

## ITEM 1 – COVER PAGE



### Form ADV Part 2A

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This brochure provides information about the qualifications and business practices of Third Lake Partners LLC, a Delaware limited liability company and investment adviser registered with the United States Securities and Exchange Commission (SEC). If you have any questions about the contents of this brochure, please contact the Chief Compliance Officer, Steven Graham, at (813) 497-8100. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Registration of an investment adviser with the SEC or any state securities authority does not imply any level of skill or training.

Additional information about Third Lake Partners, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 2 – MATERIAL CHANGES

The Form ADV Part 2A for Third Lake Partners, LLC has been updated to reflect the following material changes:

- Regulatory assets under management in Item 4.E
- Additional material advisory business relationship disclosures

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## ITEM 4 – ADVISORY BUSINESS

A. Third Lake Partners LLC is an investment advisory firm with its principal place of business located in Tampa, Florida. Third Lake Partners LLC will be referred to in this brochure as “Third Lake,” “we,” the “Adviser,” or the “Firm.”

Third Lake was formed in 2013, and commenced investment advisory operations (as defined herein) in 2019. Third Lake was co-founded by its principal owners Kenneth (“Ken”) Jones, who is the chairman, CEO, and a member of the Firm’s Governance Board and Robert Forsythe, who is the president, COO, and also a member of the Firm’s Governance Board. Each of the principal owners owns their interest in Third Lake through separate limited liability companies that are each wholly owned, directly or indirectly, by each such principal. The Firm is organized as a Delaware limited liability company.

B. Third Lake serves as an investment management firm to a variety of clients on a discretionary and non-discretionary basis across asset classes which include, but are not limited to, real estate, private credit, private equity and venture capital. Third Lake’s clients include, but are not limited to, family offices, high net worth individuals, trusts, private foundations, retirement plans and private investment partnerships through both separately managed accounts (generally such SMA clients are non-discretionary) (such clients referred to as “SMAs”) and private pooled investment vehicles (such clients referred to as the “Funds” and collectively with SMAs, the “Clients”) (generally such Fund clients are discretionary). The Firm also provides financial advisory, portfolio reporting, due diligence and family office services, among others, as and when requested by SMAs from time to time. Certain of Third Lake’s clients (whether directly or through pooled investment vehicles) are related to or affiliated with one or more principals of Third Lake.

The Adviser, in providing its non-discretionary services to its SMAs, will source and recommend investment opportunities to the SMAs (consistent with each SMA’s investment guidelines). Investment opportunities in which the SMAs determine to invest will generally be effected through a Fund. Thus, if an SMA determines to invest in an investment opportunity sourced and recommended by the Adviser, such SMA will ultimately invest in a discretionary client of the Adviser (i.e., a Fund). It is intended that each Fund will be a special purpose entity with a specific and tailored investment mandate generally in one (or more) of the asset classes described above. Alternatively, Client may, unless otherwise agreed to between Client and Adviser, pay Adviser fees directly pursuant to a separate agreement to be entered into between Client and Adviser with respect to any Investment Opportunity (other than an Adviser Fund) recommendation, which compensation may consist of asset-based fees, incentive-based compensation and/or any other



fees or expenses of Adviser associated with the sourcing of any such Investment Opportunities, as agreed to between Client and Adviser.

C. Investments are tailored and customized to each SMA's individual needs and requirements. SMAs may impose investment restrictions. Investments in the Funds will not be tailored to the individual needs of its beneficial owners directly nor will any beneficial owner of a Fund be able to impose restrictions on the types of investments held by such Fund. However, to the extent the Fund directly imposes restrictions on certain types of investments, such restrictions will be detailed in the applicable Fund's offering and related documents.

D. We do not participate in wrap fee programs.

E. Third Lake has \$61,400,000 in regulatory assets under management on a discretionary basis and \$65,750,000 on a non-discretionary basis as of the date of this Brochure.

*See Item 8 of this brochure for a more detailed discussion of Third Lake's investment strategies.*

## ITEM 5 – FEES AND COMPENSATION

### ***General***

A. Adviser generally does not receive management fees directly from the SMAs. However, depending on the services that an SMA is receiving, the Adviser may be entitled to other asset based fees or fees billed on a time spent basis. For instance, the Adviser is entitled to annual asset based fees from SMAs who seek portfolio reporting services and other management services. Thus, if Adviser provides portfolio reporting services to an SMA Client, such services will generally include Funds in which such Client is invested and paying fees at the Fund level and thus, in this instance, such Client would be paying Adviser fees for providing portfolio reporting services that may include Funds that also pay fees at the Fund level. The Adviser is also entitled to receive fees charged on a time spent basis with respect to any due diligence services. The Adviser is further entitled to be reimbursed for any direct expenses incurred by Adviser for providing due diligence related services. Finally, Adviser may charge Clients direct fees with respect to certain investment opportunities directly invested in by such Clients as agreed to between such Client and Adviser.

With respect to the Funds, beginning as of the Initial Closing Date and continuing until the termination of a Fund, the Adviser is entitled to receive annual asset management fees typically in the range of 0.25%-0.75% of assets under management of such Fund. Thus, while SMAs do not directly bear management fees, they will indirectly be subject to management fees through their investment in the Funds.



In addition, the direct and indirect owners of Adviser may provide funding to Adviser until the Adviser has sufficient revenue from fees and compensation for conducting advisory activities for Clients. Adviser does not intend to have any client reimburse the owners for any funding they provide, although this will be determined on a case-by-case basis.

B. The Adviser bills the SMAs on a quarterly basis with respect to any applicable asset based fees that are chargeable to such SMAs. The Adviser deducts its management fees from the Funds directly on a quarterly basis. In this instance, the Adviser will prorate management fees with respect to any partial period.

C. SMAs may also pay for the following expenses which include, but are not limited to, airfare, hotel, lodging, meals, professional and other third-party consulting expenses, expenses related to third party research, publications, data and data services, including real time pricing and market information (such as Bloomberg and Reuters services) and historical pricing and other data, order management system, portfolio management system and risk management system.

Funds generally pay for all of their own expenses as detailed in the offering and related document of each such Fund which includes, but is not limited to, (i) all fees, costs and expenses, if any, incurred in evaluating, negotiating, structuring, acquiring, appraising, selling, financing, refinancing or otherwise dealing with investments pursued for such Fund (whether or not the Fund actually acquires such investments), including fees for property level services, any travel costs, legal, due diligence, investment banking, financing or underwriting costs, reporting, projections, valuation, tax and accounting expenses and other fees and out-of-pocket costs related thereto; (ii) all fees, costs and expenses, if any, incurred in relation to the acquisition, holding, developing, monitoring, management, appraising, financing, refinancing, disposing of investments or otherwise dealing with investments, including any travel, legal, audit, financing, appraisal, insurance consulting, brokerage, inspection, indemnification and accounting expenses and other fees and out-of-pocket expenses related thereto; (iii) interest expenses, making temporary investments, brokerage commissions and other investment costs incurred by or on behalf of a Fund; (iv) indemnification expenses incurred or related to any investment of a Fund, and any other extraordinary administrative or operating fees or expenses.

In addition and as applicable, Funds are responsible for fees associated with certain property level services to be rendered by either third parties or related parties (including Adviser, its joint venture partners and/or any affiliates or members of any of the foregoing) and as such, Adviser (and/or an affiliate or member) may receive fees from a Fund that are associated with certain property level services provided by Adviser (and/or an affiliate or member) as detailed in the relevant constituent documents of each such applicable Fund.



D. All asset based fees chargeable by the Adviser with respect to any Client are generally taken in advance. In the event of a withdrawal by an investor in a Fund other than as of the last day of a calendar quarter, a pro rata portion of the management fee, based upon the actual number of days remaining in such quarter, will be repaid by the Adviser to such Fund for the benefit of such withdrawing investor to the extent such management fee was taken in advance.

E. Neither Third Lake nor any of its supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

*See Item 12 of this brochure for additional information regarding Third Lake's brokerage practices.*

## **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As discussed in Item 5, Third Lake charges fees based on a percentage of assets under management and hourly charges.

In addition, Third Lake's affiliate is eligible to receive carried interest distributions from the beneficial owners of the Funds. Thus, while Third Lake (and any Third Lake affiliate) does not receive performance-based compensation directly from the SMAs it will indirectly be entitled to receive carried interest distributions to the extent an SMA invests in a Fund. Carried interest distributions are generally taken after a preferred return and a catch up.

Third Lake's affiliate's right to receive performance-based compensation may create an incentive for Third Lake to cause a Fund to make investments that are riskier or more speculative than would be the case if Third Lake's affiliate did not receive such compensation. Notwithstanding the foregoing, Third Lake always acts in the best interest of the Funds.

As Third Lake will manage multiple Client accounts, it has adopted and implemented policies and procedures intended to address conflicts of interest that may arise relating to the management of multiple accounts, including SMAs with different fee arrangements, and the allocation of investment opportunities. Third Lake will review investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed SMAs will also regularly be compared to determine whether there are any unexplained significant discrepancies.

Third Lake will endeavor to allocate investment opportunities among the SMAs and the Funds in a fair and equitable manner. Third Lake's allocation among the SMAs and the Funds may vary based upon, among other factors, the differences in investment objectives, capital constraints, and any



anticipated increase or decrease in any particular SMA's or Fund's assets under management. Third Lake does not alter its allocation policy with respect to an SMA and a Fund, or allocate investments or assets among multiple Funds, without the approvals of Third Lake's relevant senior management and compliance personnel. In addition, certain SMAs have a right of first refusal with respect to up to 51% of most investment opportunities (to be effectuated through a Fund).

Services which Adviser will render to Clients will not be exclusive. Adviser and each Adviser affiliate advise and will continue to advise a variety of Clients. In addition, Adviser and/or an Adviser affiliate may and will serve as the general partner of limited partnerships or investment adviser or in such other capacity for the Funds, and Adviser or any Adviser affiliate may and will invest its own funds in one or more such Funds. To the extent the Adviser offers co-investment opportunities, Adviser and its affiliates may also invest in such opportunities. Adviser and any Adviser affiliate may form other investment vehicles in the future. All benefits received by Adviser and/or an Adviser affiliate from such vehicles (including the Funds) and activities shall belong to Adviser only and shall not constitute an adjustment with regard to any amount due Adviser hereunder except as discussed herein (if applicable).

*See Item 10 of this brochure for additional information regarding Third Lake's investment allocation procedures.*

## ITEM 7 – TYPES OF CLIENTS

As set forth above in Item 4 of this brochure, Third Lake's clients include, but are not limited to, family offices, high net worth individuals, trusts, private foundations, retirement plans and private investment partnerships. Third Lake's only discretionary clients will be the Funds (which will be formed in order to facilitate various investments). All Clients are required to be accredited investors and qualified purchasers.

There are no minimum amounts required to open an SMA.

The Funds will require minimum capital commitments and/or investments of at least \$1,000,000, which amounts may be waived or reduced in the discretion of Third Lake's affiliate (who serves as the general partner of the Funds).





## ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### A. Methods of Analysis.

Third Lake will take a value oriented, research-driven approach to investment, identifying potential high-performing opportunities. Third Lake expects investments to have long holding periods and little to no publicly available information and require in depth due diligence and analysis. Investments in securities involves risk of loss that Clients should be prepared to bear.

### B and C. Material Risks of Significant Strategies and Risks of Particular Types of Investments

#### **Material Risks of Significant Investment Strategies**

*The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in any or all of the strategies. Prospective Clients and investors should read this entire Form ADV and all accompanying materials provided by Third Lake and consult with their own advisers before deciding whether to invest with or be advised by Third Lake. In addition, as the strategies develop and change over time, an investment may be subject to additional and different risk factors. There may be other risks specific to any decision to invest with or be advised by Third Lake which are not discussed herein. These risk factors are specific to all Clients, notwithstanding references below to a “Fund” (which should be read to include all Clients who are invested in such Fund and/or strategy, unless the context otherwise requires)*

**Risk of Loss.** Investing in securities involves risk of loss that Clients should be prepared to bear. The investment strategies described above involve a substantial degree of risk, and Clients may lose all or a substantial portion of the value of their investments. No guarantee or representation is made that the strategies will be successful, that the targeted return and risk will be achieved or maintained, or that the various investments made in the accounts will have low correlation with each other or with the financial markets in which the accounts invest.

**Non-Controlling Investments.** A Fund may hold less than 50% of the outstanding voting interests of a portfolio company, or may hold investments in debt instruments or other securities that do not entitle the Fund to voting rights, and, therefore, may have a limited ability to protect its investment in such portfolio company.

**Diversification.** There can be no assurance as to the degree of diversification that will actually be achieved in a Fund’s investments, and the Firm anticipates that each Fund’s portfolio



will not be a diversified portfolio. Fund investments may be made in built-for-purpose portfolio companies that serve the needs of different markets, as well as portfolio companies that are in the early-to-mid stages of their development and serve similar markets. We strive to mitigate risk with intensive research and a studied approach, but because investing in early stage companies is unpredictable and a substantial portion of certain Funds' committed capital may be invested in such companies, a loss with respect to one or more of such portfolio companies could have a significant adverse effect on the Funds' returns. Likewise, a substantial portion of the committed capital of other Funds under our management may be committed to a limited number of larger, later stage companies, a loss with respect to one of these portfolio companies could have a material adverse effect on such Funds' returns. *See Early-Stage Investments.*

***Reliance on Third Lake Management.*** A Fund's success will depend in large part upon the skill and expertise of Third Lake, and there can be no assurance that any individual Third Lake professional will continue to be associated with the Fund.

#### **Certain Risks Associated With Private Equity Investments<sup>1</sup>**

***Reliance on the Management of Portfolio Companies.*** Although it is Third Lake's intention to ensure that Fund portfolio companies have strong management teams, the success of any portfolio company will depend to a high degree on the performance of its management team, and there can be no assurance that any portfolio company's management team will be able to operate successfully. To mitigate that risk, Third Lake actively evaluates management team performance at portfolio companies and will add talent, supplement or modify the management teams to facilitate portfolio company growth.

***Early-Stage Investments and Risks Associated with Growth and Development.*** Early-stage investments offer the opportunity for significant capital gains, but such investments involve a high degree of business and financial risk that can result in substantial or total loss. Many early-stage portfolio companies will operate at a loss or with substantial variations in operating results from period to period, and many will need substantial additional capital to support additional research and development activities or expansion or to achieve or maintain a competitive position as they transition from early stage to the growth stage of their development. There can be no assurance that adequate funding resources will be available on favorable terms at the time such capital is needed by a portfolio company. *See Additional Capital Requirements of Portfolio Companies.*

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<sup>1</sup> Additional risks associated with specific types of private equity investments contemplated by a particular Fund will be detailed more fully in each such Fund's applicable offering documents.



In the event that Third Lake determines that an early-stage portfolio company's business model is unlikely to generate revenue or to become profitable over the longer term, Third Lake and the portfolio company's management team will work closely together to determine the best alternative available for a distressed sale or shut down of such companies to limit liability and risk. Despite such efforts, there is the risk of litigation either in connection with a distressed sale or the bankruptcy or dissolution process associated with a shut-down. Third Lake will actively monitor such situations and use its best efforts to ensure that the distressed sale or shut-down of a company is completed in an orderly manner.

Another risk associated with early-stage portfolio companies is intense competition, including competition from companies with greater financial resources, more extensive development, marketing and service capabilities and a larger number of qualified managerial and technical personnel. Certain portfolio companies may have only one product or service offering, and a failure to obtain necessary licensing, approvals or other necessary government action with respect to such product or service offering may cause the entire company to fail.

As early stage companies mature, there are new challenges that arise. For instance, whether a company can scale as the demand for its products and/or services grows and whether there is sufficient capital to fund growth. In some cases, the management team at an early stage company may have difficulty as the company transitions from the early stage of its life cycle to the growth stage thereof. While Third Lake will monitor the portfolio companies and their respective management teams closely, there can be no assurance that executives will successfully transition with the portfolio company, that there will be sufficient capital to fund growth or that a portfolio company will effectively scale its business as demand for products and services grows.

An additional risk that may impact our Funds is the timing and process to achieve liquidity for portfolio company investments held by a Fund. Third Lake intends generally to hold its portfolio company investments for the long-term, and there can be no assurance that liquidity events can be achieved on a specific timetable with favorable returns for Funds. Third Lake will actively manage sale processes and liquidity events for its portfolio companies, but there are factors beyond the control of Third Lake that may influence outcomes for Funds including social, economic, regulatory and/or legal events that impact portfolio companies and the demand for the products or services offered by such companies.

***Liabilities Upon Disposition.*** In connection with the disposition of an investment in a portfolio company, a Fund may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of any business and may be responsible for the content of disclosure documents under applicable



securities laws. A Fund also may be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents turn out to be inaccurate. These arrangements may result in contingent liabilities for a Fund.

***Third Party Involvement.*** A Fund may co-invest with third parties through joint ventures or other entities, and those investments may involve risks in connection with such third-party involvement, including the possibility that a third-party co-venturer may have financial, legal or regulatory difficulties, negatively affecting such investment, may have economic or business interests or goals that are inconsistent with those of the Fund or may be in a position to take (or block) action in a manner contrary to the Fund's investment objectives. In certain circumstances, a Fund may be liable for the actions of its third-party co-venturers.

***Uncertainty of Financial Projections.*** Third Lake generally will establish the capital structure of companies in which a Fund invests in reliance upon financial projections for such companies, which are based primarily on management judgments. 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 the projections.

***Controlling Interests.*** Because of its equity ownership, representation on the board of directors and/or contractual rights, a Fund may often be considered to control, or participate in the management of or influence the conduct of portfolio companies. We typically invest in early stage, built-for purpose companies offering back office processing and administrative support. Other than the inherent risks associated with early stage companies, the most significant risks related to those investments are regulatory and compliance. The exercise of control over a company may impose additional risks of liability for compliance deficiencies, violation of laws and governmental regulations (including securities laws) and other types of liability, for which the limited liability generally afforded to investors may be ignored. If these liabilities were to arise, a Fund may suffer a significant loss.

***Additional Capital Requirements of Portfolio Companies.*** Certain of a Fund's portfolio companies, especially those in a development phase, may require additional financing to satisfy their working capital requirements or acquisition strategies. Each round of financing is typically intended to provide a portfolio company with enough capital to reach the next major corporate milestone, and the amount of such additional financing will depend upon the maturity and objectives of the portfolio company. If the funds provided are not sufficient, a portfolio company may have to raise additional capital at a price unfavorable to the existing investors, including the Fund. A Fund also may make additional debt and equity investments or exercise warrants, options



or convertible securities that were acquired in the initial investment in a portfolio company in order to preserve the Fund's proportionate ownership when a subsequent financing is planned, or to protect the Fund's investment when a portfolio company's performance does not meet expectations. There can be no assurance that Third Lake will be able to predict accurately the future capital requirements necessary for the success of portfolio companies or that additional funds will be available from any source.

***Business and Market Risks.*** Fund investments may involve a high degree of business and financial risk that can result in substantial losses. In particular, these risks could arise from changes in the financial condition or prospects of the entity or portfolio company in which the investment is made, changes in national or international economic and market conditions, and changes in laws, regulations, fiscal policies or political conditions of countries in which investments are made, including the risks of war and the effects of terrorist attacks.

***Uncertainty Regarding Investments.*** Although Third Lake will make every effort to conduct appropriate due diligence and research prior to making an investment in a portfolio company, and often will spend 12-18 months conducting due diligence and research prior to investing in a built-for-purpose company, the due diligence and research process may be subjective at times, may be undertaken on an expedited basis in order to take advantage of available investment opportunities and may require a Fund to rely on limited resources available to it including information provided by third party consultants, legal advisors, accountants and investment banks. As a result, the due diligence investigation and research process may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. As such, the degree of risk associated with early-stage investing is significant and may result in a total loss on an investment for Fund clients despite the research and due diligence undertaken by Third Lake prior to investment.

### **Certain Risks Associated With Real Estate Investments<sup>2</sup>**

***General Risks Associated with Real Estate Investments.*** All real estate investments, ranging from equity investments to debt investments, are subject to some degree of risk. Some risks apply only to a particular asset type. For example, real estate investments are relatively illiquid and, therefore, will tend to limit a Client's ability to vary the portfolio promptly in response to changes in general and local economic or other conditions. No assurances can be given that the fair market value of any real estate investments held by a Client will not decrease in the future or that a Client will recognize full value for any investment that it is required to sell for liquidity reasons. Because

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<sup>2</sup> Additional risks associated with specific types of real estate investments contemplated by a particular Fund will be detailed more fully in each such Fund's applicable offering documents.



real estate, like many other types of long-term investments, historically has experienced significant fluctuation and cycles in value, specific market conditions may result in occasional or permanent reductions in the value of the investments. In addition, the ability of a Client to realize anticipated rental and interest income on its equity and debt investments will depend on many factors which may be beyond the control of the Adviser or its affiliated general partner, including the financial reliability of its tenants and borrowers, the location and attractiveness of the properties in which it invests, the supply of comparable space in the areas in which its properties are located and general economic conditions. There is no assurance that the investments will be profitable or that cash flow will be available for distribution. Other risks include changes in zoning, land use, building, environmental and other governmental laws, changes in operating expenses, changes in real estate tax rates, changes in interest rates, changes in building and similar laws, fluctuations in energy prices and energy and supply shortages, changes in the availability of property relative to demand, changes in costs and terms of mortgage loans, unavailability of mortgage funds which may render the construction, leasing, sale or refinancing of a property difficult, changing in housing policies, financial resources of tenants, changes in the relative popularity of properties, changes in the number of buyers and sellers of properties, the ongoing need for capital improvements, cash-flow risks, increased mortgage defaults, construction risks, as well as natural catastrophes, such as hurricanes and earthquakes, acts of war, terrorism, civil unrest, uninsurable losses and other factors beyond the control of the Adviser, such as changes in U.S. and global markets that could impact, among other things, access to capital or leverage and interest rate volatility.

Additionally, after making an investment, a Client will typically be responsible for ongoing buildouts, structural repairs, improvements and general maintenance of real property, which undertakings may require significant capital. The expenditure of any sums in connection therewith beyond those budgeted for by a Client will reduce the cash available for distribution and may require such Client to fund deficits resulting from the operation of a property. No assurance can be given that a Client will have funds available to make such repairs or improvements or complete such build-outs. These factors and any others that would impede a Client's ability to respond to adverse changes in the performance of its assets could significantly affect a Client's financial condition and operating results.

***Acquisition of Real-Estate Related Businesses.*** A Client may acquire real estate companies or other portfolio investments in order to acquire the underlying real property held by such companies. The Client may effect such acquisitions through corporate transactions in which it assumes substantially all of the liabilities of the acquired company. Such liabilities may be unknown and could include potential environmental liabilities, tax liabilities, liabilities associated with employee claims, liabilities associated with claims by tenants, vendors, and other persons relating to the former owners of the properties, liabilities relating to state of title, physical condition, or compliance with zoning laws, building codes or other legal requirements, liabilities incurred in the



ordinary course of business, and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties. As a result, if liability were asserted against a Client based upon such properties, it might have to pay substantial sums to dispute or remedy the matter, which could adversely affect its cash flow and returns.

***Risks Associated with Retail Properties.*** An investment in office or retail properties is subject to the risk that tenants may be unable to make their lease payments or may decline to extend a lease upon its expiration. In addition, certain retail properties may be anchored by department stores and other large nationally recognized tenants, some of which have experienced, and may continue to experience for the foreseeable future, considerable decreases in customer traffic in their retail stores. As a result, their ability to meet their obligations as a tenant may be impaired and result in closures of their stores or their seeking of lease modifications. A termination of the lease of an anchor tenant could provide other tenants with the right to modify or terminate their lease. Any such modifications or conditions would be unfavorable to a Client and would decrease rents or expense recoveries. In the event of default by any tenant, a Client may experience delays and costs in enforcing its rights as landlord to recover amounts due to a Client under the terms of our agreements with those parties. In addition, retail properties may be subject to additional special risks. For example, in many cases, the tenants of retail properties may negotiate leases containing certain exclusive rights to sell particular types of merchandise or services within a particular retail center. When leasing other space after vacancy by another tenant, these provisions may limit the number and types of prospective tenants for the vacant space. The failure to lease or re-lease on satisfactory terms could harm the operating results of a Client. Furthermore, an investment may be required to decline entering into a lease with a potential tenant if such lease would result in adverse consequences to a REIT holding such investment, including because of related-party rent issues arising from a Related Fund owning, in whole or in part, an equity interest in such potential tenant.

***Risks Associated with Residential Properties.*** Residential related properties may include increased risks associated with habitability related issues and applicable regulatory requirements. Additionally, certain residential properties may have a unionized workforce subject to collective bargaining agreements, which must be complied with as part of the properties' operation. Certain jurisdictions regulate the relationship of an owner and its tenants. Commonly, these laws require a written lease, good cause for eviction, disclosure of fees and notification to residents of changed land use, while prohibiting unreasonable rules, retaliatory evictions and restrictions on a resident's choice of unit vendors. Apartment building owners have been the subject of lawsuits under various "Landlord and Tenant Acts" and other general consumer protection statutes for coercive, abusive or unconscionable leasing and sales practices. There may be provisions that limit the basis on which a landlord may terminate a tenancy or increase its rent or prohibit a landlord from terminating a tenancy solely by reason of the sale of the owner's building. In addition to state regulation of the





landlord-tenant relationship, numerous towns and municipalities impose rent regulations on apartment buildings. These ordinances may limit rent increases to certain set percentages, to certain formulas, to increases set or approved by a governmental agency, or to increases determined through mediation or binding arbitration. Similarly, governmental assistance programs that provide rent subsidies to tenants pursuant to tenant voucher programs may influence tenant mobility and the amount of rent a tenant can pay.

***Ground Lease Investments.*** A Fund may invest in one or more real estate properties that are subject to or in ground leases. As a lessee under a ground lease, a Fund may be exposed to the possibility of losing the property upon termination or an earlier breach by such Fund of the ground lease, which may adversely impact such Fund's investment performance. Furthermore, ground leases generally provide for certain provisions that limit the ability to sell certain properties subject to the lease. In order to assign or transfer rights and obligations under certain ground leases, such Fund will generally need to obtain consent of the landlord of such property, which, in turn, could adversely impact the price realized from any such sale.

***Risks Associated with Office, Industrial or Distribution Properties.*** A Client may invest in office, industrial or distribution properties including special use single tenant properties. Commercial or industrial properties may be especially affected by: an economic decline in the business operated by the tenants; the physical attributes of the property and the adaptability of the property with respect to the technological needs of the tenants; the strength and nature of the local economy, including labor costs and quality, tax environment and quality of life for employees; and patterns of telecommuting or sharing of office space, the proximity to highways and other means for the transportation of goods, and employment growth (which creates demand for office space). Moreover, the cost of refitting office space for a new tenant is often higher than the cost of refitting other types of properties for new tenants. Because of the unique construction requirements of these properties, if the current lease is terminated or not renewed, a Client may be required to renovate the property or to make rent concessions in order to lease the property to another tenant or sell the property. In addition, a Client may have difficulty selling the property to a party other than the tenant due to the special purpose for which the property may have been designed. These and other limitations may affect a Client's ability to sell or release office, industrial or distribution properties and may adversely affect returns to investors. If the real estate asset is a single tenant building, risks associated with that tenant's financial wherewithal and potential default will be more pronounced than in a multi-tenant building.

Properties historically used for industrial, manufacturing and commercial purposes are more likely to contain, or may have contained, underground storage tanks for the storage of petroleum products and other hazardous or toxic substances. Investing in industrial properties that conduct industrial, manufacturing and commercial activities will cause a Client to be subject to increased





risk of liabilities under environmental laws and regulations. The presence of hazardous or toxic substances, or the failure to properly remediate these substances, may adversely affect a Client's ability to sell or rent an industrial property.

***Risks Associated with Multifamily Residential Properties.*** Residential related properties such as multifamily residential housing may include increased risks associated with habitability related issues, and applicable regulatory requirements. Additionally, certain residential properties may have a unionized workforce subject to collective bargaining agreements, which must be complied with as part of the properties' operation. Certain jurisdictions regulate the relationship of an owner and its tenants. Commonly, these laws require a written lease, good cause for eviction, disclosure of fees and notification to residents of changed land use, while prohibiting unreasonable rules, retaliatory evictions and restrictions on a resident's choice of unit vendors. Apartment building owners have been the subject of lawsuits under various "Landlord and Tenant Acts" and other general consumer protection statutes for coercive, abusive or unconscionable leasing and sales practices. There may be provisions that limit the basis on which a landlord may terminate a tenancy or increase its rent or prohibit a landlord from terminating a tenancy solely by reason of the sale of the owner's building. In addition to state regulation of the landlord-tenant relationship, numerous towns and municipalities impose rent regulations on apartment buildings. These ordinances may limit rent increases to certain set percentages, to certain formulas, to increases set or approved by a governmental agency, or to increases determined through mediation or binding arbitration. Similarly, governmental assistance programs that provide rent subsidies to tenants pursuant to tenant voucher programs may influence tenant mobility and the amount of rent a tenant can pay.

***Risks Associated with Self-Storage Properties.*** The Adviser expects to make investments in self-storage properties. The self-storage market generally has low barriers to entry, and in combination with the short-term nature of leases for self-storage space, results in volatility in terms of supply and demand that is likely greater than that experienced with respect to other types of properties. It may be difficult or costly to convert a self-storage facility to an alternative use, which results in a lower liquidation value than would be the case if the property were easily adaptable to alternative uses. Self-storage facilities may pose additional environmental risks, in part due to tenant privacy, anonymity and unsupervised access to the property.

***Risks Associated with Hospitality Properties.*** The Adviser may also invest in real estate assets in the hospitality sector. Because hotel rooms generally are rented for very short periods of time, hospitality properties tend to be affected more quickly by adverse economic conditions and competition than other commercial properties. Hospitality properties are also affected by other particularized factors, including: franchise affiliation (or lack thereof); continuing expenditures for modernizing, refurbishing and maintaining existing facilities prior to the expiration of their



anticipated useful lives; a deterioration in the financial strength or managerial capabilities of the owner and operator of a hotel or motel; and changes in travel patterns caused by changes in access, energy prices, strikes, relocation of highways, the construction of additional highways or other factors. The performance of a hotel property affiliated with a franchise or hotel management company depends in part on: the continued existence and financial strength of the franchisor or hotel management company; the public perception of the franchise or hotel chain service mark; and the duration of the franchise licensing or management agreements. Furthermore, the ability of a hotel to attract customers, and some of such hotel's revenues, may depend in large part on its having a liquor license. Liquor licenses may not be transferable (for example, in connection with a foreclosure). Moreover, the hotel and lodging industry is generally seasonal in nature; different seasons affect different hotels depending on type and location. This seasonality can be expected to cause periodic fluctuations in a hospitality property's room and restaurant revenues, occupancy levels, room rates and operating expenses. In addition, acts of war, terrorist activities, natural disasters and environmental disasters and pandemics can have a material adverse impact on the tourism and convention industries, which directly affects the revenues generated by hospitality properties. Finally, hospitality properties are facing new and increased competition from non-traditional market players, including those focused on the sharing economy, which may disrupt the hospitality industry and reduce demand for traditional hotels.

***Risks Associated with Senior Properties.*** One or more Funds may make investments in the senior housing sector. If the senior housing industry experiences a downturn, it could adversely affect the value of a Fund's investments and a Fund's ability to sell its investments for a price or on terms favorable to such Fund and its investors, which, in turn, would have a material adverse effect on such Fund's financial condition, results of operations and such Fund's ability to make distributions. In particular, private-pay senior housing is a competitive segment of the senior housing industry. Large healthcare REITs may enjoy significant competitive advantages that result from, among other things, a lower cost of capital and enhanced operating efficiencies. These and other factors could cause the amount of a Fund's revenue generated by private payment sources to decline or the operating expenses associated with a Fund's investments to increase. The health care industry is facing various challenges, including increased government and private payor pressure on health care providers to control costs and the vertical and horizontal consolidation of health care providers. This trend may lead to reduced or slower growth in reimbursement for services provided by a Fund's facility managers at some of such Fund's senior housing facilities and could therefore result in reduced profitability. Additionally, the health care industry is highly regulated, and changes in government regulation and reimbursement in the past have had material adverse consequences on the industry in general.

A Fund's senior housing properties may be managed by or leased by third-party local managers. Any adverse developments in a local manager's business and affairs, financial strength



or ability to operate such Fund's senior housing facilities efficiently and effectively, could have a material adverse effect on the Fund's investment results. For example, the facility managers utilized by a Fund to operate senior housing investments may be subject to claims that their services have resulted in resident injury or other adverse effects. The insurance coverage that will be maintained by such facility managers, whether through commercial insurance or self-insurance, may not cover all claims made against them or continue to be available at a reasonable cost, if at all. These increased costs could limit the facility manager's ability to meet their obligations to a Fund, potentially decreasing such Fund's revenue and increasing its collection and litigation costs. Additionally, failure of such Fund's senior housing facility managers to comply with licensing and certification requirements, the requirements of governmental programs, fraud and abuse regulations or new legislative developments may also materially adversely affect the Fund's investments, financial condition and results of operations and such Fund's ability to make distributions to Investors. To the extent the Fund is required to remove or replace a facility manager, such Fund's revenue from the affected facility could be reduced or eliminated for an extended period of time.

Additionally, there could be heightened litigation risk with respect to lawsuits alleging wrongful death and/or associated with slip and fall injuries, failures to adequately maintain the properties for seniors or unsafe living conditions for seniors.

***Harmful Mold and Other Air Quality Issues.*** When excessive moisture accumulates in buildings or on building materials, mold may grow, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to radon, airborne toxins or irritants above certain levels have been alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of an applicable Fund Client's properties could require such Client to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose such Fund to liability from its tenants, employees of its tenants and others if property damage or health concerns arise.

***Americans with Disabilities Act and Similar Laws.*** Under the Americans with Disabilities Act of 1990 (the "**ADA**"), all public accommodations must meet federal requirements related to access and use by disabled persons. If one of the properties in an applicable Fund Client's portfolio does not comply with the ADA, such Fund may incur costs to bring the property into compliance, which may or may not have been foreseen at the time of acquisition. Future changes to federal,



state, and local laws also may require modifications to such Fund's properties, or restrict such Fund's ability to renovate its properties. As applicable, a Fund cannot predict the ultimate cost of compliance with the ADA or other legislation. If a Fund incurs substantial costs to comply with the ADA and any other similar legislation, such Fund's financial condition, operations, cash flow, cash available for distribution and ability to satisfy its debt service obligations could be materially adversely affected.

***Development, Redevelopment and Construction Risks.*** The Adviser may invest in real property requiring construction, new development or redevelopment, or in direct or indirect interests in undeveloped land or under-developed real property, including "broken" residential condominium projects, which may often be non-income producing. The development and construction of such property is subject to timing, budgeting and other risks that may adversely affect a Client's operating results. Any renovation, redevelopment, development and related construction activities could subject a Client to a number of risks, including risks associated with: development costs incurred for projects that are not pursued to completion, natural disasters, material shortages, government restrictions and failure to get entitlements.

These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of construction or development activities once undertaken, any of which could have an adverse effect on the financial condition and results of operations of a Client and on the amount of funds available for distribution to the investors. Properties under construction or development, or properties acquired to be developed, generally generate no cash flow from the date of acquisition through the date of completion of construction or development and experience operating deficits for a period after the date of completion. There may be construction, development or redevelopment activities commenced prior to obtaining financing for such activities and there is no guarantee that financing will be available on favorable terms, or at all.

***Risks of Joint Venture Investments.*** The Adviser may make investments through joint ventures or other entities with another person or entity (including joint venture partners or other third parties, and funds, separate accounts or coinvestment capital managed by the Adviser), which may involve risks not present in investments where such partner is not involved, including diverging investment interests of a Client and a joint venture partner, dysfunctional management, increased costs, greater illiquidity, the possibility that a joint venture partner may have financial difficulties resulting in a negative impact on such investment, or may have economic or business interests or investment objectives which are inconsistent with those of a Client. The joint venture agreement between a Client and a joint venture partner may grant a joint venture partner veto powers with respect to major decisions concerning the management, financing or disposition of an investment, which could allow a joint venture partner to block an action, contrary to a Client's investment



objective, and could increase the risk of deadlocks that may adversely affect investment liquidity, values and returns. A Client may be subject to various costs and fees relating to such ventures, including additional performance-based or asset-based fees or allocations (including management, incentive and/or other fees) that may be paid to a joint venture partner or other third-party operating partners. Any such costs and fees paid to a joint venture partner or other third-party operating partners may not reduce asset based fees. A Client may bear or be responsible for more than its pro rata share (based on relative equity participation) of expenses, guarantees and/or recourse liabilities, including environmental and other “non-recourse carveout” or so-called “bad act” liabilities. A Client may hold a non-controlling interest in certain investments and, therefore, may have a limited ability to protect its position in such investments, although the general partner and the Adviser hope to procure appropriate rights to protect a Client’s interests.

If a Client and a joint venture partner have the ability to dispose of their interests in the investment separately, a disposition of a large position by one party may depress the market value of the continuing investment of the remaining joint venture partners (possibly including a Client), or may reduce the price available to other joint venture partners (possibly including a Client) which may also be disposing of their respective investments. In addition, agreements governing joint ventures often contain restrictions on the transfer of a joint venture partner’s interest, “buysell” mechanisms or similar provisions that may require the Fund to obtain the consent of a joint venture partner prior to divesting its interest in the joint venture or result in the purchase or sale of the a Client’s interest at a disadvantageous time or on disadvantageous terms.

If a joint venture partner removes its general partner or manager or terminates prior to a Client, the ability of a Client to exercise certain rights associated with its investments may require the cooperation of a successor general partner/manager or other persons. In addition, a Client may be liable for actions of its joint venture partners. It may not be practicable or possible to review the qualifications, condition or suitability of prospective joint venture partners or other operating partners.

In addition, the investment strategies in certain investments depend on the Adviser’s ability to enter into relationships with joint venture partners. There can be no assurance that the Adviser will, in the future, establish any relationship with such persons or partners on terms favorable to a Client.

***Termination or Expiration of Leases.*** Certain Fund’s properties may lease units to individuals. There can be no assurance that any such Fund will be able to retain residential tenants in the properties upon the expiration of their leases or during the term of their lease due to a variety of factors including but not limited to mortality and unforeseen medical costs. Upon the expiration or early termination of such leases, there could be a large amount of residential availability that



could have an adverse effect on a Fund's ability to achieve the rents it might otherwise be able to achieve if space were to turn over in smaller portions, spread out over a period of time.

**Unable to Lease Properties.** Certain Fund's properties could become partially or completely vacant in the future. If a Fund is unable to re-lease the properties and generate sufficient cash flow to replace or exceed that amount lost due to the vacancy, such Fund will be required to recognize a financial loss as to that property, which could reduce such Fund's operating results and ability to make distributions.

**Volatility of Property Income.** The volatility of net operating income for a property may be influenced by matters such as the length of tenant leases, the creditworthiness of tenants, the level of tenant defaults, the ability to convert an unsuccessful property to an alternative use, new construction in the same market as the property, rent control laws or other laws impacting operating costs, the number and diversity of tenants, the availability of trained labor necessary for tenant operations, the rate at which new rentals occur, the property's operating leverage (which is the percentage of total property expenses in relation to revenue), the ratio of fixed operating expenses to those that vary with revenues, and the level of capital expenditures required to maintain the property and to retain or replace tenants. A decline in the real estate market or in the financial condition of a major tenant will tend to have a more immediate effect on the net operating income of properties with short-term revenue sources (such as short-term or month-to-month leases) and may lead to higher rates of delinquency or defaults under mortgage loans secured by such properties.

An investor's return in a Fund Client that will be dependent on property income will be based on the efficient operations of and steady cash flows from the properties in which such Fund invests. For example, following the termination or expiration of a tenant's lease, there may be a period of time before a Fund will begin receiving rental payments under a replacement lease. During that period, such Fund will continue to bear the expenses associated with operating real estate property. In addition, declining economic conditions may impair such Fund's ability to attract replacement tenants and achieve rental rates equal to or greater than the rents paid under previous leases. Increased competition for tenants may require such Fund to make capital improvements to properties that would not have otherwise been planned. Any unbudgeted capital improvements that such Fund undertakes may divert cash that would otherwise be available for distribution to Investors. To the extent that such Fund is unable to renew leases or re-let space as leases expire, decreased cash flow from tenants will result, which could adversely impact such Fund's operating results.

**General Credit Risks.** A Client may be exposed to losses resulting from default and foreclosure. Therefore, the value of the underlying collateral, the creditworthiness of the borrower



and the priority of the lien will each be of great importance. A Client cannot guarantee the adequacy of the protection of a Client's interests, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, a Client cannot assure that claims may not be asserted that might interfere with enforcement of a Client's rights. In the event of a foreclosure, a Client or an affiliate thereof may assume direct ownership of the underlying asset. The liquidation proceeds upon sale of such asset may not satisfy the entire outstanding balance of principal and interest on the loan, resulting in a loss. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property will further reduce the proceeds and thus increase the loss.

**Structured Credit Products.** Special risks may be associated with a Client's investments in structured credit products, collateralized debt obligations, synthetic credit portfolio transactions and asset-backed securities. For example, synthetic portfolio transactions may be structured with two or more classes of tranches that receive different proportions of the interest and principal distributions on a pool of credit assets. The yield to maturity of a tranche may be extremely sensitive to the rate of defaults in the underlying reference portfolio. A rapid change in the rate of defaults may have a material adverse effect on the yield to maturity. It is therefore possible that a Client may incur losses on its investments in structured products regardless of their ratings by S&P or Moody's. Additionally, the securities in which the Adviser is authorized to invest include securities that are subject to legal or contractual restrictions on their resale or for which there is a relatively inactive trading market. Securities subject to resale restrictions may sell at a price lower than similar securities that are not subject to such restrictions. Additionally, a Client may hold minority positions in structured securities and have little or no ability to influence the trustee or servicer.

**Mortgage-Backed and Asset-Backed Securities.** Mortgage-backed securities represent an interest in a pool of mortgages. Investing in commercial and residential mortgage-backed securities involves the general risks typically associated with investing in traditional fixed-income securities (including interest-rate and credit risk) and certain additional risks and special considerations (including the risk of principal prepayment and the risk of investing in real estate). When market interest rates decline, more mortgages may be refinanced and the securities could be paid off earlier than expected. Prepayments may also occur on a scheduled basis or due to foreclosure. When market interest rates increase, the market values of certain mortgage-backed securities may decline. At the same time, however, mortgage refinancings and prepayments slow, which lengthens the effective maturities of these securities. As a result, the negative effect of the rate increase on the market value of mortgage-backed securities is usually more pronounced than it is for other types of fixed-income securities. Further, different types of mortgage-backed securities are subject to varying degrees of prepayment risk. Finally, the risks of investing in such instruments reflect the risks of investing in real estate securing the underlying loans, including the effect of local and other economic conditions, the ability of tenants to make payments, and the ability to attract and retain





tenants. If residential or commercial property prices decline more than anticipated, it is possible that certain securities could lose all of their value.

Asset-backed securities are structured like mortgage-backed securities, but instead of mortgage loans or interests in mortgage loans, the underlying assets may include, but are not limited to, such items as motor vehicle installment sales or installment-loan contracts, leases of various types of real and personal property, and receivables from credit-card agreements. Asset-backed securities are subject to many of the same risks as mortgage-backed securities. Each type of asset-backed security also entails unique risks depending on the type of assets involved and the legal structure used. For example, credit-card receivables are generally unsecured, and the debtors are entitled to the protection of a number of state and federal consumer credit laws, many of which give debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. Asset-backed securities typically experience credit risk. For example, there is an increasing supply of subordinated securities rated lower than AA (down to B or first loss) and senior securities that may be rated lower than AAA, as well. There is also the possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities because of the inability to perfect a security interest in such collateral.

The liquidity in asset-back securities may become impaired due to a variety of factors, including, but not limited to, regulatory changes, collateral performance, debt ratings changes, political changes, and macro-economic conditions. Due to the complexity and variety of structured productions, the potential investor base for such products is relatively small which reduces the liquidity of the Fund's portfolio.

***Servicer Risk.*** A Client's investments may be adversely affected if, among other things, a servicer fails to follow best practices in realizing any security values or fails to adequately administer loans that fall into arrears or default. In the event that a servicer is unable to meet its administrative obligations, a substitute servicer will need to be appointed. There is a risk that a substitute servicer will not be available when required, that the substitute servicers will not be able to perform its duties with the requisite level of skill and competence or that it will require extra time to assume responsibility for the portfolio. A servicer may also be precluded from foreclosing on certain assets and/or forced to make certain concessions or modifications on the underlying loans due to political or regulatory decisions beyond their control which may produce a worse economic result.

***Lower Credit Quality Loans.*** There are no restrictions on the credit quality of a Client's loans. Loans arranged by the Adviser may be deemed to have substantial vulnerability to default in payment of interest and/or principal. Certain loans may have large uncertainties or major risk exposures to adverse conditions, and may be considered to be predominantly speculative. Generally, such loans offer a higher potential return than better-quality loans, but involve greater





volatility of price and greater risk of loss of income and principal. The market values of these loans also tend to be more sensitive to changes in economic conditions than better-quality loans.

***Non-performing Nature of Debt.*** Certain debt instruments purchased by a Client may be non-performing and possibly in default. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to these loans.

***Potential Involvement in Litigation.*** As a result of a Client's potential investments in distressed investments and the possibility that the Adviser may participate in certain restructuring activities, it is possible that a Client may become involved in litigation with respect to creditor disputes and similar issues among classes of claimants. Litigation entails expense and the possibility of counterclaims against a Client, including the Adviser; ultimately, judgments may be rendered against a Client for which it does not carry insurance.

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

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lending institution (a) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (b) engages in other inequitable conduct to the detriment of such other creditors, (c) engages in fraud with respect to, or makes misrepresentations to, such other creditors, or (d) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination." Because of the nature of certain of a Client's investments, it could be subject to claims from creditors of an obligor that the investments issued by such obligor that are held by a Client should be equitable subordinated. A significant number of a Client's investments will involve investments in which it would not be the lead creditor. It is, accordingly, possible that lender liability or equitable subordination claims affecting the investments could arise without the direct involvement of a Client.



**Leverage and Borrowing Risks.** A Client may utilize borrowing and leverage in connection with its investments and operations. Although the use of borrowing and leverage may enhance returns and increase the number of possible investments made by a Client, the use of borrowing will also increase the risk of loss resulting from various factors, including, without limitation, rising interest rates, downturns in the economy or deterioration in the conditions of the investment. In the event of a sudden drop in value of its assets, a Client might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying the losses incurred by a Client. In addition, when a Client utilizes leverage, the level of interest rates generally, and the rates at which a Client can borrow in particular, will be an expense of the Fund and therefore will affect the operating results of a Client. Leverage increase the risk of substantial losses (including the risk of a total loss of a capital) and leverage can significantly magnify the volatility of a Client's portfolio. There is no assurance that it will be able to obtain borrowing on favorable terms, if at all.

**Environmental Risks.** The underlying collateral of a Client's investments may also be subject to numerous statutes, rules and regulations relating to environmental protection, under which a Client, in the event it has foreclosed on a mortgage, may be liable for non-compliance with applicable environmental and health and safety requirements and for the costs of investigation, monitoring, removal or remediation of hazardous materials. A Client may be exposed to substantial risk of loss from environmental claims arising in respect of such underlying collateral in the event of foreclosure.

**Warehoused Investments.** A Client may warehouse one or more investments (subject to applicable laws and regulations). The Adviser will determine, in its discretion, when to transfer such warehoused investments to a Client, which, if applicable, may affect the amount of interest that will accrue to and be paid to the Investment Manager upon such transfer and/or withdrawal. Because the value of warehoused investments may decline prior to their transfer to a Client, there can be no assurance that their value will not be less than their cost to a Client, at the time of the transfer. Although the value of any investments made during this period may decline, in some cases significantly prior to the admission of such investors. By executing a subscription agreement to acquire an interest in a Client, each investor in a Fund Client will grant its consent to the Adviser transferring any investments that may be warehoused to the Fund Client on the terms specified above. In addition, each such investor may be required to agree to appoint the Advisory Committee (if applicable) or the later admitted Investor to grant its consent to any transfer of a warehoused investment to a Fund Client after its admission. To the extent that consent is obtained from later admitted investors, such consent will be deemed to have been obtained by the execution of a subscription agreement by such later admitted Investors and will not require any other action by such later admitted investors.



**Fraud.** Of paramount concern in loan investments is the possibility of material misrepresentation or omission on the part of the borrower or loan seller. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of the Fund to perfect or effectuate a lien on the collateral securing the loan. A Client will rely upon the accuracy and completeness of representations made by borrowers to the extent reasonable, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to a Client may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

**Counterparties.** The financial institutions and counterparties, including banks, with which a Client invests, may encounter financial difficulties and default on their respective obligations to such Client. Any such default could result in material losses to such Client. A Client may be exposed to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over terms of the contract (whether or not bona fide) or because of credit or liquidity problems, thus causing such Client to incur losses. Furthermore, upon the bankruptcy, insolvency or liquidation of any counterparty, a Client may be deemed a general unsecured creditor of such counterparty and could suffer a total loss with respect to any positions and/or transactions with such counterparty. The Investment Manager's ability to evaluate the creditworthiness of a Client's counterparties may prove insufficient. Any lack of complete and definitive evaluation of the financial capabilities of a Client's counterparties, which may be difficult to ascertain, as well as the absence of a regulated market to facilitate settlement, may increase the potential for losses by such Client.

**No Assurance of Profit or Distributions.** The marketability and value of the Investments will generally depend upon factors beyond the control of a Client, Adviser and/or any affiliate. There can be no assurance that investments will be profitable or realized or that any distributions will be made with respect thereto. Distributions will ultimately depend upon the success of the investments. Distributions with respect to a Fund Client also will be subject to the terms and provisions of the partnership agreement, including, without limitation, the establishment of reserves to pay Fund expenses and other liabilities. The expenses of a Fund Client or any investment may exceed its income, and Investors could lose the entire amount of their invested capital. A Fund Client has no prior operating history, and the past performance of other clients of Adviser, the principals or their respective affiliates provides no assurance of future success or profitability.

**Illiquidity of Investments.** Investments owned or acquired by a Fund Client are not expected to be actively traded. Depending on market activity, volatility, applicable laws and other factors, a Fund may not be able to promptly liquidate its Investments at an attractive price or at all. In addition, a Fund may acquire investments which cannot be sold publicly, for legal or contractual reasons, absent registration or qualification under applicable securities laws (which may be prohibitively expensive or otherwise restricted or unavailable). The types of investments in which a Fund will invest are frequently illiquid and may remain so for an indefinite period of time. The sale



of such investments may be subject to delays and additional costs and may be possible only at substantial discounts.

***Eminent Domain Risks.*** Municipalities and other government subdivisions may, in certain circumstances, seek to acquire certain assets of a Fund Client through eminent domain proceedings. While a Fund may seek to contest these proceedings which may be costly and may divert the attention of management from the operation of such Fund, there can be no assurance that a municipality or other government subdivision will not succeed in acquiring assets of the Fund. In such event, there is a risk that such Fund will not receive adequate compensation for the assets acquired, or that such Fund will not be able to recover all charges associated with divesting these assets.

***Hedging Transactions and Interest Rates.*** Client may seek to hedge against fluctuations in the interest rates with respect to its loan transactions although there is no guarantee Adviser will be successful in protecting against unforeseen movements in interest rates. Hedging may be in the form of interest rate swaps or other derivative or traditional instruments in the sole discretion of Adviser with respect to a Fund Client.

### **Certain Risks Associated With Investments in Funds<sup>3</sup>**

***Multiple Levels of Fees and Expenses.*** As with most fund of funds investments, a Fund and many of the underlying funds impose asset-based management fees and other administrative fees and expenses. In addition, a Fund and many underlying funds impose performance-based fees or allocations on realized and unrealized appreciation in the value of their assets. This results in greater expense and less return on investment than if such fees and expenses were not charged. In addition, performance-based allocations or fees could give underlying managers an incentive to make investment decisions that are more risky or speculative than they might otherwise have made without such arrangements. The multiple levels of fees and expenses will reduce the overall profitability of a Fund.

***Limited Diversification and/or Risk Management Failures.*** A Fund's portfolio could become significantly concentrated in a limited number of underlying funds, underlying managers, issuers, types of financial instruments, assets, industries, sectors, strategies, countries, or geographic regions, and any such concentration of risk may increase losses suffered by a Fund. Limited diversification could expose a Fund to losses disproportionate to market movements in general. As such, a Fund faces concentrated exposure to certain risks. Although the Adviser will always attempt to identify, monitor and manage significant risks, these efforts do not and will not take all risks into

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<sup>3</sup> Additional risks associated with investments in Funds contemplated by a particular Fund will be detailed more fully in each such Fund's applicable offering documents.



account and there can be no assurance that these efforts will be effective. Many risk management techniques are based on observed historical market behavior, but future market behavior may be entirely different. Any inadequacy or failure in the Adviser's risk management efforts could result in material losses for a Fund.

***The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in any or all of the strategies. Prospective investors should read this entire Form ADV and all accompanying materials provided by Third Lake and consult with their own advisers before deciding whether to invest in the strategies. In addition, as portfolio company investments mature and the strategies develop and change over time, an investment may be subject to additional and different risk factors. Third Lake will promptly amend this brochure if and when any information regarding its investment risks and strategies becomes materially inaccurate.***

***Additional risk factors pertinent to specific investments a particular Fund may be invested in will be addressed in the applicable Fund's offering documents.***

## **ITEM 9 – DISCIPLINARY INFORMATION**

Third Lake and its supervised persons have no reportable disciplinary events to disclose.

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

- A. Neither Third Lake nor any of Third Lake's management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither Third Lake nor any of its management persons is registered as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of any of the foregoing.
- C. The general partner of the Funds, a related person of Third Lake, serves as each Fund's general partner. This relationship creates an incentive for Third Lake to make investment allocations that are riskier or more speculative than would be the case if the general partner did not receive incentive compensation from the Fund for serving as the general partner to a Fund.

The Adviser and any Adviser affiliate may furnish and will continue to furnish investment management and advisory service to others. Adviser and Adviser affiliates may make recommendations to and take actions on behalf of others (including but not limited to Funds), which may be the same as or different from recommendations made to other Clients. In addition, Adviser or any Adviser affiliate may make



recommendations to trade, purchase or sell for Client regarding any investment opportunity which Adviser or an Adviser affiliate may recommend purchase or sell for its own account or for the account of any other Client (or recommend to any other Client); and Adviser or Adviser affiliates may not give Clients the same advice as may be given to any other Client. Adviser or any Adviser affiliate may also act as investment adviser, manager or custodian to other clients. The Adviser and Adviser affiliates may from time to time have positions in or transact in investment opportunities recommended to Clients. Such transactions may differ from or be inconsistent with the advice given, or the timing or nature of Adviser's advice given with respect to a Client. Adviser always acts in the best interest of its Clients and in accordance with a Client's investment objectives and has a robust compliance program in place to generally deal with conflicts of interest that come up from time to time on an objective basis.

Certain management persons of the Firm previously held or currently hold positions with an entity (or affiliate or subsidiary of such entity) in which principals of Adviser are related to or otherwise affiliated with and/or of which Adviser is providing advisory services. Any such affiliation with any such related entities are not part of such management persons business activities with Adviser (notwithstanding such entity or entities may be advisory clients of Adviser). With respect to any such outside business activities by any applicable management person, such applicable management person(s) may be entitled to receive compensation and/or benefits, including but not limited to, travel and expense reimbursement, profits interests, salary and discretionary bonuses, from such other entity or entities. These outside business activities may create a conflict in that a management person may have to split time between duties to Adviser and duties to any other entity or entities. Such management person may also face a conflict in that such management person may be incentivized to allocate or recommend potential investment opportunities first to such entities (rather than to other Clients) due to such management person's compensation arrangements and/or entitlements to revenues with respect to any such investment opportunities. Notwithstanding the foregoing, Adviser will always act and will see that its management persons always act consistent with Adviser's fiduciary duties to Clients. Further, as discussed in Item 11, the Firm has adopted a Code of Ethics to address the potential conflicts of interest that may arise as a result of the management persons' outside business activities, which includes monitoring for activities identified herein to confirm that management persons' activities are consistent with the Adviser's obligation to act in the best interest of its Clients.

D. Not applicable.



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

### A. Code of Ethics

The Adviser has adopted a written Code of Ethics designed to address and avoid potential conflicts of interest as required under Rule 204A-1 of the Advisers Act (the “Code”). The Code sets forth a standard of business conduct and compliance with federal securities laws by all of the Adviser’s employees. The Code contains policies and procedures that ensure that all personal securities trading by employees of the Adviser is conducted in such a manner as to avoid actual or potential conflicts of interest or any abuse of an individual’s position of trust and responsibility. The Adviser prohibits personal trading of certain securities or instruments; requires pre-clearance of personal trades in certain circumstances, including purchases of an IPO or a private placement; requires periodic reporting of employees’ personal securities transactions and holdings; and requires prompt internal reporting of Code violations.

Adviser recognizes and acknowledges that managing Funds with substantially similar investment strategies side-by-side presents potential conflicts of interest for investment allocation between and/or among the Funds. Similarly, allocating investments between or among Funds with different investment time horizons and of different size and expense structures can also present additional conflicts throughout the life-cycle of an investment or Fund.

Adviser generally will allocate investment opportunities among its various Clients (that are eligible to invest in any such opportunity) on a fair and equitable basis, consistent with its fiduciary obligations and the governing documents for the relevant Fund.

Adviser and its affiliates may from time to time cause the Funds to enter into transactions and/or arrangements involving actual or potential conflicts of interest. Adviser and its affiliates generally review any such transactions or arrangements involving material conflicts of interest and take such actions as they deem appropriate or necessary under the circumstances in an attempt to ensure that the overall terms of such transactions or arrangements are fair and equitable under the circumstances.

A copy of the Firm’s Code of Ethics is available to clients or investors and prospective clients or investors upon their individual request.

### B. Invest in Same Securities as Clients

From time to time, individuals associated with Third Lake may buy, sell, or hold in their personal accounts the same securities that are held in client accounts. To minimize conflicts of interest, and





to maintain the fiduciary responsibility Third Lake has to its clients, the Firm has established the following personal securities transaction policy to monitor the personal securities transactions and securities holdings of each of Third Lake's "access persons." Third Lake's securities transaction policy requires that an access person must provide the Chief Compliance Officer with a written report of their current securities holdings within ten (10) days after becoming an access person. Additionally, each access person must provide the Chief Compliance Officer with a written report of the access person's current securities holdings at least once each twelve (12) month period thereafter on a date Third Lake selects. The Chief Compliance Officer is required to review these reports to verify that personal securities transactions are conducted in accordance with the Code of Ethics.

In addition, Third Lake and its eligible personnel may also invest in Private Funds of its or their choosing. It is expected that, if such investments are made, the size and nature of these investments will change over time.

### **C. Engaging in Transactions at Same Time as Client**

From time to time, individuals associated with Third Lake may, at or about the same time, buy, sell, or hold in their personal accounts the same securities that the Firm recommends to its clients. This practice may create a situation where such individuals are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.A and B, Third Lake has a personal securities transaction policy in place to mitigate any potential conflicts of interest.

### **D. Additional Information**

At times, Third Lake or its related persons may purchase securities that it deems appropriate only for its or their own account. Based on the experience of Third Lake or its related persons holding the securities and on further research and due diligence, Third Lake may at a later time purchase such securities for client accounts at prices which might be higher or lower than those originally paid.

## **ITEM 12 – BROKERAGE PRACTICES**

Third Lake currently does not engage in trading transactions on behalf of its Clients or utilize the services of broker-dealers for transaction related services. In the event it chooses to use a broker-dealer, Third Lake will seek to obtain best execution of transactions. To the extent they aggregate orders for purchase and sale, Third Lake will aggregate such orders as it deems appropriate and in accordance with each Fund's organizational documents and in the best interests of each Client.





## ITEM 13 – REVIEW OF ACCOUNTS

A. The portfolio investments of each Fund are continuously reviewed by a team of investment professionals. The team generally includes Ken Jones, Robert Forsythe, Paul Watson, Luke Thomas and other investment professionals of Third Lake. Third Lake actively monitors the portfolio companies of the Funds and generally maintains an ongoing oversight position in such portfolio companies.

B. The Adviser may conduct reviews other than on a periodic basis generally depending on the facts and circumstances at that time.

C. Investors in the Funds will typically receive, among other things, a copy of audited financial statements of the relevant Fund within 120 days after the fiscal year end of such Fund; provided, however, that Investors in the Funds that operate as fund of funds will typically receive, among other things, a copy of audited financial statements of the relevant Fund within 180 days after the fiscal year end of such Fund. In addition, investors in each Fund will typically receive written reports containing unaudited summary financial information regarding such Fund at least semi-annually.

SMAs that receive wealth planning and coordination services are reviewed on an as needed basis or as agreed to with the Client. Such reviews may be triggered by a planning update, a Client event, or changes in the Client's circumstances. All advisory Clients are encouraged to discuss their needs, goals, and objectives with Third Lake and to keep Third Lake informed of any changes or anticipated changes.

## ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

Third Lake does not directly or indirectly compensate any person for client referrals. Third Lake does not receive any economic benefits, other than the stated fees described in this brochure, from Clients for providing investment advice and other advisory services.

## ITEM 15 – CUSTODY

All SMA accounts are custodied at unaffiliated broker/dealers or banks. Third Lake does not have custody of any SMA securities or funds.

The general partner, an affiliate of Third Lake, serves as the general partner of the Funds and as such is deemed to have custody of the Funds' funds and securities. Investors in the Funds will receive audited financial statements prepared in accordance with US generally accepted accounting



principles within 120 days of a Fund's fiscal year-end (or 180 if such Fund operates as a fund of funds).

## **ITEM 16 – INVESTMENT DISCRETION**

All SMA advisory relationships will be on a non-discretionary basis. The Firm will initially meet with SMAs and discuss their investment objectives and then prepare a written investment mandate for them. Only Fund investment opportunities that fall within such SMA's written investment mandate will be presented to them for potential investment. SMAs will have the discretion to decide whether to invest in Funds (which will be managed by Third Lake). Once an SMA invests in a Fund, the SMA will not have discretion over the assets within the Fund as Third Lake will have full discretionary authority and responsibility with respect to the investment management of each Fund pursuant to the investment advisory agreement of each Fund. Investment advice is provided by Third Lake directly to the Funds, subject to the direction and control of the affiliated general partner or manager of such Fund. Any restrictions on investments in certain types of securities are established by the general partner or manager of the applicable Fund and are set forth in each Fund's organizational documents.

The Adviser will be providing discretionary investment management services to one or more Funds that will invest in a variety of investment opportunities, including but not limited to, (i) private equity investments of any kind, (ii) real estate investments of any kind (both real property and securities and/or other financial instruments related thereto), and (iii) underlying private investment funds managed by related and/or third party managers. Most, if not all, of the investment opportunities recommended by Adviser to an SMA will be effectuated through a Fund.

## **ITEM 17 – VOTING CLIENT SECURITIES**

If applicable, Third Lake will only have the authority to vote proxies on behalf of the Funds. Third Lake's authority to vote proxies for the Funds will be established by its investment advisory agreement with each Fund. Third Lake has adopted the proxy voting policies and procedures set forth in its Compliance Manual. Under such proxy voting policy, Third Lake will generally vote proxies in accordance with the recommendation of the issuing company's management on routine and administrative matters unless Third Lake has a particular reason to vote to the contrary. Non-routine matters will be voted on a case-by-case basis in a manner that serves the Clients' best interest. Under certain circumstances, we may abstain from voting specific proxies if we believe that doing so is in the best interests of our Clients. Furthermore, under our proxy voting policy, we may not vote proxies issued by companies if our Clients no longer have any economic exposure to the issuer of the proxy or if we believe that the subject matter of the proxy has no material impact on our clients. We follow procedures designed to identify conflicts or potential conflicts that could



arise between our own interests and those of the Funds. If it is determined that any such conflict or potential conflict is not material, we may vote proxies notwithstanding the existence of the conflict. If it is determined, however, that a conflict of interest or potential conflict of interest is material, we will engage a third party to recommend a vote with respect to the proxy.

We do not permit clients to direct how we will vote on specific proxies. Each investor in the Funds may request information on how Third Lake voted with respect to the securities of such Fund and obtain a copy of Third Lake's policies and procedures by contacting us at (813) 497-8100.

## **ITEM 18 – FINANCIAL INFORMATION**

Not applicable. Third Lake does not require or solicit prepayment, of more than \$1,200 in fees per client, six months or more in advance. Third Lake does not have any financial condition that would impair the Firm's ability to meet contractual and fiduciary commitments to its clients.

Lastly, Third Lake has not been subject to a bankruptcy petition at any time during the past ten years.

