

**Part 2A of Form ADV: Firm Brochure**

**Item 1 Cover Page**

**PACIFIC OAK CAPITAL ADVISORS, LLC**

11150 Santa Monica Boulevard, Suite 400  
Los Angeles, CA 90025  
Peter McMillan, Chief Compliance Officer

Date of Brochure: January 11, 2019

This brochure provides information about the qualifications and business practices of Pacific Oak Capital Advisors, LLC (“Pacific Oak”). If you have any questions about the contents of this brochure, please contact Pacific Oak at (424) 208-8100. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Pacific Oak also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

While Pacific Oak is a registered investment adviser with the SEC, that registration does not imply a certain level of skill or training.

## **Item 2 Material Changes**

This brochure is Pacific Oak's initial brochure, which is being filed on a prospective basis with a reasonable expectation that Pacific Oak will be eligible for registration with the SEC within 120 days. Accordingly, it is expected that the disclosure in this brochure will be updated at such time that Pacific Oak becomes eligible for registration with the SEC. Any material changes to this brochure will be identified in this Item in the future.

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#### **Item 4 Advisory Business**

Pacific Oak Capital Advisors, LLC (“Pacific Oak”) began its operation in 2018. It is anticipated that Pacific Oak will serve as the exclusive external advisor to publicly registered, non-traded real estate investment trusts (the “REITs”) and also provide advisory and management services to other REITs, collective investment vehicles and accounts. As used in this brochure, the term “client” refers to each of Pacific Oak’s advisory clients (e.g., the REITs) and not to the investors in any of the REITs or collective investment vehicles.

As the external advisor to the REITs, Pacific Oak expects that it will manage the day-to-day operations of the REITs’ portfolios of real estate properties and real estate-related assets (including real estate-related securities) and will be primarily responsible for the identification, analysis and acquisition of real estate properties and real estate-related investments. Generally, it is expected that proposed investments will be required to be approved by at least a majority of a REIT’s board of directors (and in certain situations, a majority of the conflicts or other similar committee of the board). As such, Pacific Oak anticipates that it will generally function in a non-discretionary capacity.

However, subject to the limitations in each REIT’s charter and the oversight of its board of directors, Pacific Oak may exercise limited discretionary authority to make certain securities investments on behalf of the REITs. Pacific Oak expects that a further description of its investment authority with respect to each REIT will be included in each REIT’s respective prospectus.

Pacific Oak is controlled and indirectly owned by the following individuals:

**Peter McMillan III; Born 1957**

Education: Clark University, 1979, B.A. (with honors) – Economics; Wharton Graduate School of Business at the University of Pennsylvania, 1982 – MBA (Finance)

Business Background: Co-founder and Chief Investment Officer of Temescal Canyon Partners LP in 2013; Co-Founder and Principal of KBS Capital Advisors, LLC in 2006; Co-founder and Managing Partner of Willowbrook Capital Group, LLC; prior to forming Willowbrook in 2000, Executive Vice President and Chief Investment Officer of SunAmerica Investments, Inc.; before joining SunAmerica in 1989, Assistant Vice President for Aetna Life Insurance and Annuity Company.

**Keith D. Hall; Born 1958**

Education: California State University, Sacramento, 1981, B.A. (with honors) – Finance

Business Background: Co-Founder and Principal of KBS Capital Advisors, LLC in 2006; Co-founder of Willowbrook Capital Group, LLC; prior to forming Willowbrook in 2000, Managing Director at CS First Boston with responsibilities for Mezzanine Lending and Commercial Real Estate Development; prior to joining CS First Boston in 1996, Director in the Real Estate Products Group at Nomura Securities; during the 1980s, Senior Vice President in the High Yield Department of Drexel Burnham Lambert.

Both of Pacific Oak’s principal owners are actively involved in Pacific Oak’s management and operations. The primary responsibility for the investment recommendations made by Pacific Oak to its clients, including the selection of real estate properties and real estate-related investments,

and the negotiation of the terms of these investments, resides ultimately with Pacific Oak's principals, Messrs. McMillan and Hall. In addition to forming Pacific Oak, Messrs. McMillan and Hall are also principals of the real estate investment firm KBS Capital Advisors, LLC, which serves as external advisor to publicly-registered, non-traded real estate investment trusts. Messrs. McMillan and Hall have been affiliated with KBS Capital Advisors, LLC since the commencement of business operations in 2006.

Pacific Oak expects to provide advisory services to the REITs in accordance any investment policies and objectives adopted by the REITs' boards of directors. Consistent with the REITs' investment objectives and strategies, the securities advisory services that Pacific Oak will provide generally are expected to be limited to certain real estate-related securities. The individual needs of the investors in the REITs will not be considered when making investment recommendations or providing other advisory services. Instead, Pacific Oak's advice is expected to be provided directly to the REITs and not individually to the investors in the REITs. While it is expected that the majority of Pacific Oak's investment recommendations will be approved by the REITs' boards of directors, Pacific Oak may exercise limited discretionary authority with respect to certain real-estate securities investments within certain parameters set by the REITs' boards of directors.

Pacific Oak expects to provide advisory and management services to each of the REITs pursuant to the terms of an advisory agreement executed with each REIT.

In addition to managing the day-to-day operations of the REITs' portfolios of real estate properties and real estate-related assets (including real estate-related securities) and providing real estate investment recommendations to the REITs, Pacific Oak also may provide asset management, capital management, marketing, investor relations, compliance and other administrative services to the REITs.

As of January 11, 2019, Pacific Oak managed client assets of approximately \$0.

## **Item 5 Fees and Compensation**

Pacific Oak anticipates that it may receive from certain REITs some or all of the following fees in connection with the advisory services that it expects to provide:

- Acquisition and origination fees for services related to the selection and purchase of real estate and real estate-related investments, including sourcing, underwriting and negotiating the terms of real estate-related loans, real estate-related debt securities and real property investments. Such fees are expected to be based on a percentage of acquisition cost or, in the case of origination fees for loans, the amount funded. Pacific Oak does not have a set fee schedule for acquisition and origination fees, but the amount and further description of such fees is expected to be contained in the respective REIT prospectus.
- Asset management fees for investment advisory services relating to real estate properties and other real estate-related investments (including real estate-related loans and securities) held by a REIT. The fee is expected to be calculated and payable monthly and is expected to be generally equal to a percentage of the amount paid or allocated to acquire (or fund) the investment (or loan), including certain fees and expenses related thereto. In certain instances, the fee is expected to be calculated as a percentage of the outstanding principal amount of the investment or loan. Pacific Oak does not have a set fee schedule for asset management fees, but the amount and further description of such fees is expected to be contained in the respective REIT prospectus.
- Performance-based compensation equal to a percentage of net cash flows (whether from continuing operations, net sale proceeds or otherwise), but only after investors in a REIT (i) have received a return of their net capital contributions to the REIT and (ii) a certain percentage level of annual cumulative, non-compounded return has been achieved, as is expected to be described in the respective REIT prospectus. It is expected that performance-based compensation will be payable only if the REIT is not listed on an exchange.
- If a REIT is listed on a national exchange, upon such listing, Pacific Oak expects that it may receive a subordinated incentive listing fee from the REIT equal to a percentage of the amount by which (y) the REIT's adjusted market value plus distributions exceeds (z) the aggregate capital contributed by investors plus an amount equal to a certain percentage level of a cumulative, non-compounded return as is expected to be described in the respective REIT prospectus.
- Subject to certain limitations, disposition fees for services rendered in connection with the sale of real estate properties or other real estate investments equal to a percentage of the sales price of each property or other investment sold. Such disposition fees may be paid to Pacific Oak or one or more of its affiliates. Pacific Oak does not have a set fee schedule for disposition fees, but the amount and further description of such fees is expected to be contained in the respective REIT prospectus.

For the services provided to certain other REITs, Pacific Oak anticipates that it may receive a portion of the fees received by the manager of such REIT, which may include, among other things, a percentage of distributable income, a percentage of the increase in distributions per unit, acquisition and divestment fees and development management fees equal to a percentage of the total costs incurred in a development project.

The use of performance-based compensation is intended to comply with the provisions of Rule 205-3 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), relating to incentive compensation arrangements. This Rule imposes certain requirements relating to the calculation methodology for a performance fee and the imposition of certain net worth or assets under management standards for clients from whom such compensation is received.

In addition to the fees discussed above, Pacific Oak anticipates that it may be reimbursed by certain REITs for some or all of the below expenses incurred in connection with providing advisory services. In certain instances, there may be limitations on Pacific Oak’s right to be reimbursed for such expenses. Those expenses are:

- Acquisition and origination expenses to reflect the reimbursement of customary acquisition and origination expenses incurred by Pacific Oak in connection with the acquisition or origination of real estate properties, real estate-related loans, real estate-related debt securities and other real estate-related investments on behalf of the REITs. Such expenses may include, without limitation: legal fees and expenses (including the fees of independent contractor in-house legal counsel that are not employees of Pacific Oak), costs of due diligence, travel and communication expenses, accounting fees and expenses and other closing costs and miscellaneous expenses.
- Other operating expenses including, in some cases, Pacific Oak’s allocable share of its overhead such as rent, internal audit personnel costs, accounting software and IT related expenses. In addition, Pacific Oak may seek reimbursement for certain employee costs. The REITs are generally not expected to reimburse Pacific Oak for operating expenses incurred in connection with services for which Pacific Oak earns an acquisition, origination or disposition fee (other than the reimbursement of travel and communication expenses). The REITs are also generally not expected to reimburse Pacific Oak for the costs associated with the salaries and benefits Pacific Oak may pay to the executive officers of the REITs.
- Organizational and offering costs incurred on behalf of each REIT, if any.

Pacific Oak’s affiliate, Pacific Oak Capital Markets Group LLC (“Pacific Oak Capital Markets”), is expected to register as a broker-dealer with the SEC, and, in such capacity, may receive selling commissions equal to a percentage of gross offering proceeds for the sale of shares in certain of the REITs. Such selling commissions may ultimately be paid out to other participating unaffiliated broker-dealers for the sale of shares in the REITs. In addition, it is anticipated that Pacific Oak Capital Markets also may receive a dealer manager fee equal to a percentage of gross offering proceeds as compensation for certain marketing services, a portion of which may be paid out to other participating unaffiliated broker-dealers as a marketing fee.

**The preceding discussion of the anticipated fees and expenses to be paid by clients to Pacific Oak or its affiliates is not intended to be exhaustive. Investors in the REITs should refer to the applicable REIT prospectus for a specific discussion of the fees and expenses to be received by Pacific Oak in connection with the services that it expects to provide.**



## **Item 6 Performance-based Fees and Side-by-side Management**

As noted in Item 5 above, Pacific Oak anticipates that it may receive performance-based compensation from certain REITs, the calculation of which may vary among the REITs. For certain of the REITs, the calculation of performance-based compensation is expected to vary depending on whether such REIT's securities are listed on a national securities exchange. If the securities of such REIT are not listed on an exchange, Pacific Oak expects that it will be entitled to a percentage of net cash flows of that REIT. If the securities of such REIT are listed on an exchange, Pacific Oak's expects that its performance-based fee generally will be calculated by applying a certain percentage to the amount by which the adjusted market value (including distributions) for such REIT exceeds the aggregate capital contributed by investors in that REIT. For certain other REITs, Pacific Oak expects that the performance-based compensation generally will be calculated by applying a certain percentage to the amount by which the distributions per unit in a given year exceed the distributions per unit in the prior year (after accounting for the management fee payable per unit in each year).

The receipt of performance-based compensation may incentivize Pacific Oak to recommend investments for and on behalf of the REITs that are riskier or more speculative than Pacific Oak would otherwise do if it did not receive performance-based compensation. As some of the Pacific Oak personnel are also expected to serve as directors of the REITs, the performance-based compensation expected to be paid by the REITs to Pacific Oak may not be the product of an arm's length negotiation with a third party.

To address these and certain other conflicts of interest, Pacific Oak's policies and procedures will seek to provide that investment decisions are made without consideration of its economic interests, and instead are made in accordance with its fiduciary duties to all clients. It is the policy of Pacific Oak that investment decisions are to be made consistent with the investment objectives, guidelines, and restrictions of clients and those investments are to be allocated fairly and equitably over time among clients, taking into consideration the objectives, restrictions, investment strategy, available investment capital, asset allocation and benchmarks of each client. As a general matter, Pacific Oak and its affiliates generally are not expected to recommend the same investment in the same asset or investment opportunity for two or more clients of Pacific Oak or its affiliates at the same time. Given cash constraints and the amount of time often required to "close" on certain recommended investments, Pacific Oak expects that determinations regarding which client will invest into a particular asset or investment opportunity will arise somewhat infrequently.

Nevertheless, in accordance with its duties under the Advisers Act, the policy of the Pacific Oak is to allocate specific investment opportunities which may be suitable for one or more clients on a fair and equitable basis over time. When deciding whether to allocate an investment opportunity among the REITs, Pacific Oak, in its sole discretion, will seek to determine the client for which the investment opportunity is most suitable based on the investment objectives and other criteria for each client. Some of the factors considered are:

- (i) the investment objectives and criteria of each client;
- (ii) the cash requirements of each client;

- (iii) the effect of the investment on the diversification of each client's portfolio;
- (iv) the anticipated cash flow of the property or asset to be acquired;
- (v) the income tax effects of the purchase on each client;
- (vi) the size of the investment; and
- (vii) the amount of funds available to each client and the length of time that such funds have been available for investment.

In addition, it is expected that the boards of directors of some of the REITs will establish conflicts committees comprised of independent members of such boards of directors. Among other things, the conflicts committees are expected to be responsible for evaluating the performance of Pacific Oak with respect to whether it is presenting to each respective REIT its fair share of investment opportunities. Each conflicts committee will have a duty to ensure that favorable investment opportunities are not disproportionately allocated to other clients or investors managed or advised by Pacific Oak's affiliates and such considerations are intended to be critical factors in determining whether each REIT will renew the advisory agreement with Pacific Oak. The boards of directors of certain other anticipated REIT clients are responsible for supervising and managing the manager of such REITs and have developed a deal allocation procedure to address certain potential conflicts of interest.

### **Item 7 Types of Clients**

- Pacific Oak anticipates that it will serve as the exclusive external advisor to publicly registered, non-traded real estate investment trusts.
- Pacific Oak also anticipates providing advisory and management services to certain other REITs.

## **Item 8 Methods of Analysis, Investment Strategies and Risk of Loss**

On behalf of its expected clients, Pacific Oak anticipates that it will make recommendations for investments in, and manage a diverse portfolio comprised of, real estate properties and real estate-related assets, including, but not limited to: (1) the acquisition of commercial properties; (2) investment in and origination of real estate-related loans such as mortgage, mezzanine, bridge and other loans; (3) debt securities such as mortgage-backed securities and debt securities issued by other real estate companies; (4) equity securities of real estate companies; and (5) certain types of illiquid securities.

Pacific Oak generally expects to recommend investments through the acquisition of individual assets and loan originations or by acquiring portfolios of assets, other unaffiliated real estate investment trusts or real estate companies. On behalf of its clients, Pacific Oak expects to recommend a diverse portfolio of real estate investments by investment type, investment size and investment risk with the goal of attaining a portfolio of income-producing assets that provide attractive and/or stable returns.

Pacific Oak has developed a disciplined investment approach that combines the experience of the Pacific Oak professionals with a structure that emphasizes thorough market research, stringent underwriting standards and an extensive down-side analysis of the risks of each investment that Pacific Oak expects that it will recommend to its clients. In addition, Pacific Oak also intends to develop a well-defined exit strategy for each recommended investment.

The following practices summarize Pacific Oak's investment approach:

- *Market Research* – Pacific Oak's investment team conducts extensive research covering the potential investment, using both real-time market data and the transactional knowledge and experience of its professional network. Investment analysis methods will include internally and externally prepared appraisals/valuations to include consideration of market conditions and asset fit in the client's portfolio, as determined by the client. Sources of information will also include Pacific Oak and its affiliates' evaluation of real estate markets and pricing trends often using data and analytical techniques based upon research derived from major national real estate marketing and brokerage firms.
- *Investment Discipline* – Pacific Oak follows a tightly-controlled and managed process to examine all elements of a potential investment. Only those investments meeting the investment criteria and objectives of Pacific Oak's clients will be recommended for inclusion in their respective portfolios. In an effort to keep an asset in compliance with those standards, the underwriting team will remain involved through the investment cycle of the asset and consult as necessary with other Pacific Oak teams.
- *Risk Management* – Risk management is a fundamental principle in the making of investment recommendations and the monitoring of Pacific Oak's clients' portfolios. Pacific Oak's investment professionals continuously review the performance of investments against projections and expectations and provide the necessary oversight to address issues that arise with certain recommended investments.

- *Asset Management* – In the case of real property investments, prior to the purchase of a recommended property asset, Pacific Oak’s dedicated asset managers will lead an effort to develop a business strategy for each property, including the actions to be taken to achieve the projected returns. Pacific Oak will review the asset business strategies periodically to anticipate changes or opportunities in the market during a given phase of a market cycle.

Investing in real estate properties, real estate-related assets (including real estate securities), or any other type of investment, involves risk of loss that investors should be prepared to bear. Pacific Oak cannot guarantee any level of performance or that its clients or the investors will not experience a loss.

The following are some of the material risks associated with the various real estate investments that may be recommended by Pacific Oak to its clients:

- Economic, market and regulatory changes may impact the real estate market generally and may decrease the value of the investments recommended to clients;
- The investment returns and cash flow associated with investments in commercial real estate properties are dependent on the ability of tenants to pay rent. To the extent that tenants default, terminate their leases or are significantly impacted by certain outside economic factors, the net income associated with such commercial real estate properties may be adversely affected;
- Competition in the market from third parties in acquiring properties or other real estate-related investments recommended by Pacific Oak to clients may reduce the profitability of such investments;
- The value of investments recommended in real estate loans or securities may be adversely affected by fluctuations in interest rates;
- The mortgage loans recommended and the value of mortgage loans underlying the mortgage securities recommended are subject to delinquency, foreclosure and loss, which could result in losses to clients;
- Investments recommended in subordinated loans and subordinated mortgage-backed securities may be subject to losses;
- In addition to being subject to the risks associated with mortgage loans, the commercial mortgage-backed securities recommended for investment are subject to the risks of the securitization process;
- Some or all of the investments recommended in real estate-related securities and loans may be illiquid or may become illiquid and, thus, may be particularly vulnerable to changes in economic and other conditions;
- Prepayments can adversely affect the yields on the real estate-related investments recommended to clients;

- Delays in liquidating defaulted mortgage loans or liquidating or restructuring non-performing debt-related securities could reduce returns on investments;
- Hedging against interest rate exposure may adversely affect earnings, limit gains or result in losses, which could affect the cash available for distribution. In addition, hedging instruments often are not traded on regulated exchanges, guaranteed by an exchange or its clearing house, or regulated by any U.S. or foreign governmental authorities, increasing risks associated with such instruments;
- Environmental liabilities with respect to real estate properties to which a client takes title could result in losses to such client; and
- To the extent that a REIT operates in the United States and in non-U.S. jurisdictions, such REIT is subject to a variety of taxes and potential changes in legislation and the rules relating to such tax regimes, which could materially and adversely affect the REIT's business prospects and results of operations.

In addition to the foregoing real estate-related risks, investors may be exposed to other risks associated with certain inherent or potential conflicts of interest raised by Pacific Oak's ownership structure and the investment activities engaged in by its affiliates, which prospective investors should consider before investing. These risks include, without limitation:

- Pacific Oak's affiliates are expected to sponsor or manage other investment funds and accounts, some of which have objectives that may be similar to, or which may overlap with Pacific Oak's expected clients (*i.e.*, the REITs). As a result, Pacific Oak's expected clients and such other similar investment funds and accounts could compete for certain limited investment opportunities analyzed by Pacific Oak's investment professionals. To the extent that these investment opportunities are not allocated to the Pacific Oak's clients, the performance of Pacific Oak's clients' investment portfolios may be adversely affected. Conversely, the investment objectives and/or investment strategies employed by Pacific Oak's affiliates on behalf of certain clients could conflict with the transactions and strategies employed by Pacific Oak on behalf of its clients, which may affect the prices and availability of the real estate investments in which the clients invest.
- It is also expected that some of Pacific Oak's principals and key investment professionals will be sponsors of and serve on the boards of directors of the REITs. As such, the advisory agreements between Pacific Oak and the REITs, which will set out the terms of Pacific Oak's advisory relationship with the REITs including the fees that it will receive for services provided, are not expected to have been negotiated at arm's length. In order to mitigate this conflict and other related conflicts, the boards of directors of the REITs are expected to be comprised of a majority of "independent" directors and the boards of the REITs are expected to establish conflicts committees to evaluate certain matters that are subject to potential conflicts of interest.

- Pacific Oak's investment professionals who provide investment advice to other investment funds and accounts face competing demands for their time which may have an adverse effect on Pacific Oak's clients; and
- Investors in the REITs have limited control over the policies and operations of the REITs, including any investments recommended by Pacific Oak and invested in by the respective REITs.

**The preceding discussion of the risks (i) associated with investments in real estate and real estate-related investments and (ii) related to Pacific Oak's structure and the investment activities of its affiliates is not intended to be exhaustive. Investors should refer to the applicable prospectus for a specific discussion of the risks associated with an investment in the REITs.**

### **Item 9 Disciplinary Information**

Form ADV Part 2 requires Pacific Oak to disclose legal or disciplinary events involving the firm or its partners, officers, or principals that are material to a client's or prospective client's evaluation of its advisory business or the integrity of its management. At this time, Pacific Oak has no information to report that is applicable to this Item.



## **Item 10 Other Financial Industry Activities and Affiliations**

Pacific Oak's affiliate, Pacific Oak Capital Markets, is expected to register as a broker-dealer with the SEC and become a member of FINRA in such capacity. Pacific Oak Capital Markets is expected to serve as the dealer manager in connection with the offering of shares in the REITs. In this regard, Pacific Oak Capital Markets is expected to receive certain fees including selling commissions and a dealer manager fee for facilitating the sale of shares in certain of the REITs, a portion of which may be reallocated to other unaffiliated broker-dealers whom Pacific Oak Capital Markets has authorized to participate in the offering of shares. As Pacific Oak Capital Markets is Pacific Oak's affiliate, prospective investors in the REITs should understand that the fees that are expected to be paid to Pacific Oak Capital Markets in connection with the offering of shares in certain of the REITs are not expected to have been negotiated at arm's length. It is expected that the applicable REIT prospectus will further discuss these fees and Pacific Oak Capital Market's services as dealer manager. Please refer to the applicable REIT prospectus.

Mr. McMillan, one of Pacific Oak's principals, serves as Chief Investment Officer of Temescal Canyon Partners LP ("Temescal"), an investment management firm formed in 2013 to manage a multi-strategy hedge fund. Although Mr. McMillan's interest in Temescal creates the potential for a conflict of interest, Pacific Oak believes that the potential conflict is mitigated by the fact that the investment strategy pursued and investments made by Temescal are unrelated to the strategy utilized and the investments made by Pacific Oak. In addition, while Mr. McMillan will carry out his responsibilities in respect of Temescal, Mr. McMillan will devote as much of his time and effort to the affairs of Pacific Oak as is necessary to actively participate in the business and management of Pacific Oak.

As of the date of this brochure, Messrs. McMillan and Hall are also principals of the real estate investment firm KBS Capital Advisors, LLC, which serves as the external advisor to publicly-registered, non-traded real estate investment trusts.

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

Pacific Oak has adopted a code of ethics (the “Code”) pursuant to Rule 204A-1 under the Advisers Act that is applicable to all of its employees. The Code contains policies and procedures that, among other things:

- require employees to observe fiduciary duties owed to clients;
- prohibit employees from taking personal advantage of opportunities belonging to clients;
- place limitations on personal trading by employees and impose pre-clearance and reporting obligations with respect to employee personal trading except for certain types of securities;
- impose limitations on the giving or receiving of gifts;
- restrict employees’ outside business activities; and
- prohibit disclosure of confidential information relating to Pacific Oak, its clients and their investment activity.

In addition, the Code defines material, non-public information, prohibits the use of such information for client or personal gain and sets forth the responsibilities of all employees relative to insider trading. All principals and employees of Pacific Oak must agree to comply with the Code upon employment and must certify annually that they have read and understand the Code and have complied with it. A copy of the Code will be provided to any client or prospective client upon request.

Pursuant to the Code, as a general matter, Pacific Oak employees may not trade in any security for their own accounts until all active client purchases and sales of the same securities have taken place.

Pacific Oak does not, as a general practice, buy or sell securities for its own investment account, although the principals and employees of Pacific Oak may do so, either individually or as a group (such as through an investment partnership). Pacific Oak does not prohibit any of its principals or employees from purchasing or selling for their own accounts securities that may be recommended or held by Pacific Oak’s clients or from taking investment positions that are different from or opposite to investments recommended or held by such clients. In addition, subject to certain restrictions, Pacific Oak employees may invest in the REITs themselves. To address potential conflicts of interest posed by the aforementioned personal trading activity, Pacific Oak maintains the Code, as described above. The Code requires Pacific Oak’s principals or employees who have access to client recommendations or client positions (“access persons”) to periodically report their personal securities transactions and holdings to its Chief Compliance Officer (or his/her designee). In this way, Pacific Oak is able to monitor and identify personal trading activity that might present a conflict of interest.

## Item 12 Brokerage Practices

As described in Item 4, Pacific Oak expects that a substantial majority of its anticipated clients' assets will be invested in real properties and other real estate assets. As such, the brokerage practice issues addressed in this Item are not expected to apply to the majority of Pacific Oak's investment activities. However, subject to the limitations that are expected to be included in each REIT's charter and the oversight of each REIT's board of directors, it is expected that Pacific Oak may, on a limited basis, exercise discretionary authority to make certain investments in securities on behalf of the REITs and in connection therewith to select the broker-dealers through whom it executes securities transactions.

In the event that Pacific Oak recommends or trades in securities on behalf of the REITs, such securities are typically not expected to be publicly traded and/or are purchased from dealer inventories. While Pacific Oak may have discretion to choose brokers and/or dealers through whom transactions for clients may be executed, the broker-dealer selection process may not be the same as it is for exchange-traded securities. Nevertheless, Pacific Oak will seek to obtain quality execution for securities transactions at favorable prices and at competitive rates or spreads through brokers and dealers who in Pacific Oak's opinion are financially responsible.

With respect to recommended investments in real estate properties and other non-securities investments in real estate, Pacific Oak's clients may pay commissions to real estate brokers/dealers for purchases, leasing, and sales of real estate assets.

Pacific Oak does not expect to enter into agreements with any brokers and/or dealers it may recommend to its clients for a fixed dollar commission commitment (or other "soft dollar" arrangement) in return for research services from a third-party research provider.

Pacific Oak does not expect to have arrangements in place whereby it pays brokers and/or dealers that it recommends to provide executions services for Pacific Oak's clients in exchange for soliciting and/or placing investors for investment in the REITs or any other investment vehicle managed by Pacific Oak.

Pacific Oak does not expect to enter into "directed brokerage" arrangements with its clients. In the limited circumstances in which Pacific Oak selects (or recommends) broker-dealers to execute securities transactions, it generally does not expect to aggregate orders for the purchase or sale of securities across multiple client accounts.

**It is anticipated that the respective prospectus for each REIT will provide a more detailed description of the fees and commissions paid by such REIT to the securities and real estate brokers used in connection with their investment activities. Please refer to such prospectus.**

### **Item 13 Review of Accounts**

Pacific Oak intends to form an investment committee (“Investment Committee”) comprised of certain of its key investment professionals. Among other things, the Investment Committee primarily will be responsible for reviewing the performance of investments recommended for Pacific Oak’s clients against projections and for determining conformity of the investment recommendations with the investment policies and objectives for such clients.

The Investment Committee is expected to review and consider the investment portfolios of each client no less frequently than quarterly. More frequent reviews of client portfolios may be undertaken by Pacific Oak’s other investment professionals as deemed appropriate, taking into account revisions in client objectives, material movement in the market and other like and unlike factors.

Pacific Oak intends to prepare periodic detailed reports covering each of the its client’s investment portfolios. Such reports will be provided to the respective REIT’s board of directors or directly to certain other clients. In addition, because it is expected that certain REITs’ shares will be registered with the SEC, each such REIT is anticipated to make filings with the SEC that disclose information about such REIT’s operations. Examples of such filings may include the following:

1. 10-Ks on an annual basis;
2. 10-Qs quarterly;
3. Supplements to a REIT’s prospectus during the offering period for activity within the REIT (acquisitions, dispositions, refinancings, etc.);
4. Post Effective Amendments to a REIT’s prospectus filed approximately every 90 days during the offering period to update the prospectus;
5. 8-Ks filed for material activity affecting the REIT; and
6. Updates to a REIT’s prospectus approximately every 12 months during the offering period.

#### **Item 14 Client Referrals and Other Compensation**

As described above in Item 10, Pacific Oak's affiliate, Pacific Oak Capital Markets, is expected to register as a broker-dealer with the SEC and become a member of FINRA in such capacity, and, in that capacity, is expected to serve as the dealer manager in connection with the offering of shares in certain of the REITs. In connection with these services, Pacific Oak Capital Markets is expected to receive certain fees including selling commissions and a dealer manager fee as further described in Item 6. Some or all of these fees may be reallocated to other unaffiliated broker-dealers whom Pacific Oak Capital Markets has authorized to participate in the offering of shares.

Pacific Oak does not receive an economic benefit from someone other than a client for providing advisory services. Pacific Oak neither pays for nor receives compensation for client referrals.

## **Item 15 Custody**

Registered investment advisers with actual or constructive custody or possession of client funds or securities are required to comply with Rule 206(4)-2 under the Advisers Act (the “Custody Rule”). Although Pacific Oak generally is not expected to have custody over client securities, Pacific Oak may have technical custody of certain types of privately-offered securities (e.g., interests in limited partnerships, limited liability companies or other private companies). In addition, Pacific Oak may be deemed to have constructive custody over its clients’ cash by virtue of the fact that either Pacific Oak or certain of its supervised persons or affiliates are expected to have the ability to transfer funds or make withdrawals on clients’ behalf. Even though Pacific Oak may have custody over certain privately-offered client securities and may be deemed to have custody over client cash, it is expected to be exempt from many of the provisions of the Custody Rule because the REITs are expected to be audited in accordance with U.S. generally accepted accounting principles on an annual basis by an independent accountant and the audited financial statements are expected to be distributed to investors in the REITs within 120 days of the end of each REIT’s fiscal year.

Except as is permitted by the Custody Rule, client securities are intended to be held in separate accounts in the client’s name with registered broker-dealers and/or banks (i.e., qualified custodians) and all client cash is intended to be maintained in separate accounts with FDIC-insured banks.

All REIT clients are expected to receive, at least quarterly, account statements from the broker-dealer, bank, or other qualified custodian that maintains its cash and/or securities. Clients are urged to compare the statements received from their custodians with any statements they may receive from Pacific Oak. Statements that Pacific Oak provides clients may vary from the statements received from custodians due to differences in the timing on posting transactions, accounting procedures, or other reasons.

## **Item 16 Investment Discretion**

As described above in Item 4, Pacific Oak anticipates that it will serve as the external advisor to the REITs. In this capacity, Pacific Oak expects to manage the day-to-day operations of the REITs' portfolios of real estate properties and real estate-related assets (including real estate-related securities) and expects to be primarily responsible for the identification and analysis of real estate properties and real estate-related investments.

With respect to each REIT, it is anticipated that proposed investments will generally be required to be approved by at least a majority of such REIT's board of directors (or a majority of such REIT's conflicts committee). Accordingly, Pacific Oak expects to generally function in a non-discretionary capacity. However, subject to the limitations contained in each REIT's charter and the oversight of their board of directors, Pacific Oak also expects that it may exercise limited discretionary authority to make certain securities investments on behalf of the REITs. Further description of Pacific Oak's investment authority is expected to be provided in the prospectus for each REIT. Pacific Oak expects that it will also provide advisory and management services to certain other REITs, collective investment vehicles and accounts and that such services will also be performed on a non-discretionary basis.

Pacific Oak expects that it will enter into advisory or services agreements with each of its clients that sets forth the parameters and guidelines under which Pacific Oak will perform such services. As certain of Pacific Oak's principals are also expected to be sponsors of the REITs and serve on the REITs' boards of directors, the advisory agreements with the REITs are not expected to have been negotiated at arm's length. It is expected that the advisory agreements with each of the REITs will require Pacific Oak to use its best efforts to recommend and make investments for the REITs consistent their investment objectives and policies as adopted by the boards of directors. It is also expected that the advisory agreements will have a one-year term but will have the ability to be renewed for an unlimited number of successive one year periods upon the mutual consent of Pacific Oak and the respective REIT. As mentioned in Item 6, it is expected that each of the REITs will have a board of directors that will have a conflicts or similar committee, which will be responsible for determining whether each REIT will renew the advisory agreement with Pacific Oak, considering a range of factors including, but not limited to, whether Pacific Oak has presented to each respective REIT its fair share of investment opportunities.

The limitations on Pacific Oak's investment discretion in the form of investment guidelines or other parameters are stated in the respective REIT's charter, the advisory agreement, the prospectus or the REIT's other governing documents, as applicable.

## **Item 17 Voting Client Securities**

Due to the nature of the securities investments that are expected to be made by Pacific Oak's clients (*i.e.*, real estate and real estate-related loans and securities), it is expected that proxy votes will be solicited in connection with such clients' securities holdings on an infrequent basis. In the unusual circumstance that proxies are solicited in connection with securities held by clients, such proxies should be received by the clients directly from the custodian or a transfer agent.

Pacific Oak generally does not expect to have authority to vote securities on behalf of the REITs. However, the REITs may consult with Pacific Oak about any particular proxy solicitation at their discretion. In the unusual event that proxies are solicited in connection with securities held by the REITs, Pacific Oak expects to have adopted a proxy voting policy, as required by the Advisers Act, that describes its proxy voting procedures and informs its clients how they may obtain information about how Pacific Oak voted their proxies. Pacific Oak believes its proxy voting policy is reasonably designed to ensure that Pacific Oak votes proxies in the best interest of its clients.

For more information regarding this policy or how proxies are anticipated to be voted for a particular REIT, if any, please contact Peter McMillan at (424) 208-8100.



## **Item 18 Financial Information**

Pacific Oak is not aware of any financial condition that could impair its ability to meet its contractual commitments to its anticipated clients.