems relating to the applicable location, such as crime, pollution, lack of infrastructure, or local economic malaise. It is possible that additional investment incentivized by the QOF Rules may be insufficient to overcome the problems that led to the applicable Opportunity Zone designation in the first place, resulting in lower than expected returns.

Investment in Non-Performing or Troubled Assets

A Fund may make investments in non-performing or other troubled assets that involve a high degree of financial risk and there can be no assurance that a Fund’s investment objectives will be realized or that there will be any return of capital to the limited partners of a Fund. Furthermore, investments in properties operating in workout modes or under bankruptcy protection laws may, in certain circumstances, be subject to additional potential liabilities that could exceed the value of a limited partner’s original investment. In addition, under certain circumstances, payments to a Fund and distributions by a Fund to its limited partners may be reclaimed if any such payments or distributions are later determined to have been fraudulent conveyances or preferential payments under applicable law. Furthermore, investments in assets subject to restructurings may be adversely affected by statutes related to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court’s

discretionary power to disallow, subordinate or disenfranchise particular claims or re-characterize investments made in the form of debt as equity contributions.

Casualty and Condemnation

Investments in real estate are subject to the risks of partial or total condemnation in accordance with applicable law or regulation and casualty, whether arising from destruction by fire, earthquake, flood, hurricane or otherwise. In either case, a Fund's investments (depending on such investments' status as lender, borrower or equity owner) may be subject to one or more of the following liabilities: (i) lenders may require prepayments of outstanding loans with any proceeds arising from a casualty or condemnation recovery event (i.e., insurance coverage), (ii) insurance coverage may not be sufficient to cover renewal of an investment, (iii) renovations or developments with respect to an investment may be delayed and (iv) a seller may bear the risk of loss for such casualty or condemnation in connection with the disposition of an investment through the date of disposition.

Valuations

In most circumstances, a Fund's investments will be presented in the financial statements on a "fair market value" basis as determined by its General Partner or Manager, or in limited circumstances, by an independent appraiser. Given the nature of the investments, the valuation of the investments may be difficult. There may be a relative scarcity of market comparables on which to base the value of a Fund's assets. As such, any such valuations could prove to be incorrect. Accordingly, limited partners will need to rely on the judgment of the General Partner or Manager (or such independent appraiser) for valuing and pricing the investments.

In addition, less marketable or illiquid assets may be more difficult to value due to the unavailability of reliable market quotations. Unlike exchange-listed and other readily tradable securities, real estate assets generally cannot be marked to an established market. Instead, an appraisal or a valuation is only an estimate of value and is not a precise measure of realizable value. Real estate valuations are subject to numerous assumptions and limitations. Ultimate realization of the market value of a real estate asset depends to a great extent on economic and other conditions beyond the control of a Fund and its General Partner or Manager. Further, appraised or otherwise determined values do not necessarily represent the price at which a real estate investment would sell since market prices of real estate investments can only be determined by negotiation between a willing buyer and seller. Generally, appraisals will consider the financial aspects of a property, market transactions and the relative yield for an asset measured against alternative investments. Valuations will generally be based on the discounted cash flows of a Fund's assets. Valuations of real properties should be considered only estimates of value and not measures of realizable value with respect to such properties. As a result, if a Fund were to liquidate a particular real estate investment, the realized value may be more or less than the appraised value or valuation of such asset. Broker charges and other selling expenses may also contribute to the realized value being less than the appraised value.

Illiquid Nature of Investment

Real estate investments are relatively illiquid and some are highly illiquid. Such illiquidity may limit a Fund's ability to vary its portfolio of investments in response to changes in economic and other conditions. Illiquidity may result from the absence of an established market for investments as well as the legal or contractual restrictions on their resale. In addition, illiquidity may result from the decline in value of a property comprising one of a Fund's investments. There can be no assurances that the fair market value of any property held by a Fund will not decrease in the future, leaving a Fund's investment relatively illiquid.

Investments in Partnerships, Joint Ventures and Other Entities

A Fund may make investments through partnerships, joint ventures or other entities. Such investments may involve risks not present in direct investments, including, for example, the possibility that a co-venturer or partner of a Fund might suffer financial difficulties or become bankrupt, or may at any time have economic or business interests or goals which are inconsistent with those of a Fund, or that any such co-venturer or partner may be in a position to take action contrary to a Fund's objectives. Such investments may also have potential risk of impasses on decisions, such as a sale, because neither a Fund nor the partner or co-venturer may have full control over the partnership or joint venture. Disputes between a Fund and partners or co-venturers may result in litigation or arbitration that could increase a Fund's expenses. Consequently, actions by, or disputes with, partners or co-venturers might result in subjecting properties owned by the partnership or joint venture to additional risk. Furthermore, if such co-venturer or partner defaults on its funding obligations, it may be difficult for a Fund to make up the shortfall from other sources. A Fund may be required to make additional contributions to replace such shortfall, thereby reducing the diversification of its investments. Any default by such co-venturer or partner could have an extremely deleterious effect on a Fund, its assets and the limited partnership interests in the Funds. In addition, a Fund may be liable for the actions of its co-venturers or partners. While AJ Capital will attempt to limit the liability of a Fund by reviewing the qualifications of and previous experience of co-venturers or partners, it does not expect to obtain financial information from, or to undertake private investigations with respect to, prospective co-venturers or partners.

Risks Upon Disposition of Investments

In connection with the disposition of an investment, a Fund may be required to make representations about the investment typical of those made in connection with the sale of any property. Although a Fund will attempt to structure transactions so that it does not have to do so, a Fund may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be incorrect, inaccurate, or misleading. These arrangements may result in contingent liabilities, which might ultimately have to be funded by the limited partners of a Fund to the extent of their unfunded Commitments, or, in some cases, a Fund may have to reserve for such contingencies.

Lack of Control Position in Investments

In certain situations, a Fund may (a) acquire only a minority interest in a property or other asset in which it invests, (b) rely on independent third-party management or strategic partners with respect to the management of a property or other asset in which it invests, or (c) acquire only a participation interest in an asset underlying an investment. A Fund may also co-invest with third parties through partnerships, joint ventures or other entities, thereby acquiring non-controlling interests in certain investments. Therefore, a Fund may not be able to exercise control over the investment. Such financial assets may involve risks not present in investments where senior creditors, servicers or third-party controlling investors are not involved. In addition, in these circumstances, a Fund may not receive sufficient information in order to monitor the performance of its investments.

Possibility of Uninsured Losses

A Fund will attempt to maintain insurance coverage on its investments against liability to third parties and property damage as is customary for similarly situated businesses. However, there can be no assurance that insurance will be available or sufficient to cover any such risks. Insurance against certain risks, such as earthquakes, floods or acts of terrorism, may be unavailable, available in amounts that are less than the full market value or replacement cost of investment properties or subject to a large deductible. In addition, there can be no assurance that the particular risks which are currently insurable will continue to be insurable on an economic basis. Because a Fund is a pooled investment fund, all Fund assets may be at risk in the event of an uninsured liability to third parties.

Environmental and Other Related Liability

A Fund may be exposed to substantial risk of loss arising from investments involving undisclosed or unknown environmental, health or occupational safety matters or inadequate reserves, insurance or insurance proceeds for such matters. Through its interest in real estate, a Fund may be subject to a wide range of environmental, health and safety laws, ordinances and regulations, including without limitation, those relating to the investigation, removal and remediation of past or present releases of hazardous or toxic substances. Such laws may impose joint and several liability, which can result in a party being obligated to pay for greater than its share, or even all, of the liability involved. Such liability may also be imposed without regard as to whether the owner or operator knew of, or caused, the presence or release of such substances. Environmental liabilities are generally not limited under such laws and could exceed the value of the relevant property and/or the aggregate assets of the responsible party. In addition to clean-up actions brought by governmental agencies and private parties, the presence of hazardous substances on a property may lead to claims of personal injury, property damage or other claims by private plaintiffs. “Acts of God” including earthquakes, hurricanes and other natural disasters, may also decrease the availability of or increase the cost of insurance or result in uninsured losses.

Risk of Litigation

A Fund's investment activities may include activities that will subject it to the risks of becoming involved in litigation by third parties. The expense of defending claims against a Fund by third parties and paying any amounts pursuant to settlements or judgments would be borne by a Fund and would reduce net assets and could require a Fund's limited partners to return distributed capital and earnings to a Fund. AJ Capital and its affiliates will be indemnified by a Fund in connection with such litigation, subject to certain conditions.

Limited Investment Opportunities

A Fund's operating results are dependent upon the availability of, as well as the ability of AJ Capital to identify, structure, consummate, leverage, manage and realize returns on, investment opportunities. In general, the availability of desirable investment opportunities and, consequently, a Fund's returns, will be affected by the level and volatility of interest rates, conditions in the financial markets, general economic conditions, the market and demand for investment opportunities, the supply of capital for such investment opportunities, the level of government involvement in capital markets and the enactment of legislation changing tax and accounting rules historically favorable to investments in real estate. AJ Capital cannot make any assurances that it will be successful in identifying and consummating investments which satisfy a Fund's rate of return objectives or that such investments, once consummated, will perform as anticipated. AJ Capital may expend significant time and resources in identifying and pursuing targeted investments, some of which may not be consummated.

Lack of Sufficient Investment Opportunities

The business of identifying, structuring and completing real estate and real estate-related transactions is highly competitive and involves a high degree of uncertainty. It is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified. However, limited partners will be required to pay Management Fees through a Fund during the investment period based in part on the amount of the limited partners' unfunded Commitments and other expenses as set forth in the Partnership Agreement.

Highly Competitive Market for Investment Opportunities

A Fund's business is highly competitive. Competition may cause a Fund to accept economic or structural features in its investments that a Fund would not have otherwise accepted and it may cause a Fund to search for investments in markets outside of the AJ Capital's traditional product expertise. A Fund will compete with traditional investors, as well as existing funds, or funds formed in the future, with similar investment objectives. A Fund will face competition from other companies, funds, real estate investment trusts and other entities engaged in the acquisition of real estate and other real estate-related businesses with similar investment objectives, which may make it more difficult for a Fund to consummate its target investments.

Dynamic Investment Strategy

While the General Partner or Manager generally intends to seek attractive returns for a Fund primarily through making opportunistic investments in U.S.-focused real estate and real estate-related assets as described herein, the General Partner or Manager may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process and investment techniques as it determines appropriate. The General Partner or Manager may pursue investments outside of the sectors or regions in which the Principals have previously made investments.

Reliance on Due Diligence Process

There can be no assurance that AJ Capital's due diligence processes will uncover all relevant facts that would be material to an investment decision. Before making an investment, AJ Capital will assess the strength of the underlying properties and any other factors that it believes are material to the performance of the investment. In making the assessment and otherwise conducting customary due diligence, AJ Capital will rely on the resources available to it and, in some cases, investigations by third parties.

In addition, AJ Capital will generally establish capital structures of prospective investments on the basis of financial projections for such investments. Projected operating results will normally be based primarily on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from AJ Capital's projections. General economic conditions, which are not predictable, can have a material adverse impact on the reliability of such projections.

Decisions on an Expedited Basis

Investment analyses and decisions by AJ Capital may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to AJ Capital at the time of making an investment decision may be limited, and AJ Capital may not have complete information regarding the investment asset(s), such as physical matters, zoning, regulations or other local conditions affecting an investment. Therefore, no assurance can be given that AJ Capital will have knowledge of all circumstances that may adversely affect an investment. In addition, AJ Capital expects to rely upon specialized expert input from third-party consultants and service providers in connection with its evaluation of proposed investments.

Availability and Use of Leverage

AJ Capital will utilize leverage with the goal of enhancing a Fund's returns. A Fund's failure to obtain leverage at the contemplated levels, or to obtain leverage on attractive terms, could have a material adverse effect on a Fund. Use of leverage will subject a Fund to risks normally associated with debt financing, including the risk that a Fund's cash flow will be

insufficient to meet required payments of principal and interest, the risk that indebtedness on the investments will not be able to be refinanced, the risk that the terms of such refinancing will not be as favorable as the terms of the existing indebtedness or the risk that a Fund will be unable to repay its debt at maturity and the lender could seize a Fund's assets. A Fund may incur indebtedness in which recourse is not limited to specific assets of a Fund and indebtedness which is collateralized by more than one Fund asset, creating a situation where a Fund's investment in performing assets could be adversely impacted when those performing assets have been cross-collateralized with assets that become non-performing.

In addition, a Fund may incur indebtedness that may bear interest at variable rates. Variable rate debt creates higher debt service requirements if market interest rates increase, which would adversely affect a Fund. A Fund may in the future engage in transactions to limit its exposure to rising interest rates as it deems appropriate and cost effective, which transactions could expose a Fund to the risk that counterparties to such transactions may not perform and cause a Fund to lose the anticipated benefits therefrom, which would have the adverse effects associated with increases in market interest rates.

It may be difficult or impossible for a Fund to obtain financing on terms that AJ Capital would otherwise deem favorable. Further, the current state of the credit markets may limit the amount of leverage available to a Fund to finance investments, which may, in turn, have a material adverse effect on a Fund's targeted rate of return. It may prove difficult for a Fund to refinance a Fund's indebtedness on favorable terms.

Risks of Leveraged Investments

Leverage creates an opportunity for increased return on equity, but at the same time creates risk for a Fund to incur losses. For example, leveraging magnifies changes in a Fund's net worth. A Fund will leverage assets only when there is an expectation that leverage will provide a benefit, such as enhancing returns, although a Fund cannot assure that the use of leverage will prove to be beneficial. Increases in credit spreads in the market generally may adversely affect the market value of a Fund's investments. Moreover, a Fund cannot assure that it will be able to meet debt service obligations in general and, to the extent such obligations are not met, there is a risk of loss of some or all of a Fund's investments through foreclosure or a financial loss if a Fund is required to liquidate assets, the impact of which could be magnified if such a liquidation is at a commercially inopportune time.

Mismatch between Duration of Investments and Financing

In the event that a Fund's leverage has a shorter term than a financed investment, a Fund may not be able to extend or find appropriate replacement leverage and that would have an adverse impact on a Fund's liquidity and its returns. In the event that a Fund's leverage is longer term than a financed investment, a Fund may not be able to repay such leverage or replace the financed investment with an optimal substitute, which will negatively impact a Fund's desired leveraged returns. A Fund's attempts to mitigate such risk are subject to factors outside of a Fund's control, such as the availability to a Fund of favorable financing and

hedging options, which are subject to a variety of factors, of which duration and term matching are only two such factors.

Operating Restrictions Imposed by Credit Agreements

A Fund may make certain representations, warranties and affirmative and negative covenants in credit agreements that may restrict a Fund's ability to operate while still utilizing those sources of credit. Such representations, warranties and covenants may include but are not limited to restrictions on partnership guarantees, the maintenance of certain financial ratios (including a Fund's ratio of debt to equity capital and its debt service coverage ratio), the maintenance of a minimum net worth, restrictions against a change of control of a Fund and limitations on alternative sources of capital.

Fund Guarantees on Leverage and Contingent Obligations

A Fund may guarantee the performance of some of its subsidiaries' obligations, including, but not limited to, some of its obligations to co-invest in vehicles and unsecured indebtedness. Non-performance on such obligations may cause losses to a Fund in excess of the capital a Fund initially may have invested/committed under such obligations and there is no assurance that a Fund will have sufficient capital to cover any such losses.

High Degree of Risk

An investment in a Fund requires a long-term commitment, with no certainty of return. A Fund is a discretionary Fund. Accordingly, investors will not have an opportunity to evaluate or approve specific investments prior to investing. Investors will be relying on the ability of AJ Capital, who will have wide latitude in determining the types of assets it may decide are proper investments for a Fund, to identify, consummate and manage investments. The limited partners have no right or power to take part in a Fund's management, other than by voting on certain limited matters as provided in the Partnership Agreement (including matters pertaining to specific investments as to which the General Partner or Manager requests approval from a Fund advisory committee). Accordingly, no person should purchase an Interest unless such person is willing to entrust all aspects of a Fund's management to AJ Capital.

Dependence on the Management Team

The ability of AJ Capital to successfully manage a Fund's affairs depends on the management team and its ability to identify, structure and manage investments. AJ Capital will rely on the experience, relationships and expertise of the management team and key employees. There can be no assurance that these individuals will remain in the employ of AJ Capital or otherwise continue to be able to carry on their current duties throughout a Fund's term. The loss of the services of any of such individuals could have a material adverse effect on a Fund's operations. In addition, AJ Capital and its affiliates have investments in real estate in which a Fund does not have an ownership interest.

Limited partners generally have no right or power to take part in the management of a Fund, and as a result, the investment performance of a Fund will depend on the actions of the General Partner or Manager. In addition, certain changes in the General Partner or Manager or circumstances relating to the General Partner or Manager may have an adverse effect on a Fund or one or more of its real estate and real estate-related assets including potential acceleration of debt facilities.

Inability to Execute Business Plan

There can be no assurance that the General Partner or Manager will be able to execute the business plan for a Fund or any or all of a Fund's investments. Unforeseen factors may arise that the General Partner or Manager is not in a position to control, which may interrupt the General Partner's or Manager's investment program and/or negatively impact returns on a Fund's investments. For example, opportunities to renegotiate or restructure existing, unfavorable debt with respect to a Fund investment may be limited due to the existence of conflicting priorities of property owners, lenders or other third parties. Furthermore, an applicable tax regime or regulation, such as planning or zoning regulations with respect to development projects that may have made a particular Fund investment desirable upon acquisition may be subsequently varied or amended and, as a consequence, a Fund investment may no longer achieve the same returns as originally anticipated.

Illiquidity of the Limited Partnership Interests in the Funds

An investment in a Fund requires a long-term commitment, with no certainty of return. The limited partnership interests in the Funds have not been and will not be registered under the Securities Act, or any other applicable securities laws. There is no public market for the limited partnership interests in the Funds and none is expected to develop. The limited partnership interests in the Funds are subject to certain transfer restrictions and limited partners will have no right to cancel their Commitments or make a Fund redeem their limited partnership interests in the Funds. Consequently, limited partners will not be able to liquidate their investment in a Fund prior to the end of a Fund's term. Therefore, the limited partnership interests in the Funds should only be acquired by investors able to commit their funds for an extended period of time.

Subscription Lines

A Fund may enter into a subscription line with one or more lenders in order to finance its operations (including the acquisition of the Fund's investments). Fund-level borrowing subjects limited partners to certain risks and costs. For example, because amounts borrowed under a subscription line typically are secured by pledges of the relevant General Partner's right to call capital from the limited partners, limited partners may be obligated to contribute capital on an accelerated basis if the Fund fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder. Moreover, any limited partner claim against the Fund would likely be subordinate to the Fund's obligations to a subscription line's creditors.

In addition, Fund-level borrowing will result in incremental partnership expenses that will be borne by investors. These expenses typically include interest on the amounts borrowed,

unused commitment fees on the committed but unfunded portion of a subscription line, an upfront fee for establishing a subscription line, and other one-time and recurring fees and/or expenses, as well as legal fees relating to the establishment and negotiation of the terms of the borrowing facility. Because a subscription line's interest rate is based in part on the creditworthiness of the relevant Fund's limited partners and the terms of the applicable Partnership Agreement, it may be higher than the interest rate a limited partner could obtain individually. To the extent a particular limited partner's cost of capital is lower than the Fund's cost of borrowing, Fund-level borrowing can negatively impact a limited partner's overall individual financial returns even if it increases the Fund's reported net returns in certain methods of calculation.

A credit agreement may contain other terms that restrict the activities of a Fund and the limited partners or impose additional obligations on them. For example, a subscription line may impose restrictions on the relevant General Partner's ability to consent to the transfer of a limited partner's interest in the Fund. In addition, in order to secure a subscription line, the relevant General Partner may request certain financial information and other documentation from limited partners to share with lenders. The General Partner will have significant discretion in negotiating the terms of any subscription line and may agree to terms that are not the most favorable to one or more limited partners.

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows the General Partner to fund investments and pay partnership expenses without calling capital, potentially for extended periods of time. Calling a large amount of capital at once to repay the then current amount outstanding under a subscription line could cause short-term liquidity concerns for limited partners that would not arise had the relevant General Partner called smaller amounts of capital incrementally over time as needed by a Fund. This risk would be heightened for a limited partner with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the limited partner to meet the accumulated, larger capital calls at the same time. A Fund may also utilize Fund-level borrowing when the General Partner expects to repay the amount outstanding through means other than limited partner capital, including as a bridge for equity or debt capital with respect to an investment. If the Fund ultimately is unable to repay the borrowings through those other means, limited partners would end up with increased exposure to the underlying investment, which could result in greater losses.

Need for Follow-on Investments

Following its initial investment in a given property, a Fund may decide to provide additional funds with respect to such property or may have the opportunity to increase its investment. There is no assurance that a Fund will make follow-on investments or that a Fund will have sufficient funds to make all or any of such investments. Any decision by a Fund not to make follow-on investments or its inability to make such investment may have a substantial negative effect on an asset in need of such an investment or may result in a lost opportunity for

a Fund to increase its participation in a successful property. Funding of follow-on investments will likely also occur after the end of the commitment period.

Risks of Multi-Step Acquisitions

In the event a Fund chooses to effect a transaction by means of a multi-step acquisition, there can be no assurance that the remainder can be successfully acquired. This could result in a Fund having only partial access to its cash flow to service debt incurred in connection with the acquisition.

Material Non-Public Information

As a result of the operations of AJ Capital and its affiliates, AJ Capital may come into possession of confidential or material non-public information. Therefore, AJ Capital and its affiliates may have access to material, non-public information that may be relevant to an investment decision to be made by a Fund. Consequently, a Fund may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or AJ Capital's internal policies. Due to these restrictions, a Fund may not be able to make an investment that it otherwise might have made or sell an investment that it otherwise might have sold.

Cybersecurity Risks.

Recent events have illustrated the on-going cybersecurity risks to which operating companies are subject, particularly operating companies in historically vulnerable industries such as the food services and retail industries. To the extent that a portfolio investment is subject to cyber-attack or other unauthorized access is gained to a portfolio investment's systems, such portfolio investment may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or portfolio investment financial information; (iii) portfolio investment software, contact lists or other databases; (iv) portfolio investment proprietary information or trade secrets; or (v) other items. In certain events, a portfolio investment's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Any of such circumstances could subject a portfolio investment, or the relevant Fund, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at AJ Capital or one of its service providers holding its financial or investor data, AJ Capital, its affiliates or the Funds may also be at risk of loss.

Uncertain Economic, Social and Political Environment

Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial

projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire investments, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of a Fund and its investments to execute their respective operations and to receive an attractive multiple of earnings upon disposition. This may slow the rate of future investments by a Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon a Fund's investments.

Market Conditions

The capital markets have experienced great volatility and financial turmoil. Moreover, governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) may have a negative effect on market conditions. General fluctuations in the market prices of investments and economic conditions generally may reduce the availability of attractive investment opportunities for a Fund and may affect a Fund's ability to make investments. Instability in the markets and economic conditions generally (including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates) may also increase the risks inherent in a Fund's investments and could have a negative impact on the performance and/or valuation of the investments. A Fund's performance can be affected by deterioration in the capital markets and by market events, such as the onset of the credit crisis in the summer of 2007 or the downgrading of the credit rating of the United States in 2011. Volatility and illiquidity in the financial sector may have an adverse effect on the ability of a Fund to sell and/or partially dispose of its investments. Such adverse effects may include the requirement of a Fund to pay break-up, termination or other fees and expenses in the event a Fund is not able to close a transaction (whether due to the lenders' unwillingness to provide previously committed financing or otherwise) and/or the inability of a Fund to dispose of investments at prices that the General Partner or Manager believes reflect the fair value of such investments. The impact of market and other economic events may also affect a Fund's ability to raise funding to support its investment objective.

Hedging and Interest Rate Risks

Changes in interest rates may adversely affect the investments of the Funds. Changes in the general level of interest rates can affect the Funds' income by affecting the spread between the income on their assets and the expense of their interest-bearing liabilities, as well as, among other things, the value of their interest-earning assets, the capitalization rate at which their real estate assets are valued in the market and their ability to realize gains from the sale of assets. Interest rates are highly sensitive to many factors, including governmental, monetary and tax policies, domestic and international economic and political considerations, fiscal deficits, trade surpluses or deficits, regulatory requirements and other factors beyond the control of the Funds. Certain funds may finance their activities with both fixed and floating rate debt. With respect to their floating rate debt, the Funds' performance may be affected adversely if the Funds fail to limit the effects of changes in interest rates on their operations by employing an effective hedging strategy, including engaging in interest rate swaps, caps, floors or other interest rate contracts, or buying and selling interest rate futures or options on such futures. Should the Funds

so elect (and they may be under no obligation to do so), the use of these instruments to hedge a portfolio carries certain risks, including the risk that losses on a hedge position will reduce the Funds' earnings and funds available for distribution to investors and that such losses may exceed the amount invested in such instruments.

Conflicts of Interest

AJ Capital and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own account and for the account of other Funds, and providing transaction-related, management and other services to Funds and to or with respect to portfolio investments. AJ Capital will devote such time, personnel and internal resources as are necessary to conduct the business affairs of the Funds in an appropriate manner, as required by the relevant Partnership Agreement, although the Funds and their respective investments will place varying levels of demand on these over time. In the ordinary course of AJ Capital conducting its activities, the interests of a Fund may conflict with the interests of AJ Capital, one or more other Funds, portfolio investments or their respective affiliates. Certain of these conflicts of interest are discussed herein. As a general matter, AJ Capital will determine all matters relating to structuring transactions and Fund operations using its best judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the advisory committees of the participating Funds.

During the exclusivity period of a Fund (which generally is the earlier of the end of the commitment period or such time as a specified percentage of Fund Commitments have been invested, as described in the applicable Partnership Agreement), all appropriate investment opportunities (as determined in AJ Capital's discretion, and in accordance with the relevant provisions of any applicable Partnership Agreement) will be offered to such Fund, subject to certain limited exceptions. Without limitation, AJ Capital principals currently manage, and expect in the future to manage, several other investments similar to those in which a Fund will be investing, and may direct certain relevant investment opportunities to those investments. AJ Capital's principals and AJ Capital's investment staff will continue to manage and monitor such investments until their realization. Such other investments that AJ Capital principals control or manage may compete with portfolio investments of a Fund.

From time to time, AJ Capital will be presented with investment opportunities that would be suitable not only for a Fund, but also for other Funds and other investment vehicles operated by AJ Capital or its advisory affiliates. In determining which investment vehicles should participate in such investment opportunities, AJ Capital and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. Investments by more than one client of AJ Capital in a given portfolio investment also raises the risk of using assets of a client of AJ Capital to support positions taken by other clients of AJ Capital.

AJ Capital must first determine which Fund(s) will, or are required to, participate in the relevant investment opportunity. AJ Capital generally assesses whether an investment opportunity is appropriate for a particular Fund based on a Fund's Partnership Agreement, as well as various factors including but not limited to: investment restrictions and objectives

(including those set forth in the relevant Fund's Partnership Agreement), strategy, risk profile, time horizon, life-cycle and structure, tax and regulatory considerations and other relevant factors. For example, a newly organized Fund generally will seek to purchase a disproportionate amount of investments until it is substantially invested. A Fund may invest together with other Funds advised by AJ Capital in the manner set forth in the relevant Partnership Agreements and in accordance with AJ Capital's policies and procedures relating to the allocation of investment opportunities. AJ Capital will determine the allocation of investment opportunities among Funds in a manner that it believes is fair and equitable consistent with AJ Capital's obligations and will take into consideration various factors, generally including, without limitation, those described above.

Following such determination of allocation among Funds, AJ Capital will determine if the amount of an investment opportunity in which one or more Funds will invest exceeds the amount that would be appropriate for such Fund(s) and any such excess may be offered to one or more potential co-investors, including third parties, as determined pursuant to each applicable Fund's Partnership Agreement, side letters and AJ Capital's policies and procedures regarding allocation. AJ Capital's procedures permit it to take into consideration a variety of factors in making such determinations, including but not limited to: expressed interest in co-investment opportunities; any applicable side letter provisions; expertise of the prospective co-investor in the industry to which the investment opportunity relates; perceived ability to quickly execute on transactions; tax, regulatory, securities laws and/or other legal considerations (*e.g.*, qualified purchaser or qualified institutional buyer status); confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity; perceived ease of process in coordinating or completing the investment with the prospective co-investor or co-investors similar thereto; AJ Capital's perception of whether the investment opportunity may subject the prospective co-investor to legal, regulatory, reporting or other burdens that make it less likely that the prospective co-investor would act upon the investment opportunity if offered or would impair AJ Capital's ability to execute the relevant transaction in the desired time or on desired terms; size of the investment allocation and practicality of dividing it up among multiple co-investors; lender requirements; perceived public relations and reputational benefits or costs; and whether AJ Capital believes that allocating investment opportunities to an investor or person will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant portfolio investment, other portfolio investments, the Funds or AJ Capital. Although a prospective co-investor's willingness to invest in future Funds may be considered by AJ Capital, it generally will not be the sole determining factor considered by AJ Capital in identifying co-investors.

Decisions regarding whether and to whom to offer co-investment opportunities may be made by AJ Capital or its related persons in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities may, and typically will, be offered to some and not to other AJ Capital investors, and the consideration of the factors set forth above may result in certain investors receiving multiple opportunities to co-invest while others expressing interest in co-investments may receive none. When and to the extent that employees and related persons of AJ Capital and its affiliates make capital investments in or

alongside certain Funds, AJ Capital and its affiliates are subject to conflicting interests in connection with these investments.

There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed. AJ Capital's allocation of investment opportunities among the persons and in the manner discussed herein may not, and often will not, be proportional. Such allocations may be more or less advantageous to some such persons relative to others. While AJ Capital will allocate investment opportunities in a manner that it believes in good faith is fair and equitable to its clients under the circumstances over time and considering relevant factors, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which such allocation is made, will be as favorable as they would be if the potential conflicts of interest to which AJ Capital may be subject, discussed herein, did not exist.

Conflicts may arise when a Fund makes investments in conjunction with an investment being made by another Fund. A Fund may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Funds. This may result in differences in price, terms, leverage and associated costs with respect to a portfolio investment. Further, there can be no assurance that the relevant Fund and the other Fund(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. AJ Capital and its affiliates may express inconsistent views of commonly held investments or of market conditions more generally. There can be no assurance that the return on one Fund's investments will be the same as the returns obtained by other Funds participating in a given transaction. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to all Funds. In that regard, actions may be taken for one or more Funds that adversely affect other Funds.

Where multiple Funds invest at the same, different or overlapping levels of a portfolio investment's capital structure, there is a potential for conflicts of interest in determining the terms of each such investment. Questions may arise subsequently as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced or restructured. In troubled situations, decisions including whether to enforce claims, or whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any workout or restructuring may raise conflicts of interest, particularly with respect to Funds that have invested in different securities within the same portfolio investment. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, Funds may or may not provide such additional capital, and if provided, each Fund generally will supply such additional capital in such amounts, if any, as determined by AJ Capital in its sole discretion. Because of the different legal rights associated with debt and equity of the same portfolio investment, AJ Capital may face a conflict of interest in respect of the advice it gives to, and the actions it takes on behalf of one Fund versus another Fund (*e.g.*, the terms of debt instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies). If a Fund enters into any indebtedness with another Fund on a joint and several basis, AJ Capital is expected to enter into or otherwise arrange for

one or more agreements that provide each Fund with a right of contribution, subrogation or reimbursement. In administering, or seeking to reinforce, these agreements, AJ Capital may be subject to conflicts of interest, for example between a Fund with a reimbursement obligation and a Fund seeking reimbursement. AJ Capital intends to mitigate any potential conflicts by structuring such agreement in a manner intended to cause each Fund to bear its proportionate share of the applicable indebtedness, without undue favoritism over time.

Subject to any relevant restrictions or other limitations contained in the Partnership Agreements of the Funds, AJ Capital will allocate fees and expenses in a manner that it believes in good faith is fair and equitable to its clients under the circumstances and considering such factors as it deems relevant, but in its sole discretion. In exercising such discretion, AJ Capital may be faced with a variety of potential conflicts of interest.

As a general matter, expenses typically will be allocated among all relevant Funds or co-invest vehicles eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions will generally be made by AJ Capital or its affiliates using their best judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, *e.g.*, in determining whether to allocate *pro rata* based on number of Funds or co-invest vehicles receiving related benefits or proportionately in accordance with asset size. One Fund may have different expense reimbursement terms than another Fund which may result in the Funds bearing different levels of expenses with respect to the same investment.

Additionally, a portfolio investment or other entity in which one or more Funds invest may reimburse AJ Capital or service providers (including affiliates of AJ Capital) retained at AJ Capital's discretion for expenses (including without limitation travel expenses) incurred by AJ Capital or such service providers in connection with its performance of services for such entity. This subjects AJ Capital and its affiliates to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements may be substantial. AJ Capital determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices. Because certain expenses are paid for by a Fund and/or its portfolio investments or, if incurred by AJ Capital, are reimbursed by a Fund and/or its portfolio investments, AJ Capital may not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio investments to incur) such expenses. Although the amount of individual reimbursements typically is not disclosed to investors in any Fund, their effect is reflected in each Fund's audited financial statements, and any fee paid or expense reimbursed to AJ Capital or such service providers generally is subject to: agreements with sellers, buyers and management teams; the review and supervision of the board of directors of or lenders to portfolio investments; and/or third party co-investors in its transactions. These factors help to mitigate related conflicts of interest.

As further described in the applicable Partnership Agreement, certain affiliates of AJ Capital currently, or may in the future, perform services (*e.g.*, development, marketing, brand licensing, hotel management and/or other similar services) with respect to a Fund or its portfolio

investments. In the event that AJ Capital's affiliates provide such services, they are expected to receive Services Fees (as described herein). As further described in the applicable Partnership Agreement, all such Services Fees will be in addition to (and will not offset) the Management Fee. Expenses incurred by AJ Capital or its affiliates in connection with providing such services also generally will be borne by (or reimbursed by) the relevant Fund or applicable portfolio investment. In addition, a minority portion of an AJ Capital affiliate that would be expected to receive Services Fees is owned by Fund II, while the remainder of such entity is owned by affiliates of AJ Capital. Certain employees and related persons of AJ Capital and/or its affiliates are expected to work for or on behalf of such AJ Capital affiliate, and Fund II will generally bear its proportionate share of the personnel costs and expenses related to the services provided by such persons (including, without limitation, an allocation of a portion of the overhead expenses related to such persons, such AJ Capital affiliate and the services provided). Any of such arrangements give rise to potential conflicts of interest.

The receipt by AJ Capital or its affiliates of Services Fees may give rise to potential conflicts of interest between the Funds, on the one hand, and AJ Capital and/or its affiliates on the other hand. AJ Capital intends for transactions between a Fund and AJ Capital or its affiliates relating to the affiliate services described above to be on reasonable terms as determined by AJ Capital in its sole good faith judgment and consistent with the provisions of a Fund's Partnership Agreement. Further, although, from time to time, AJ Capital may present transactions relating to such services to a Fund's advisory committee for its review prior to a Fund's commitment to such transactions, AJ Capital generally is not obligated to do so under the Partnership Agreement. It is possible that more favorable terms would be available to a Fund if a Fund subsidiaries engaged third parties to provide such services instead of AJ Capital and/or its affiliates. The fees for services provided to a Fund or its portfolio investments by AJ Capital or its affiliates may be higher than those charged by the AJ Capital or its affiliates to other Funds or other investments managed by or affiliated with AJ Capital. In conjunction with subscribing to a Fund, investors acknowledge and consent to the provision of such services by AJ Capital and/or its affiliates, as outlined in the applicable Partnership Agreement.

AJ Capital generally exercises its discretion to recommend to a Fund or to a portfolio investment that it contracts for services with (i) AJ Capital or a related person of AJ Capital (which may include a portfolio investment), (ii) an entity with which AJ Capital or its (current or former) personnel has a relationship or from which AJ Capital or its personnel otherwise derives financial or other benefit or (iii) certain limited partners or their affiliates. For example, AJ Capital may be presented with opportunities to receive financing and/or other services in connection with a Fund's investments from certain limited partners or their affiliates that are engaged in lending or related business. Additionally, certain principals of AJ Capital (and other individuals affiliated with AJ Capital) own interests in certain entities (*e.g.*, food and beverage operators, home furnishing providers) which may operate in, lease space from or supply various properties and portfolio investments developed by AJ Capital. These situations subject AJ Capital to conflicts of interest, because although AJ Capital selects service providers that it believes are aligned with its operational strategies and will enhance investment performance and, relatedly, returns of the relevant Fund, AJ Capital may have an incentive to recommend the related or other person because of its financial or other business interest. There is a possibility

that AJ Capital, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or AJ Capital), may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Whether or not AJ Capital has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

AJ Capital may also, from time to time, employ personnel with pre-existing ownership interests in investments owned by the Funds or investment vehicles advised by AJ Capital; conversely, former personnel or executives of AJ Capital may serve in significant management roles at service providers recommended by AJ Capital. Similarly, AJ Capital and/or its personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including managers of private funds, banks and brokers. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, AJ Capital and/or the Funds or investment vehicles they advise. AJ Capital may have a conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to a Fund or an investment if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds, will provide AJ Capital information about markets and industries in which AJ Capital operates (or is contemplating operations) or will provide other services that are beneficial to AJ Capital. AJ Capital may have a conflict of interest in making such recommendations, in that AJ Capital has an incentive to maintain goodwill between it and the existing and prospective portfolio investments of a Fund, while the products or services recommended may not necessarily be the best available to a Fund or the portfolio investments thereof.

AJ Capital, its affiliates, and equityholders, officers, principals and employees of AJ Capital and its affiliates may buy or sell investments that AJ Capital has recommended to a Fund. In addition, officers, principals and employees may invest in transactions offered to but rejected by a Fund. Such transactions are subject to the policies and procedures set forth in AJ Capital's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments may vary from those of any Fund. Employees, related persons and/or affiliates of AJ Capital have, and are expected to continue to have, capital investments in or alongside certain Funds, or in prospective portfolio investments directly or indirectly, and historically have owned and invested in (and may continue to own and invest in) certain real estate businesses and ventures outside of AJ Capital's advisory business as described in Item 10. Therefore such person may have additional conflicting interests in connection with these investments.

Because there is a fixed investment period after which capital from investors in a Fund may only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of a Fund, based upon funded Commitments by such Fund, this fee structure may create an incentive to deploy capital when AJ Capital may not otherwise have done so.

AJ Capital may enter into side letter arrangements with certain investors in a Fund, providing such investors with different or preferential rights or terms, including but not limited to different or lower fee terms or structures, information rights, co-investment rights, and liquidity or transfer rights.

From time to time AJ Capital (and/or, in certain cases, and/or portfolio investments owned by a Fund) expect to receive the benefit of “friends and family” and similar discounts from investments owned by the Funds under which such portfolio investments make their goods and/or services available at reduced rates or without charge. Because its portfolio investments offer such discounts to customers other than AJ Capital and/or portfolio investments as part of their standard commercial practices in an effort to expand their respective customer bases, AJ Capital believes that the potential for conflicts of interest relating to such discounts is mitigated. AJ Capital and/or portfolio investments their affiliates and personnel generally refrain from requesting or negotiating for such discounts in the ordinary course and specifically limit such discounts if they would have the effect of preventing the use of such property by non-affiliated persons at prevailing market rates.

Any of these situations subjects AJ Capital to potential conflicts of interest. AJ Capital attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by AJ Capital to investors in other investment vehicles managed by them, and attempts to allocate investment opportunities among a Fund, other Funds and such investment vehicles in a fair and equitable manner. To the extent that an investment or relationship raises particular conflicts of interest, AJ Capital will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, AJ Capital consults and receives consent to conflicts from a Fund’s advisory committee consisting of limited partners of the relevant Fund and such other investment vehicles.

ITEM 9 —DISCIPLINARY INFORMATION

AJ Capital and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

ITEM 10 —OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

AJ Capital is affiliated with certain other advisory entities, who are considered registered with the SEC under the Advisers Act pursuant to AJ Capital’s registration in accordance with SEC guidance. These advisers include the Fund II GP, Fund III GP, Phase I Manager, and Phase II Manager. These affiliated advisory entities operate as a single advisory business together with AJ Capital and serve as managers or general partners of Funds and other pooled vehicles and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions. Further, these affiliated entities do not have employees of their own.

Related persons and affiliates of AJ Capital historically have made investments in or provided services (and expect in some cases to continue to make or provide services) with respect to real estate-related assets and ventures. Such real estate-related activities of the

affiliates and/or related persons of AJ Capital generally are separate from and outside of AJ Capital's advisory business.

ITEM 11 —CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

AJ Capital has adopted a Code of Ethics (the “**Code**”), which sets forth standards of conduct that are expected of AJ Capital principals and employees and addresses conflicts that arise from personal trading. The Code requires certain AJ Capital personnel to report their personal securities transactions. The Code also requires pre-clearance for AJ Capital personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering and a private placement offering, and prohibits AJ Capital personnel from directly or indirectly acquiring beneficial ownership of these securities without first obtaining approval from AJ Capital's Chief Compliance Officer. In addition, the Code requires such personnel to comply with procedures designed to prevent the misuse of, or trading upon, material non-public information. A copy of the Code will be provided to any limited partner upon request to Patrick Stephens, AJ Capital's Chief Compliance Officer, at 312-275-1071. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client's interests in client eligible investments.

AJ Capital and its affiliated persons may come into possession, from time to time, 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, AJ Capital and its affiliated persons would be 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 AJ Capital.

Accordingly, should AJ Capital or any of its affiliated persons come into possession of material non-public or other confidential information with respect to any public company, AJ Capital would be prohibited from communicating such information to clients, and AJ Capital will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law.

Principals and employees of AJ Capital and their affiliates may directly or indirectly own an interest in Funds, including certain co-investment vehicles. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio investments as the Funds. Co-invest opportunities may also be presented to certain affiliates of AJ Capital, as well as third party investors and other persons, and such co-investments may be effected through co-investment vehicles or directly in a particular portfolio investment. Such co-investment opportunities generally will be allocated in the manner described under “Methods of Analysis, Investment Strategies and Risk of Loss.”

AJ Capital and its affiliates, principals and employees may carry on investment activities for their own account and for family members, friends or others who do not invest in the Funds, and may give advice and recommend securities to vehicles which may differ from advice given

to, or securities recommended or bought for the Funds even though their investment objectives may be the same or similar.

In borrowing on behalf of a Fund, AJ Capital is subject to conflicts of interest between repaying its obligations and retaining such borrowed amounts for the benefit of the Fund, and in circumstances where interest accrues on any such outstanding borrowings at a rate lower than the relevant Fund's preferred return, is expected to have incentives to cause the Fund to borrow in this manner rather than drawing down capital commitments. Where a preferred return begins to accrue after capital contributions are due (regardless of when the Fund borrows, makes the relevant investment, or pays expenses) and ceases to accrue upon return of these capital contributions, the use of borrowing to shorten the period between calling and returning capital limits the amount of time the preferred return will accrue. In circumstances where there is not a preferred return on funds borrowed in advance or in lieu of calling capital, Fund-level borrowing typically will reduce the amount of preferred return to which the limited partners would otherwise be entitled had the General Partner called capital, and thus could result in the relevant General Partner receiving carried interest sooner than it would without borrowing. In addition, when the Management Fee is calculated as a percentage of invested capital, a limited partner may pay Management Fees on borrowed amounts used to fund investments that have not yet been realized even though such amounts would not accrue preferred return as described above. It is expected that the costs relating to the establishment and/or maintenance of a subscription line of credit will be significant, and there can be no assurance that the benefits to limited partners will be commensurate with such costs.

AJ Capital will effect such borrowings in a manner it believes to be fair and equitable to the relevant Fund, and consistent with AJ Capital's obligations to the Fund under the Governing Documents.

ITEM 12 —BROKERAGE PRACTICES

Generally, AJ Capital focuses on securities transactions of privately owned real estate properties and purchases and sells properties through privately negotiated transactions. In pursuing privately negotiated transactions, AJ Capital may engage the services of a real estate broker or other third-party intermediary in connection with the purchase or sale of an investment. In such circumstances, AJ Capital seeks to obtain best execution when selecting a real estate broker or other third-party intermediary to facilitate the consummation of such transactions. Selection of such real estate broker or third-party intermediary will be based on AJ Capital's judgment regarding a variety of factors which will not be limited solely to ultimate deal price, including: AJ Capital's prior experience in working with the broker or third party; the broker or third party's reputation within the industry; the broker or third party's expertise in dealing with investments that may be restrictive or illiquid in nature; and the cost, among other factors.

Although AJ Capital generally seeks competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent, especially in private securities transactions that rely heavily on the specialty services or experience of a real estate broker or broker-dealer that operates outside of a competitive bidding environment. Transactions that

involve such specialized services on the part of a real estate broker or broker-dealer may thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

AJ Capital does not receive research or other soft dollar benefits in connection with securities transactions for the Funds, does not receive client referrals in connection with selecting or recommending real estate brokers or broker-dealers for the Funds, does not engage in directed brokerage and does not aggregate the purchase or sale of securities for Fund accounts.

ITEM 13 — REVIEW OF ACCOUNTS

The investments made by the Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of investments. AJ Capital monitors the portfolio investments of its Funds and maintains an on-going oversight position in such investments. A team of investment professionals reviews each Fund's portfolios on an on-going basis. These reviews include, without limitation, exhaustive due diligence, review and approval by AJ Capital's Investment Committee, and execution. The team generally includes principals and other investment professionals of AJ Capital. Additionally, AJ Capital's Chief Compliance Officer (or a designee thereof) periodically checks to confirm that each Fund is maintained in accordance with its stated objectives.

Each Fund will provide to each of its limited partners (i) annual GAAP audited and quarterly unaudited financial statements, including certain schedules and other reports specified in the applicable Partnership Agreement and (ii) annual tax information necessary for each limited partner's tax return. Such information is provided in writing and delivered to investors through AJ Capital's third-party administrator's portal.

In the course of conducting due diligence or otherwise, investors periodically request information pertaining to their investments. AJ Capital responds to these requests, and in answering these requests provides information that is not generally made available to other investors who have not requested such information. Additionally, upon request (*e.g.*, pursuant to a side letter), certain investors may receive additional information and reporting that other investors may not receive.

ITEM 14 — CLIENT REFERRALS AND OTHER COMPENSATION

AJ Capital and/or its affiliates may provide certain business or consulting services to companies in each Fund's portfolio and may receive compensation from these companies in connection with such services. As described in the applicable Partnership Agreement of each Fund, AJ Capital and its affiliates may be authorized to provide certain services to portfolio investments and may, as a result, receive certain supplemental fees and compensation (*e.g.*, Special Fees) which are separate and distinct from the Management Fee. The Management Fee for a Fund will generally be reduced by an amount equal to such Fund's share of Special Fees (net of any unreimbursed expenses incurred in connection with such portfolio investment) paid to AJ Capital. However, these should be distinguished from other fees (*e.g.*, reimbursements for out of pocket expenses directly related to a portfolio investment) which while also separate and

distinct from the Management Fee, will generally not offset the Management Fee payable by any applicable Fund. *See* “Fees and Compensation.”

From time to time, AJ Capital may enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a limited partner in a Fund. With respect to Fund III, any such fees and expenses payable to any such placement agent(s) will be borne by AJ Capital indirectly through an offset against the Management Fee.

ITEM 15 —CUSTODY

AJ Capital and/or a Fund’s General Partner or Manager are deemed to have custody under Advisers Act Rule 206(4) (the “Custody Rule”). The Custody Rule requires that pooled investment vehicles for which the Adviser is deemed to have custody either undergo an annual audit pursuant to GAAP or be subject to a surprise custody examination by a Public Company Accounting Oversight Board (“PCAOB”) registered auditing firm. In order to comply with the Custody Rules, AJ Capital has elected to undergo an annual GAAP financial statement audit by a PCAOB registered auditing firm for Funds II and III, Phase I, and Phase II, copies of which are (or will be, for newly closed Funds) delivered to the Funds and their respective investors within 120 days of fiscal year end.

AJ Capital does not, however, have physical custody of any Fund client assets (other than certain privately offered securities to the extent permitted by the Advisers Act). Called capital is directly sent or wired into the relevant Fund’s qualified custodial account. AJ Capital receives monthly statements from each of its qualified custodians on behalf of the Funds. For more information about AJ Capital’s qualified custodians, please see Form ADV Part 1, Schedule D, 7.B.(1).

ITEM 16 —INVESTMENT DISCRETION

AJ Capital has discretionary authority to manage the investments on behalf of each Fund. To become an investor in a Fund, an investor must execute, among other documents, a subscription agreement with such Fund. Such subscription agreement generally contains a power of attorney that grants AJ Capital or its General Partner or Manager certain powers related to the orderly administration of the affairs of a Fund as well as the ability to execute the Partnership Agreement on behalf of the investor. Once an investor executes these documents, AJ Capital is not required to contact such investor prior to transacting business in a Fund.

As a general policy, AJ Capital does not allow clients to place limitations on this authority. However, pursuant to the terms of the Partnership Agreements, as applicable, AJ Capital and/or its affiliates may enter into “side letter” arrangements with certain limited partners whereby the terms applicable to such limited partners’ investment in a Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. AJ Capital assumes this discretionary authority pursuant to the terms of the Partnership Agreement, as applicable, and powers of attorney executed by the limited partners of the applicable Fund.

ITEM 17 —VOTING CLIENT SECURITIES

By virtue of its Partnership Agreements with each Fund, AJ Capital has the authority to vote client proxy statements on behalf of the Funds. Because of the private nature of its investments, the Funds have no investments that require proxy voting. AJ Capital has adopted Proxy Voting Policies and Procedures (the “**Proxy Policy**”) which addresses how they will vote proxies, as applicable, for each Fund’s portfolio investments. The Proxy Policy seeks to ensure that AJ Capital votes proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. AJ Capital generally believes its interests are aligned with those of the Funds’ investors, for example, through the principals’ beneficial ownership interests in the Funds and therefore will not seek limited partner approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that AJ Capital may address the conflict using several alternatives, including by seeking the approval or concurrence of a Fund’s advisory board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, a Fund’s advisory board may approve the Adviser’s vote in a particular solicitation. Investors may request a copy of the Adviser’s Proxy Policy or information regarding how AJ Capital voted proxies for particular portfolio investments, if any, by contacting Patrick Stephens, AJ Capital’s Chief Compliance Officer, at 312-275-1071.

ITEM 18 —FINANCIAL INFORMATION

AJ Capital does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.