

40 North Management LLC

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Form ADV Part 2A: Firm Brochure
March 15, 2019

This brochure provides information about the qualifications and business practices of 40 North Management LLC. You should review this brochure in conjunction with the brochure supplement for certain principals and employees who advise your account for more information on the qualifications of 40 North Management LLC and its principals and employees. Information herein is provided in response to instructions and guidance issued in connection with Form ADV Part 2A. You should refer to those materials, including defined terms used therein, in reviewing this brochure. If you have any questions about the contents of this brochure, please contact us at (212) 821-1600 or compliance@40north.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about 40 North Management LLC also is available on the SEC’s website at www.adviserinfo.sec.gov. Registration as an investment adviser pursuant to the Investment Advisers Act of 1940, as amended, does not imply a certain level of skill or training.

Item 2. Material Changes

40 North Management LLC (the “Firm”) is required to identify and discuss any material changes made to its brochure since the last annual brochure update. There have been no material changes since the Firm last updated its brochure on March 15, 2018.

Item 3. Table of Contents

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Item 4. Advisory Business

The Firm

The Firm is an investment adviser organized as a Delaware limited liability company and formed on February 5, 2009. The owners of the Firm are David J. Millstone and David S. Winter (the “Principals”).

Services

The Firm is registered with the U.S. Securities and Exchange Commission (the “SEC”) as an investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

The Firm provides discretionary investment advisory services to pooled investment vehicles that are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”) and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”). As of the date hereof, the Firm serves as investment manager of 40 North Investments LP, a Delaware limited partnership (“40 North Investments”), 237 Beige LLC, a Delaware limited liability company (“237 Beige”), 40 North Latitude Fund LP, a Delaware limited partnership (“40 North Latitude Feeder”), and 40 North Latitude Master Fund Ltd., a Cayman Islands exempted company incorporated with limited liability (“40 North Latitude Master”), and together with 40 North Latitude Feeder, collectively, “40 North Latitude”). The Firm also serves as investment manager to 40 North QOZ Fund LP (“40 North QOZ”) a limited partnership held by a 40 North Latitude special purpose co-investment vehicle.

The Firm also provides non-discretionary investment advice to Ronsam Management LLC (“Ronsam”), The Ronnie F. Heyman Foundation LLC (“RFH Foundation”), and Alettat LLC (“Alettat”).

As the Manager of Winter Properties LLC (“Winter Properties”), the Firm provides certain management services to Winter Properties for no direct remuneration. Winter Properties predominantly holds real property interests and is not a “private fund” or “securities portfolio” for purposes of Form ADV.

40 North Investments, 40 North Latitude Feeder, 40 North Latitude Master, 237 Beige, and 40 North QOZ each are referred to herein as a “Discretionary Fund” and collectively as the “Discretionary Funds”, and together with Ronsam, RFH Foundation, Alettat, and Winter Properties, collectively as the “Clients”, unless the context dictates otherwise. As the investment adviser of the Discretionary Funds, the Firm identifies opportunities for acquisition, management, monitoring, and disposition of investments of the Discretionary Funds. Investment advice is provided directly to the Discretionary Funds and not to their underlying investors. Investment advice is not subject to the discretion and control of the underlying investors of the Discretionary Funds. Investment advice is subject to the discretion and control of the respective general partners or managing members (referred to herein for simplicity as the “General Partners”) of the Discretionary Funds. The General Partners are owned by the Principals. The Firm does not participate in wrap fee programs.

The Clients

40 North Investments is an opportunistic investment fund with the flexibility to establish concentrated and less-liquid positions. 40 North Investments may invest across a variety of asset classes, including, but not limited to, U.S. and foreign equity and credit securities.

237 Beige is an opportunistic investment vehicle that typically invests in specialized, less liquid positions. 237 Beige may invest across a variety of asset classes, including, but not limited to, U.S. and foreign equity, credit securities and pooled investment funds. 40 North Investments is a member of 237 Beige. 237 Beige has a limited number of co-investors in addition to 40 North Investments.

40 North Latitude Master is a long-biased investment fund that typically takes long-term, concentrated, strategic positions in public equities. 40 North Latitude Master is managed on a tax aware basis and seeks to optimize for long-term capital gains. 40 North Latitude Master may invest across a variety of instruments, including, but not limited to, U.S. and foreign equity and credit securities, currencies, rates, and derivatives. 40 North Latitude Master is comprised of a “main book,” which includes, among other things, certain cash holdings and liquid public equity investments, and (b) specialized investments through special purpose co-investment vehicles (“SPVs”), which contain allocations to less liquid assets and certain pooled investment funds. 40 North Advisers LP (“40 North Advisers”) is an SPV fund-of-funds portfolio that invests across an array of underlying alternative investment strategies with both new and established managers. 40 North QOZ is an SPV that invests substantially all investable capital, directly or through subsidiaries, in “qualified opportunity zone property”. 40 North QOZ has co-investors in addition to its SPV parent. The Firm treats the assets of the SPVs as assets of 40 North Latitude Master.

40 North Latitude Feeder invests substantially all of its capital and conducts its investment program and trading activities through 40 North Latitude Master. 40 North Latitude Feeder also is the sole limited partner of 40 North Investments. As such, 40 North Investments is also a master fund for 40 North Latitude Feeder.

Ronsam, RFH Foundation, Alettar and 40 North Advisers (collectively, the “Multi-Manager Portfolios”) primarily invest in hedge funds, separately managed accounts, mutual funds, and private equity funds managed by third-party advisers (for convenience, collectively referred to as “Underlying Funds”).

Winter Properties is a privately held, vertically integrated real estate investment business engaged in the acquisition, sale, financing, development, management, ownership and operation of real estate assets.

The Firm may in the future organize other investment funds, including feeder funds for the Discretionary Funds or parallel funds for the Principals or employees of the Firm, or manage investment funds or separately managed accounts that may either co-invest with the Discretionary Funds or follow an investment program similar to or different from the Discretionary Funds’ programs. The Firm may in the future establish additional special purpose

vehicles or subsidiaries, and the Firm or the Discretionary Funds may in the future invest in or act through such additional special purpose vehicles or subsidiaries.

Services are provided to the Discretionary Funds in accordance with the Firm's advisory agreements (each, an "Advisory Agreement" and collectively, the "Advisory Agreements") and/or the governing documents of the applicable Discretionary Fund (e.g., limited partnership agreements or limited liability company agreements) (each, a "Governing Document", and collectively the "Governing Documents"). Investment restrictions, if any, for the Discretionary Funds are generally established in the Governing Documents. All purchases, sales, or trading activities of the Discretionary Funds are undertaken by the Firm pursuant to a grant of discretionary authority. The General Partners may, from time to time and in their sole discretion, modify or waive certain terms applicable to one or more Discretionary Fund investors under the Governing Documents including, but not limited to, fee terms, withdrawal terms, and notice requirements.

Assets Under Management

As of December 31, 2018, the Firm manages a total of approximately \$2,514,508,084 of assets on a discretionary basis and a total of approximately \$85,014,167 of assets on a non-discretionary basis.

Item 5. Fees and Compensation

The Firm receives certain payments for its services as provided under the Advisory Agreements and Governing Documents. Although the Firm has entered into agreements with the Discretionary Funds providing for the payment of fees or allocations as described below, the Firm may negotiate alternative fees or allocations on a case-by-case basis with other investment funds or separately managed accounts, if any, that the Firm manages in the future.

Management Fees

As compensation for discretionary investment advisory services rendered to the Discretionary Funds, the Firm receives a management fee (a "Management Fee") from each Discretionary Fund listed below. Management Fees are paid quarterly in advance and charged and deducted from investors' capital accounts at an annual percentage rate of such capital accounts, exclusive of any performance allocation, as follows (in accordance with the corresponding Discretionary Fund's Governing Documents):

40 North Investments:	up to 2%
40 North Latitude Feeder:	up to 2%
40 North QOZ:	up to 2%

The Firm has entered into, and may from time to time in the future enter into, letter agreements or other similar agreements (collectively, "Side Letters") with one or more investors which provide such investors with additional and/or different rights (including, without limitation, with respect to Management Fees) than are otherwise provided in the Governing Documents of the Discretionary Funds. The Firm has reduced or waived, and may in the future, in its sole

discretion, reduce or waive, the Management Fee with respect to any investor, including but not limited to: (i) employees of the Firm; (ii) the General Partners; (iii) the Principals; (iv) certain high net-worth individuals; and (v) certain family members that are related to one or both of the Principals by birth or marriage (“Family Entities”), including trusts, estate vehicles, or other entities formed by or for the benefit of such persons. If an Advisory Agreement is terminated before the end of a billing period (i.e., a quarter), the Firm refunds a *pro rata* portion of the pre-paid Management Fee for the quarter. The Firm uses an estimated asset value to calculate the Management Fees. To prevent potential overcharges, the Firm takes a percentage discount when calculating the Management Fees. Once the asset value is finalized, the remaining balance of the Management Fee is paid to the Firm. In the event an estimate of asset value used in calculating a Management Fee results in an overcharge to a Discretionary Fund, the overcharged amount will be either (i) reimbursed to the Discretionary Fund or (ii) offset against any outstanding receivable the Firm has from the Discretionary Fund.

Other Fees and Expenses

With respect to the Discretionary Funds, the Firm will pay out of Management Fees certain overhead expenses in connection with performing investment management services under the Advisory Agreements (including, without limitation, rent, utilities, supplies, secretarial expenses, stationery, charges for furniture, fixtures and equipment, employee benefits including insurance, payroll taxes, and compensation of all personnel). The Discretionary Funds will generally bear all other expenses relating to their operations, as set forth in greater detail in the applicable Governing Documents. Such expenses generally include, among other things: (i) legal, accounting, bookkeeping, tax compliance, auditing, consulting and other professional expenses; (ii) administration fees; (iii) third-party and out-of-pocket research and market data expenses (including associated travel expenses, regardless of whether the investments are consummated); (iv) interest and fees on loans and other indebtedness; (v) bank service, custodial and similar fees; (vi) expenses related to the purchase, monitoring, sale, settlement, custody or transfer of assets; (vii) fees and expenses relating to systems, software, and portfolio metrics and performance reporting used in connection with the operation of the Discretionary Funds and their investment-related activities; (viii) entity-level taxes; (ix) fees and expenses relating to the offer and sale of interests in 40 North Latitude Feeder; and (x) fees and expenses relating to disaster recovery services.

The Multi-Manager Portfolios pay other fees and expenses similar to those paid by the Discretionary Funds, as described immediately above and as set forth in precise detail in their respective Governing Documents. In addition, the Multi-Manager Portfolios invest in Underlying Funds whose managers typically charge: (i) an asset-based fee (that generally ranges from 0% to 2% annually) and (ii) an incentive allocation (that generally ranges from 10% to 20% of net capital appreciation of the investment for the year). The fee rates vary for each such Underlying Fund and in some cases higher rates may apply.

As stated previously, the Firm, as the Manager of Winter Properties, provides certain investment management services for no direct remuneration. However, Winter Properties and Winter Property Management LLC (“WPM”), a company controlled by the Principals, will pay to 40 North Services LLC, a company controlled by the Principals (“40 North Services”), pursuant to a

services agreement, expenses, costs, and fees (collectively, “Reimbursable Expenses”) incurred by 40 North Services as a result of providing certain services to Winter Properties/WPM, including business development; strategic planning; risk management; tax planning, consultation, and advice; corporate finance, financial planning, and fiduciary services; accounting services; legal services; and general management services (collectively, “Operating Services”). Similarly, pursuant to a separate mutual services agreement, Winter Properties and WPM will pay to the Firm, and the Firm will pay to Winter Properties/WPM, Reimbursable Expenses for non-investment management services, including certain of the Operating Services.

Each of Ronsam, Alettar, and RFH Foundation will also pay (a) 40 North Services for Reimbursable Expenses incurred as a result of 40 North Services providing the Operating Services and (b) the Firm for Reimbursable Expenses incurred as a result of the Firm providing certain non-discretionary investment advisory services.

Pursuant to a pair of services agreements between (a) 40 North Services and a certain Associated Organization (as defined in Item 10 below) and (b) the Firm and 40 North Services; the Firm and/or 40 North Services will pay for and receive from the Associated Organization, and/or the Firm and/or 40 North Services will be paid by and provide to the Associated Organization, Reimbursable Expenses relating to the Operating Services, office space and amenities, technology infrastructure and consultants, and administrative matters.

Certain expenses that would otherwise be payable by the Firm may be reduced through the use of “soft” or commission dollars, as discussed in Item 12 below. As described above, the Discretionary Funds incur brokerage and other transaction costs. Please see Item 12 below for a discussion of the Firm’s brokerage practices. The Firm and its supervised persons do not accept compensation or commissions for the sale of securities or other investment products.

Investments such as mutual funds and exchange-traded funds bear their own management fees and other fees as described in the applicable prospectus. When the Discretionary Funds invest in mutual funds or exchange-traded funds, the Discretionary Funds therefore generally incur two layers of fees: (1) management fees charged by the Firm and other fees directly incurred by the Discretionary Funds, and (2) management fees and other fees assessed by the mutual funds and exchange-traded funds.

If a Client, Associated Organization, and/or the Firm bears responsibility for all or part of a particular expense, the Firm will allocate the expense among all responsible entities in its discretion in a fair and equitable manner.

Item 6. Performance-Based Compensation and Side-By-Side Management

237 Beige, 40 North Investments, and 40 North QOZ do not pay performance-based compensation. The General Partner of 40 North Latitude Feeder receives an incentive allocation of up to 20% per annum of the net capital appreciation of the limited partner capital accounts, including the capital account relating to 40 North Investments.

With respect to (a) elective special situation investments (“SSIs”) in 40 North Investments and (b) SPVs in 40 North Latitude Feeder, the General Partner’s performance-based compensation is received only upon realization, deemed realization events, or distributions in kind, subject to and as set forth in the relevant Governing Documents (each, a “Realization Event”). Although

permitted by the terms of its Governing Documents, there are currently no non-elective special situation investments in 40 North Investments.

The incentive allocation and loss recovery amounts are calculated separately for assets held by the respective main books of each Discretionary Fund. For SSIs and SPVs, incentive allocation is calculated separately upon a Realization Event and there are no loss recovery amount calculations.

The differences in the precise incentive allocation terms among Discretionary Funds may raise potential conflicts of interest and could incentivize the Firm to favor Discretionary Funds with the most lucrative incentive allocation structure (e.g., by allocating what are perceived to be the best investment opportunities to the Discretionary Fund(s) with the most lucrative incentive allocation structure). Generally, and except as may be otherwise set forth in the Governing Documents of the Discretionary Funds, this conflict is mitigated by the distinct investment strategies of the Discretionary Funds and/or the substantially similar incentive allocation terms among certain Discretionary Funds.

The fact that the Firm or a General Partner receives performance-based compensation may create an incentive for the Firm to make investments on behalf of the Discretionary Funds that are riskier or more speculative than would be the case in the absence of such compensation. Performance-based compensation earned could also be based in part on unrealized gains that investors in such Discretionary Funds may never realize.

The General Partners have reduced or waived, or may in the future in their sole discretion reduce or waive, the performance-based compensation with respect to any investor in a Discretionary Fund.

Item 7. Types of Clients

The Firm currently provides discretionary investment advisory services to the Discretionary Funds. Investors in the Discretionary Funds are currently the General Partners of the Discretionary Funds; the Principals; certain high-net-worth individuals; and certain Family Entities. In the future, the Discretionary Funds may be offered to banks, thrift institutions, pension and profit sharing plans, trusts, estates, charitable organizations, university endowments, corporations, limited partnerships and limited liability companies or other entities.

Discretionary investment advice is provided directly to the Discretionary Funds (subject to the discretion and control of the respective General Partner of each Discretionary Fund, if applicable) and not individually to investors in the Discretionary Funds. The Discretionary Funds rely on an applicable exclusion from having to register as investment companies under the 1940 Act, and certain Discretionary Funds rely on an applicable exemption from registration of their interests under the Securities Act. Interests in the Discretionary Funds are offered only to prospective investors who satisfy the applicable eligibility and suitability requirements for either private placement transactions within the United States or offshore transactions. Each United States investor who participates in one of the Discretionary Funds is required to meet certain suitability and financial qualifications, such as qualifying as an “accredited investor” within the meaning of Rule 501 of Regulation D under the Securities Act or a “qualified purchaser” as defined in the 1940 Act.

The Firm does not have a minimum size for a Discretionary Fund, but minimum total investment commitments may be established in the future.

As the Manager of Winter Properties, the Firm provides certain management services to Winter Properties for no direct remuneration. Winter Properties predominantly holds real property interests and is not a “private fund” or “securities portfolio” for purposes of Form ADV.

The Firm also provides non-discretionary investment advice to each of Ronsam, RFH Foundation and Alettar. The beneficial owners or beneficiaries of these Clients include individuals, charitable organizations and trusts.

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

Methods of Analysis and Investment Strategies

40 North Investments

40 North Investments is an opportunistic investment fund with the flexibility to establish concentrated and less-liquid positions. 40 North Investments may invest across a variety of asset classes, including, but not limited to, in U.S. and foreign equity and credit securities. 40 North Investments may invest in, among other things, event equities/special situations, risk arbitrage, value equities, and credit. The portfolio is constructed based on bottom-up research informed by top-down views of the macroeconomic environment. The Principals are the sole portfolio managers of 40 North Investments.

237 Beige

237 Beige is an opportunistic investment vehicle that typically invests in specialized, less liquid positions. 237 Beige may invest across a variety of asset classes, including, but not limited to U.S. and foreign equity, credit securities and pooled investment funds. The portfolio is constructed based on asset-specific research informed by top-down views of the macroeconomic environment and competitive landscape. The Principals are the sole portfolio managers of 237 Beige.

40 North Latitude

40 North Latitude is a long-biased investment fund that takes long-term, concentrated, strategic positions in public equities. 40 North Latitude is managed on a tax aware basis and seeks to optimize for long-term capital gains. 40 North Latitude may invest across a variety of instruments, including, but not limited to, U.S. and foreign equity and credit securities. The Principals manage the portfolio with the support of a team of sector specialists and analysts. The portfolio is constructed based on bottom-up research informed by top-down views of the macroeconomic environment. 40 North Latitude has the flexibility to make certain investments through SPVs. 40 North Advisers is an SPV which invests in Underlying Funds. 40 North QOZ is an SPV which invests in qualified opportunity zone properties. 40 North QOZ has a limited number of co-investors.

Winter Properties

Winter Properties is a privately held, vertically integrated real estate investment business engaged in the acquisition, sale, financing, development, management, ownership and operation of real estate assets. The Principals serve as Principals and co-CEOs of Winter Properties.

Multi-Manager Portfolios

The Multi-Manager Portfolios primarily invest in Underlying Funds. The Firm is responsible for evaluating potential underlying third-party investment managers, their private pooled investment vehicles, and separately managed accounts offered by such managers prior to making an investment and periodically thereafter according to the procedures established by the Firm. 40 North Advisers is managed (as an SPV of 40 North Latitude) by the Principals and supported by a chief investment officer. The Firm provides non-discretionary investment advice to Ronsam, RFH Foundation, and Alettar. Investment decisions for Ronsam, RFH Foundation, and Alettar are at the discretion of an individual related to one of the Principals who is also supported by the same chief investment officer.

Investment Process

In carrying out its investment process, the Firm attempts to identify opportunities that offer asymmetric risk/return potential, while considering market/trading dynamics. An intensive research-driven approach is employed to identify and pursue the best risk-adjusted investment opportunities. The research process includes, among other things, fundamental business analysis, financial analysis, evaluation of potential strategic synergies and the identification of potential catalysts.

With respect to Winter Properties, the investment process focuses on real estate opportunities in which the Firm believes there is a high likelihood of capital appreciation or the opportunity for platform expansion.

With respect to the Multi-Manager Portfolios, which invest primarily in Underlying Funds, the Firm's due diligence process is similarly detailed, though it focuses more on the quality of the third-party advisers and the differentiated aspects of their processes. The Firm provides non-discretionary investment advice to Ronsam, RFH Foundation, and Alettar. After performing due diligence on a possible investment for the Multi-Manager Portfolios, the Firm will review the offering and determine if the offering would be beneficial and is within the investment guidelines for each Multi-Manager Portfolio. Consideration is also given to the fact that Ronsam and Alettar, through their investments in 40 North Latitude, have exposure to investments made by 40 North Advisers. The process of recommending investments for any one of the Multi-Manager Portfolios is subjective in so much as each Client has a unique risk/reward threshold and liquidity profile, as determined by the ultimate investment decision maker. Given those differences, very few, if any, potential investments would be relevant for all Clients. When there is an investment that might be deemed suitable for multiple Multi-Manager Portfolios, given their respective investment mandates, the chief investment officer will specifically discuss that investment with the relevant decision makers.

Risks

Investing in securities involves a substantial degree of risk of loss. A Client may lose all or a substantial portion of its investments. Investors in the Clients must be prepared to bear the risk of a complete loss of their investments. The risks associated with particular investments include, but are not limited to, the risks described in Appendix A hereto.

The Firm may invest in more than one segment of a portfolio company's capital structure if the opportunity is appropriate relative to risk while monitoring and assessing the variety of scenarios through which a company may emerge from bankruptcy, pursue a liquidation or complete a balance sheet restructuring. The Clients and their investors should recognize the fact that conflicts may arise because portfolio decisions regarding one Client may either harm or benefit the Firm or another Client. For example, when in the best interests of the Discretionary Funds, the Firm will pursue or enforce rights available to creditors with respect to an issuer in which a Discretionary Fund has invested in the debt of such issuer, and those activities may have an adverse effect on the equity holdings of another Discretionary Fund. Each Client will make decisions in its own best interest without regard to the impact on the Firm or the other Client. As a result, prices, availability, liquidity and terms of a Client's investments may be negatively impacted by the Firm's activities on behalf of another Client, and transactions for a Client may be impaired or effected at prices or terms that may be less favorable than would otherwise have been the case. With respect to the Discretionary Funds, the Firm has the sole authority to determine how best to deal with conflicts that may arise related to investments in different parts of an issuer's capital structure. Any actual or potential conflicts are brought to the attention of the Firm's Chief Compliance Officer ("CCO") and/or Operating Committee for appropriate consensus-based resolution.

Item 9. Disciplinary Information

Item 9 is not applicable to the Firm.

Item 10. Other Financial Industry Activities and Affiliations

Neither the Firm nor any of its management persons is registered, or has an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or associated person of any of the foregoing entities. Except as set forth below, neither the Firm nor any of its management persons has a relationship or arrangement material to the Firm's advisory business or to the Clients with any related person among any of the categories enumerated in Item 10(C) of the instructions to Form ADV Part 2A. Finally, the Firm does not recommend or select other investment advisers for the Clients from whom the Firm directly or indirectly receives compensation that could create a material conflict of interest.

Related General Partners

Affiliates of the Firm serve as the General Partners of the Discretionary Funds. The General Partners (listed in Section 7.A of the Firm's Form ADV Part 1A) are not separately registered as

investment advisers with the SEC. However, all of the General Partners' investment advisory activities are subject to the Advisers Act and the rules thereunder. In addition, employees and persons acting on behalf of the General Partners are subject to the supervision and control of the Firm. For a description of material conflicts of interest created by the relationship among the Firm (on the one hand) and the General Partners (on the other hand), please see Item 11 below.

Certain Associated Organizations and Other Relationships

The Principals serve as key officers and/or principals of certain other businesses, including but not limited to (a) 40 North Services, (b) Winter Properties and WPM, (c) other entities that may, from time to time, (i) provide the Operating Services and information technology services to the Firm, the Clients, or certain individuals who are related to one or both of the Principals by birth or marriage (including trusts, estate vehicles, or other entities formed by or for the benefit of such individuals), several of whom are investors, and/or (ii) share office space with the Firm, and (d) certain affiliates and subsidiaries of the foregoing (collectively, the "Associated Organizations"). The Firm may compensate the Associated Organizations for such services at cost, through hourly fees, or on an annual fixed fee basis. The Clients may be charged for these services.

An Associated Organization provides property administration services for certain "qualified opportunity zone" real property. 40 North QOZ (or a subsidiary thereof) may compensate such Associated Organization for such services through hourly fees or an annual fixed fee. The Associated Organizations do not provide the Firm or the Clients with investment advisory services.

The Principals independently make investment decisions for an Associated Organization that is not a Client of the Firm. In addition, the Firm conducts trade execution and post-trade order activities, for no remuneration (other than reimbursement of applicable expenses), for such Associated Organization. The Firm does not provide any investment advisory services to the Associated Organization. However, the investment decisions made independently by the Principals for the Associated Organization may be similar to the advice provided to the Discretionary Funds. For a description of material conflicts of interest related to these Associated Organizations, please see Item 11 below.

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

Code of Ethics

The Firm has adopted a Code of Ethics (the "Code of Ethics") that applies to (a) all personnel of the Firm, all personnel of 40 North Services, all personnel of WPM, all on-site and certain remote personnel of other Associated Organizations, and all full-time, on-site consultants (collectively, "Access Persons"), (b) Access Persons' immediate family members living in the same household ("Access Persons' Relatives," and together with Access Persons, collectively, "Covered Individuals"), and (c) all organizations controlled by Covered Individuals (together with Covered Individuals, "Covered Persons"). The Code of Ethics states that no Covered Person may knowingly for personal benefit take advantage of an opportunity that arises from, or

information that is received as a result of, his or her position or relationship with the Firm or relationship to an Access Person of the Firm, where such opportunity or benefit is intended solely for the Firm or the Clients. In addition, no Access Person may take action inconsistent with his or her obligations to any Client. The Code of Ethics requires all Access Persons to comply with applicable U.S. federal securities laws at all times.

The Code of Ethics outlines written policies and procedures regarding personal trading by Covered Persons. The personal trading policies and procedures adopted by the Firm restrict personal trading of certain securities and require Covered Persons to seek approval prior to trading in certain securities. The Firm uses the ComplySci Personal Trading Control Center (“PTCC”) to manage all personal trading reporting, requests and approvals. Each Access Person is required to disclose all personal brokerage accounts and certain securities holdings to the Firm via PTCC (a) upon commencement of employment, (b) promptly whenever there are any changes (e.g., open/close account, revoking power of attorney granted to an investment adviser), and (c) annually thereafter. Access Persons must also submit to the Firm (i) quarterly personal brokerage account statements, and (ii) quarterly transactions certifications. With respect to personal accounts that are at brokerage firms supported by PTCC, the Firm receives account holdings information and transaction details via PTCC’s electronic feed. Covered Persons with personal accounts at brokerage firms that are not supported by PTCC are required to submit duplicate account statements directly to the CCO or his designee by hard-copy or email transmission.

Certain Covered Persons have investments in certain of the Clients as well as in the Underlying Funds recommended by the Firm and invested in by the Multi-Manager Portfolios. In some instances, the Firm may recommend investments in Underlying Funds to the Multi-Manager Portfolios prior to or at or about the same time that a Covered Person buys or sells an interest in the same Underlying Funds for its own account. In other instances, a Covered Person already has an ownership interest in Underlying Funds in which the Multi-Manager Portfolios later invest. Despite the potential benefits to the Multi-Manager Portfolios (e.g., access to the Underlying Funds and/or the ability to negotiate lower fees or other preferential investment terms), several conflicts of interest may exist when Access Persons recommend an Underlying Fund in which they already have personal ownership interests. For example, members of the Firm’s investment staff may have an incentive to recommend such investments (e.g., additional assets under management may ensure that a smaller Underlying Fund continues to operate). As another example, if the Access Person has a personal or familial connection to the Underlying Fund’s manager, the Access Person may have an incentive to recommend the Underlying Fund to the Multi-Manager Portfolios. The Firm’s CCO or his designee reviews investments in Underlying Funds by Covered Persons for their own accounts that may represent suitable investment opportunities for the Multi-Manager Portfolios. All Access Persons are also required to communicate any potential conflicts of interest, including those associated with Underlying Funds, to the CCO.

Covered Persons may not invest in the same security or investment opportunity as the Clients without the prior approval of the CCO. A Covered Person may not exit such an investment if the timing of the exit will be detrimental to the Client(s) holding the same investment. In addition, the Code of Ethics prohibits certain short-term trading, investments in initial public offerings, certain side-by-side trading with the Clients, and short sales in certain securities.

For purposes of this summary of the Code of Ethics, the terms “employees” and “Access Persons” includes the Principals. This summary of the Code of Ethics is qualified in its entirety by the Code of Ethics of the Firm, which is available to the Clients, prospective clients, and current and prospective investors in the Discretionary Funds, upon request by contacting Howard Zauderer at (212) 821-1635 or compliance@40north.com.

Conflicts of Interest

Certain conflicts of interest that may be encountered by a Client include those discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by a Client. Other conflicts may be disclosed throughout this brochure and in the Governing Documents of each Client, if any, and these materials should be read in their entirety. The Firm has adopted policies and procedures to address and mitigate conflicts of interest, including those described below.

Investments by Clients. If the Firm has multiple open orders to purchase (or sell) an investment for more than one Discretionary Fund, the Firm will endeavor to place combined orders for all such Discretionary Funds. SSIs and SPVs shall be deemed separate Discretionary Funds solely for purposes of aggregating and allocating orders. The Firm will allocate combined orders (and any associated transaction costs) *pro rata* based on prior month-end net AUM. If the Firm has multiple open orders to purchase (or sell) an investment for one or more Discretionary Funds and an Associated Organization for which the Firm conducts trade execution and post-trade order activities, the Firm will endeavor to place combined orders. In the event the Firm places combined orders for a Discretionary Fund and the Associated Organization, the Firm will (i) make all allocation decisions prior to order execution and in accordance with the independent discretion of the Principals and (ii) allocate any associated transaction costs on an ownership position basis.

A Discretionary Fund could be disadvantaged because of activities conducted by the Firm or its affiliates as a result of, among other things: restrictions on trading because the Firm or an affiliate is in possession of confidential or material non-public information; legal restrictions on the combined size of positions which may be taken for all accounts managed by the Firm or its affiliates, thereby limiting the size of a Discretionary Fund’s position; and the difficulty of liquidating an investment for more than one account where the market cannot absorb the sale of the combined positions. In addition, there may be circumstances under which the Firm or its affiliates will consider participation by certain Discretionary Funds in investment opportunities in which the Firm does not intend to invest, or intends to invest only on a limited basis, on behalf of other Discretionary Funds. The Firm and its affiliates will evaluate for the Discretionary Funds a variety of factors which may be relevant in determining whether a particular situation or strategy is appropriate and feasible for the Discretionary Funds at a particular time, including the nature of the investment opportunity taken in the context of the other investments at the time, the liquidity of the investment relative to the needs of the particular Discretionary Fund, the investment or regulatory limitations on the particular Discretionary Fund and the transaction costs involved. Because these considerations may differ for particular Discretionary Funds in the context of any particular investment opportunity, investment activities of the particular Discretionary Funds may differ considerably from time to time.

Since the Multi-Manager Portfolios invest primarily in Underlying Funds, they do not generally invest in the same investment opportunities as the Discretionary Funds. After performing due diligence on a possible investment for the Multi-Manager Portfolios, the Firm will review the offering and determine if the offering would be beneficial and is within the investment guidelines for each Multi-Manager Portfolio. Consideration is also given to the fact that Ronsam and Alettar (non-discretionary Clients of the Firm), through their investments in 40 North Latitude, have exposure to investments made by 40 North Advisers. The process of recommending investments for any one of the Multi-Manager Portfolios is subjective in so much as each Client has a unique risk/reward threshold and liquidity profile, as determined by the ultimate investment decision maker. Given those differences, very few, if any, potential investments would be relevant for all Clients. When there is an investment that might be deemed suitable for multiple Multi-Manager Portfolios, given their respective investment mandates, a chief investment officer will specifically discuss that investment with the relevant decision makers.

See Item 12 “Aggregation and Allocation of Orders” below for more information regarding the Firm’s policy on aggregating and allocating orders.

Transactions with Affiliates. The Clients may participate in transactions in which the Firm, its affiliates, Associated Organizations, or their respective employees are directly or indirectly interested. For example, such parties may (i) have different interests in different entities in the same transaction and/or (ii) participate in a transaction at different times and/or on different terms. In connection with such transactions, a Client (on one side) and the Firm, its affiliates, Associated Organizations, or their respective employees (on the other side) may have conflicting interests. The Firm may also face conflicts of interest in connection with purchase or sale transactions among Clients, or among a Client and the Firm or its affiliates. If an Associated Organization transacts in the same security in which a Client transacts or has transacted in a manner that causes an actual or potential conflict of interest, it is the policy of the Firm to always place the interests of the relevant Client or Clients ahead of the interests of the Associated Organization.

Section 206 of the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Very generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a “principal transaction”), the investment adviser or the affiliate must make certain disclosures to the client of the terms of the proposed transaction and obtain the client’s consent to the transaction. The Firm has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions.

A cross transaction is a pre-arranged transaction between two different clients both of which are managed by the same adviser. In the event the Clients engage in cross transactions, the Firm will ensure that such transactions are in the best interest of each of the participating Clients and in accordance with the Firm’s policies relating to cross transactions. The Firm will not directly or indirectly receive any commission or other transaction-based compensation for effecting any cross transaction.

Certain Associated Organizations may from time to time provide the Operating Services and information technology services to the Firm, the Clients, or to certain individuals who are related to one or both of the Principals by birth or marriage (including trusts, estate vehicles, or other entities formed by or for the benefit of such individuals) several of whom may be investors. Such services will be provided at what is believed to be at or below a fair market rate for such services. The Clients may be charged for these services.

An Associated Organization provides property administration services for certain “qualified opportunity zone” real property. 40 North QOZ (or a subsidiary thereof) may compensate such Associated Organization for such services through hourly fees or an annual fixed fee. The Associated Organizations do not engage in or provide the Firm or the Clients with investment advisory services.

40 North Investments has a direct investment in 237 Beige. Each of the Firm and the managing member of 237 Beige has waived its fees with respect to investments made in 237 Beige. 40 North Latitude wholly owns an SPV that, in turn, wholly owns 40 North QOZ. Each of the Firm and the General Partner of 40 North Latitude Feeder has waived its fees at the 40 North Latitude level with respect to investments made by 40 North QOZ. The Firm receives a management fee directly from 40 North QOZ.

40 North Investments has an indirect investment in Winter Properties. Winter Properties is a privately held, vertically integrated real estate investment management business. The Principals serve as Principals and co-CEOs of Winter Properties. Winter Properties has certain profit sharing arrangements whereby, based on certain performance hurdles, the Principals, through certain vehicles controlled by the Principals, may receive profit shares and cash distributions. If issued, such profit shares and cash distributions will have a dilutive effect on the allocable value to investors in Winter Properties, including 40 North Investments. To avoid any double-charging of fees, the Firm and the General Partner of 40 North Investments have waived the fees with respect to the indirect investment by 40 North Investments in Winter Properties. Although Winter Properties does not have the same fee structure as 40 North Investments, under most circumstances the Winter Properties fees will be less than those fees paid via 40 North Investments for the following reasons:

- The Winter Properties incentive fee is not taken until after a 5% annual distribution is made to its investors.
- There are no management fees charged at Winter Properties.
- The Winter Properties incentive fee is set on a graduated scale where marginal dollars have varying incentive rates, as compared to a flat 20% rate at 40 North Investments.

There are other instances when the Principals, employees of the Firm or other Access Persons may hold board of directors or advisory board seats with companies in which the Clients hold positions. Compensation may be received and retained for such roles with no offset against Management Fees.

Personal Trading. Covered Persons may take action for their personal accounts that may differ from advice given and action taken by the Firm on behalf of the Clients. In addition, the Covered Persons may invest in third-party private investment funds that invest in some of the

same securities the Firm invests in on behalf of the Clients. Furthermore, from time to time, Covered Persons may have pre-existing investment positions or interests in the same securities recommended to or owned by the Clients. As such, the Firm may purchase or sell for the Discretionary Funds securities of an issuer in which Covered Persons also have a pre-existing position or interest.

Notwithstanding the restrictions on personal trading contained in the Firm's Code of Ethics, allowing Access Persons to trade for their personal accounts presents various potential conflicts of interest. For example, Access Persons could devote excessive time to managing their personal trading accounts and thus could potentially neglect the Discretionary Funds' investments and trading activities. The Firm maintains compliance policies and procedures, including personal trading policies, which are designed to address or mitigate potential conflicts of interest (see "Code of Ethics" above).

Item 12. Brokerage Practices

Brokerage Policy and Procedures

It is the Firm's policy to execute portfolio transactions in the best interests of the Discretionary Funds and to seek to obtain "best execution" of each and every transaction made by the Firm for a Discretionary Fund (except where the Firm does not have the authority to select the broker or dealer or to negotiate the price or commission). "Best execution" generally means the execution of Discretionary Fund trades at the best net price considering all relevant circumstances. The Firm is not obligated to obtain the lowest possible commission cost, but rather should determine whether the transaction represents the best qualitative execution for the Discretionary Funds based on all relevant factors considered. The Firm has adopted procedures to help it apply this policy.

In order to help ensure best execution and to oversee other operations of the Firm, the Firm has an Operating Committee. The Operating Committee meets quarterly and is responsible for developing, evaluating and changing, when necessary, the Firm's order execution practices. The Operating Committee monitors broker-dealers to assess the quality of execution of brokerage transactions effected on behalf of the Firm and the Discretionary Funds based on the Firm's policies and procedures.

Selection of Broker-Dealers

The Firm is generally solely responsible for choosing the broker or brokers used for each securities transaction for the Discretionary Funds. In negotiating commission rates and selecting broker-dealers, the Firm will take into account the financial stability and reputation of the particular broker-dealer, the ability to achieve prompt and reliable executions at favorable prices, the operational efficiency with which transactions are effected and the brokerage and research services provided by such broker-dealer, among other factors. Selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable. However, the overall cost of doing business with a particular broker is one of the factors considered in selecting the broker-dealer used to execute a particular transaction.

Research and Other Soft Dollar Benefits

The Firm believes that valuable brokerage and research services can possibly be provided to the Discretionary Funds by brokerage firms effecting transactions for the Discretionary Funds. Accordingly, the Firm does not intend to seek lower brokerage commissions to the extent that doing so might detract from the provision of such brokerage and research services. Brokerage and research services may be either obtained from brokerage firms or paid for by brokerage firms and may include, but are not limited to, written information and analyses concerning specific securities, companies or sectors; news, quotation, statistics and pricing services, as well as discussions with research personnel and consultants; software, databases and other technical and telecommunications services utilized in the brokerage execution process and consulting fees in connection with investigating and monitoring potential and existing investments. Research services may include both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party. Research services, whether obtained through commissions arising from a Discretionary Fund's portfolio transactions or paid for by the Firm and charged to a Discretionary Fund, may be used by the Firm for the benefit of other Discretionary Funds and not strictly the Discretionary Fund that paid for the benefits. With regard to the use of commissions or "soft dollars," it is the Firm's intent to stay within the parameters of Section 28(e) of the Securities Exchange Act of 1934, as amended.

When the Firm uses brokerage commissions to obtain research or other products or services, the Firm receives a benefit because the Firm does not have to produce or pay for such research, products or services. The Firm may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on the Discretionary Funds' interest in receiving the most favorable execution.

Order Routing Credits or Rebates

The Firm receives a credit from a service provider for using its electronic order entry system to submit trades for execution using the FIX order routing protocol. The size of the credit depends on the number of brokers with which the Firm has established FIX connections. The Firm can use the credit to acquire other products and services offered through the service provider. The Firm may therefore have an incentive to use this service provider and brokers set up to use the FIX order routing protocol over other available options. This potential conflict would be amplified when the Firm acquires products and services that it would otherwise have to pay to acquire (i.e., expenses that the Discretionary Funds do not pay or could not obtain through soft dollar arrangements as described above).

Client or Investor Referrals

In selecting or recommending broker-dealers, the Firm does not consider whether the Firm or a General Partner receives client or investor referrals from a broker-dealer or other third party.

Directed Brokerage

The Firm generally does not have Discretionary Fund-directed brokerage arrangements.

Aggregation and Allocation of Orders

If the Firm has multiple open orders to purchase (or sell) an investment for more than one Discretionary Fund, the Firm will endeavor to place combined orders (i.e., “bunch”) for all such Discretionary Funds. SSIs and SPVs shall be deemed separate Discretionary Funds solely for purposes of aggregating and allocating orders. In many instances, “bunching” of orders can result in lower commissions, a more favorable net price or more efficient execution than if each Discretionary Fund’s order were placed separately. There may, however, be instances in which order bunching results in a less favorable transaction than a particular Discretionary Fund would have obtained by trading separately. Similarly, when orders are not bunched, there may be circumstances when purchases or sales of portfolio securities for one or more Discretionary Funds will have an adverse effect on other Discretionary Funds. The Firm is not obligated to place all transactions on a “bunched” basis, and in determining whether or not to “bunch” orders the Firm relies on the judgment of certain of its trading personnel as to what course of action is likely to be fair and in the best interests of the relevant accounts on an overall basis. That is, the Firm seeks to avoid putting any Discretionary Fund at an advantage or disadvantage compared to the Firm’s other Discretionary Funds that are buying or selling the same security. Each Discretionary Fund participating in a “bunched” order will participate at the same price as all other participants, and all transaction costs on the order will be allocated to all participating Discretionary Funds *pro rata* based on prior month-end net AUM. In the event that a Discretionary Fund submits a trade order for a security after a transaction in the same security has already commenced for another Discretionary Fund, all subsequent trades of the security will be allocated among the participating Discretionary Funds *pro rata* based on prior month-end net AUM. In the event of a partial fill, securities will be allocated *pro rata* based on prior month-end net AUM.

An Associated Organization participating in a “bunched” order will participate at the same price as a Discretionary Fund and all transaction costs on the order will be allocated on an ownership position basis. In the event that a Discretionary Fund and an Associated Organization participate in a “bunched” order, each will participate at the same price and all transaction costs on the order will be allocated on an ownership position basis. The interests of the Discretionary Fund will at all times be placed ahead of the interests of the Associated Organization. All trades of the security will be allocated in accordance with the independent discretion of the Principals of the Firm, however, allocation decisions will be made prior to order execution.

See Item 11 “Conflicts of Interest” above for more information regarding conflicts of interest related to aggregating or “bunching” orders.

There will be circumstances when not all of the Discretionary Funds participate in investment transactions; the level of participation among the Discretionary Funds in parallel investment transactions is not on a *pro rata* basis; the terms of parallel investment transactions vary among one or more of the Discretionary Funds; one or more of the Discretionary Funds effectively engage in opposite transactions with respect to a particular investment (e.g., one Discretionary Fund acquires a long position in a security while one Discretionary Fund sells or shorts the security); and/or investment transactions among the Discretionary Funds vary in other respects. In such cases, the Firm will seek to allocate trades in a manner using its reasonable business judgment so as to reach the respective investment goals of the Discretionary Funds. Non-parallel

and/or non-*pro rata* investment transactions among the Discretionary Funds will be made at the discretion of the Firm, when (i) deemed appropriate given the differences between the Discretionary Funds involved and/or (ii) deemed appropriate because the target holdings of the particular investment that the Firm has established with respect to the relevant Discretionary Funds differ. Investment and allocation decisions may differ among the Discretionary Funds due to, among other things, investment objectives, investment strategies, investment parameters and restrictions, portfolio management personnel, tax considerations, liquidity considerations, hedging considerations, legal and/or regulatory considerations, asset levels, the timing and size of investor capital contributions and redemptions, cash flow considerations, market conditions, existing exposures to an investee company or security, and other criteria the Firm deems relevant.

Since the Multi-Manager Portfolios invest primarily in Underlying Funds, they do not generally invest in the same investment opportunities as the Discretionary Funds. After performing due diligence on a possible investment for the Multi-Manager Portfolios, the Firm will review the offering and determine if the offering would be beneficial and is within the investment guidelines for each Multi-Manager Portfolio. Consideration is also given to the fact that Ronsam and Alettar (non-discretionary Clients of the Firm), through their investments in 40 North Latitude, have exposure to investments made by 40 North Advisers. The process of recommending investments for any one of the Multi-Manager Portfolios is subjective in so much as each Client has a unique risk/reward threshold and liquidity profile, as determined by the ultimate investment decision maker. Given those differences, very few, if any, potential investments would be relevant for all Clients. When there is an investment that might be deemed suitable for multiple Multi-Manager Portfolios, given their respective investment mandates, a chief investment officer will specifically discuss that investment with the relevant decision makers.

Item 13. Review of Accounts

Oversight and Monitoring

The Firm provides continuous oversight and monitoring services for the Discretionary Funds. The Operating Committee, currently comprised of the CFO, the CCO, the Head Trader, and the COO, meets quarterly to review and evaluate, among other things, (a) Client portfolios and corresponding investment restrictions, (b) new brokerage relationships, (c) all proxy votes against management recommendations, (d) class action notices received, (e) prior quarter's investment risks for Discretionary Funds' portfolios, and (f) overall liquidity and leverage.

On a semi-annual basis, the Operating Committee will review and evaluate (a) the suitability of private investments and (b) the risk assessment findings for third party managers. The Operating Committee will also review proxy voting procedures annually. The Firm's investment team meets on a more regular basis to discuss specific investment opportunities and decisions.

Reporting

The Firm provides monthly, quarterly, and/or periodic reports and/or account statements in accordance with the applicable Governing Documents and as may be agreed with particular investors or Clients. The Firm has engaged an independent public accounting firm to prepare

audited financial statements of the Discretionary Funds and Winter Properties. The audited financial statements are delivered to the underlying investors of the Discretionary Funds and Winter Properties within 120 days after the end of each fiscal year (or such shorter period as may be set forth in the applicable Governing Documents).

Item 14. Client Referrals and Other Compensation

Other than as described under Item 12 (Brokerage Practices), the Firm does not receive any economic benefit from an entity that is not a Client for providing investment advice or other advisory services, nor does the Firm compensate any broker-dealer or other third party for client or investor referrals.

Item 15. Custody

Since the General Partners are affiliated with the Firm and the Firm serves as Manager of Winter Properties, the Firm is deemed to have “custody” within the meaning of Rule 206(4)-2 under the Advisers Act. The Firm has engaged a PCAOB-registered independent accounting firm to perform an annual audit of the Discretionary Funds and Winter Properties and distribute audited financial statements prepared in accordance with generally accepted accounting principles to the underlying investors of the Discretionary Funds and Winter Properties within 120 days after the end of each fiscal year.

Item 16. Investment Discretion

Services are provided to the Discretionary Funds in accordance with the Advisory Agreements and/or applicable Governing Documents of each Discretionary Fund and Winter Properties. Investment advice is provided directly to the Clients, and not individually to the investors in such entities. Investment restrictions of the Clients, if any, are generally established in the applicable Governing Documents.

The Firm does not have investment discretion for Ronsam, RFH Foundation, and Alettat.

Item 17. Voting Client Securities

The Firm has adopted voting policies and procedures that are designed to ensure that in cases where the Firm votes proxies with respect to securities, such proxies are voted in the best interest of the Discretionary Funds in accordance with the Firm’s fiduciary duties and Rule 206(4)-6 under the Advisers Act. It is the general policy of the Firm to vote or give consent on all matters presented to security holders in any vote, and the Firm’s policies and procedures have been designed with that in mind. However, the Firm reserves the right to abstain on any particular vote or otherwise withhold its vote or consent on any matter if, in the judgment of the Principals, the CCO or the relevant Firm investment professional(s), the costs associated with voting a particular vote outweigh the benefits to the relevant Discretionary Funds, or if the circumstances make such an abstention or withholding otherwise advisable and in the best interests of the relevant Discretionary Fund.

From time to time, the Clients may engage unaffiliated investment advisers to manage a portion of Client assets in separately managed accounts (“Managed Account Assets”). Accordingly, the Clients may delegate proxy voting authority, limited to matters arising out of such Managed Account Assets, to such unaffiliated investment advisers.

The Firm recognizes that as a fiduciary it has a duty to act with the highest standard of good faith, loyalty, fair dealing and due care. If class action documents are received by the Firm on behalf of its Clients, the Firm will either participate in, actively opt out of, or take no action with respect to such class action lawsuit. When a recovery is achieved in a class action, Clients that owned shares in the company subject to the action have the option to either: (1) opt out of the class action and pursue their own remedy; or (2) participate in the recovery achieved via the class action. The Firm will determine if it is in the Clients’ best interest to attempt to recover funds from a class action.

The Firm also invests in certain types of assets that carry with them potential activist roles in the management of the issuer. The Firm’s active management of such assets includes, but is not limited to, participation in endorsements, ad hoc committees and bankruptcy hearings. These activities do not have proxy notices associated with them and may fall outside of the scope of Rule 206(4)-6 under the Advisers Act. However, as a fiduciary, the Firm manages such activities in the best interest of each Client.

Aside from Ronsam, RFH Foundation, and Alettar, investors cannot direct the Firm as to how to vote in a particular solicitation.

This summary of the Firm’s voting policies and procedures is qualified in its entirety by the Firm’s voting policies and procedures. The Firm will make information regarding how proxies were voted available upon request to any Client or investor and a copy of the Firm’s voting policies and procedures is available to any Client or investor upon request by contacting Howard Zauderer at (212) 821-1635 or compliance@40north.com.

Conflicts of Interest

The Firm and its affiliates engage in a broad range of activities. In the ordinary course of conducting the Firm’s activities, the interests of a Client may conflict with the interests of the Firm, its affiliates, their respective employees, or other Clients. Any conflicts of interest relating to the Firm voting or giving consent with respect to the securities owned by Clients for which the Firm exercises voting authority and discretion (“Voting” or “Votes”), regardless of whether actual or perceived, will be addressed in accordance with these policies and procedures.

The Firm’s CCO has the responsibility to monitor Voting decisions for any conflicts of interest. All Voting decisions will require a mandatory conflicts of interest review by the CCO in accordance with these policies and procedures, which will include consideration of whether the Firm or any investment professional or other person recommending how to Vote has an interest in the Vote that may present a conflict of interest. In addition, all Firm investment professionals must perform their tasks relating to Votes in accordance with the principles set forth above, according the first priority to the best interest of the relevant Clients. If at any time any investment professional becomes aware of any potential or actual conflict of interest or perceived conflict of interest regarding any particular Voting decision, he or she must contact the CCO. If

any investment professional is pressured or lobbied either from within or outside of the Firm with respect to any particular Voting decision, he or she must contact the CCO. The CCO will use his best judgment to address any such conflict of interest and ensure that it is resolved in accordance with his or her independent assessment of the best interests of the relevant Clients.

When the CCO deems appropriate in his sole discretion, unaffiliated third parties may be used to help resolve conflicts. In this regard, the CCO shall have the power to retain independent fiduciaries, consultants, or professionals to assist with Voting decisions and/or to delegate Voting or consent powers to such fiduciaries, consultants or professionals. Additional considerations in the case of possible or perceived conflicts might arise, along with the need for related additional procedures, in the case of Clients subject to ERISA.

Item 18. Financial Information

Item 18.A is not applicable to the Firm, as it does not require or solicit prepayment of fees six months or more in advance.

In response to Item 18.B, the Firm is not currently aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to the Clients.

Item 18.C is not applicable to the Firm, as it has not been subject to a bankruptcy petition during the past ten years.

Item 19. Requirements for State-Registered Firms

Item 19 is not applicable to the Firm as it is not registered with any state securities authority.

APPENDIX A

INVESTMENT RISKS

Equity Risk. The market price of securities owned by a Client may go up or down, sometimes rapidly or unpredictably. A risk of investing in a Client is that the equity securities in its portfolio will decline in value due to factors affecting equity securities markets generally or particular industries represented in those markets. The values of equity securities may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Other risks of investing globally in equity securities may include changes in currency exchange rates, exchange control regulations, expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and difficulty in obtaining and enforcing judgments against non-U.S. entities. In addition, securities which the Firm believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame the Firm anticipates. As a result, a Client may lose all or substantially all of its investment in any particular instance.

Risk and Event Arbitrage Risk. A Discretionary Fund may employ strategies that involve risk and event arbitrage. These strategies seek to assess the probability that an announced or potential transaction will be completed, the timing of such transaction and the risk that it will occur differently than expected. The transaction may be a merger, tender offer, sale, liquidation, spin-off, exchange offer or other extraordinary transaction. The decision to initiate a risk arbitrage position will depend upon the price differential or “spread” between the market price and the expected value at consummation, and upon whether or not such “spread” is large enough to compensate for both the time until closing and the risks associated with the transaction. An investment may also depend on the potential for other buyers to emerge at higher prices. The assessment of probability, risk, valuation and timing requires analysis of business, financial, regulatory and legal issues specific to each transaction. A risk and event arbitrage investment may involve long or short positions, or a combination. If a proposed transaction is not consummated or is delayed, the market price of a security may decline and result in losses to a Discretionary Fund. In certain transactions, a Discretionary Fund may not be effectively hedged against market fluctuations unrelated to the anticipated transaction but which may affect the value of the consideration to be received. This may result in losses, even if a proposed transaction is consummated.

Fixed-Income Securities. A Discretionary Fund may invest in bonds or other fixed-income securities, including, without limitation, commercial paper and “higher yielding” (and, therefore, higher risk) debt securities. Such securities may be below “investment grade” and may face ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the issuer’s inability to make timely interest and principal payments. The market values of certain of these lower-rated debt securities tend to reflect individual corporate

developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue lower-rated debt securities often are highly leveraged and may not have access to more traditional methods of financing. Trading in such securities may be limited or disrupted by an economic recession, resulting in an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could affect adversely the ability of the issuers of such securities to repay principal and pay interest thereon and, therefore, increase the incidence of default for such securities.

Risks of Derivative Instruments. A Discretionary Fund may engage in a variety of derivative transactions. All derivative instruments, including options, forward contracts and swap contracts involve risks different from, and in certain cases greater than, the risks presented by more traditional investments. Many derivative instruments are subject to documentation risk. Because the contract for each over-the-counter derivative transaction is individually negotiated with a specific counterparty, there exists the risk that the parties may interpret contractual terms (e.g., the definition of default) differently when a Discretionary Fund seeks to enforce its contractual rights. If that occurs, the cost and unpredictability of the legal proceedings required for a Discretionary Fund to enforce its contractual rights may lead a Discretionary Fund to decide not to pursue its claims against the counterparty.

Because many derivatives have a leverage component, adverse changes in the value or level of the underlying asset, rate or index may result in a loss substantially greater than the amount invested in the derivative itself. In the case of swaps, the risk of loss generally is related to a notional principal amount, even if the parties have not made any initial investment. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment.

In addition, many derivatives, in particular over-the-counter derivatives, are complex and often valued subjectively, which increases the risk of mispricing or improper valuation, and there can be no assurance that the pricing models employed by the Firm will produce valuations that are reflective of levels at which such over-the-counter derivatives may actually be closed out or sold. This valuation risk may be more pronounced in cases where a Discretionary Fund enters into over-the-counter derivatives with specialized terms. Improper valuations may result in increased cash payment requirements to counterparties, under collateralization, errors in the calculation of a Discretionary Fund's net asset value and/or a loss of value to a Discretionary Fund. Furthermore, derivatives do not perfectly track the value of the assets, rates or indices they are designed to track. The risk may be more pronounced when outstanding notional amounts in the market exceed the amounts of the referenced assets. As further described herein, derivatives are also subject to other risks, including, but not limited to, market, management, counterparty documentation, liquidity and leverage risks.

Commodity Risk. Generally, a Discretionary Fund may invest directly or indirectly in commodities such as precious metals, oil and natural gas. Investments in commodities may subject a Discretionary Fund to greater volatility than investments in traditional securities and may cause a Discretionary Fund to incur additional tax liability. The value of commodities and commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular

industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments.

Gold and Other Precious Metals Risk. Investments related to gold and other precious metals are considered speculative and are affected by a variety of worldwide economic, financial and political factors. The price of gold and other precious metals may fluctuate sharply over short periods of time due to changes in inflation or expectations regarding inflation in various countries, the availability of supplies of gold and other precious metals, changes in industrial and commercial demand, gold and other precious metals sales by governments, central banks or international agencies, investment speculation, monetary and other economic policies of various governments and government restrictions on private ownership of gold and other precious metals. No income is derived from holding physical gold or other precious metals, which is unlike securities that may pay dividends or make other current payments. Although a Discretionary Fund has contractual protections with respect to the credit risk of their custodian, gold held in physical form (even in a segregated account) involves the risk of delay in obtaining the assets in the case of bankruptcy or insolvency of the custodian. This could impair disposition of the assets under those circumstances. Holding physical gold also has an increased risk of loss and expense in connection with the transportation of such assets to and from a Discretionary Fund's custodian.

Physical Commodities and Physical Delivery Risk. In addition, certain futures contracts in which a Discretionary Fund may invest are not required to be cash-settled and it is possible to take physical delivery of commodities underlying such futures contracts. A Discretionary Fund may also trade in physical commodities and take delivery thereof. Such commodities may be subject to the risk of theft, spoilage, destruction and similar risks. In addition, storage, insurance and other costs associated with holding commodities will affect the value of such contracts. In the event that a Discretionary Fund holds physical commodities and one or more of the foregoing risks materialize, and in light of the costs associated with holding commodities, a Discretionary Fund may suffer losses.

Pooled Investment Vehicles. A Client may invest or take short positions in pooled or bundled investment vehicles. These investments may include both registered (including open-end, closed-end and exchange-traded) investment companies and unregistered funds, including those managed by the Firm, a Client's service providers, or one or more of their respective affiliates. These investments may also include income trusts.

A Client may invest in exchange-traded funds ("ETFs"). Investors in a Client should note that such Client's investment in certain pooled investment vehicles could be limited by applicable regulatory limitations and requirements. For example, absent an exemption from the SEC, a Client's investments in any U.S. registered open-end investment company will generally be limited to no more than 3% of such investment company's total outstanding voting securities. In addition, a Client's investment in a fund which has not registered under the 1940 Act in reliance on section 3(c)(1) of the 1940 Act will generally be limited to less than 10% of such fund's total outstanding voting securities.

Investments by a Client in pooled investment vehicles may involve a layering of fees and other costs. In addition, investment decisions of such vehicles are made by their investment advisers

independently of each other. As a result, at any particular time one investment vehicle may be purchasing securities of an issuer whose securities are being sold by another investment vehicle and a Client could indirectly incur certain transaction costs without accomplishing any net investment result. A Client is also exposed to the risk that the underlying funds do not perform as expected.

In particular, investments in ETFs involve the risk that the ETF's performance may not track the performance of the index (if any) the ETF is designed to track. Unlike the index, an ETF incurs administrative expenses and transaction costs in trading securities. In addition, the timing and magnitude of cash inflows and outflows from and to investors buying and redeeming shares in the ETF could create cash balances that cause the ETF's performance to deviate from the index (which remains "fully invested" at all times). Performance of an ETF and the index it is designed to track also may diverge because the composition of the index and the securities held by the ETF may occasionally differ. In addition, ETFs often use derivatives to track the performance of the relevant index and, therefore, investments in those ETFs are subject to the same derivatives risks discussed.

Options. A Discretionary Fund may invest in options. Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. Although an option buyer's potential loss is limited to the amount of the original investment for the purchase of the option, an investment in an option may be subject to greater fluctuation than is an investment in the underlying securities. An uncovered call writer's potential loss is governed by the pay-off structure of the instrument and may be unlimited. The risk for a writer of a put option is that the price of the underlying securities may fall below the exercise price. The ability to trade in or exercise options may be restricted in the event that trading in the underlying securities interest becomes restricted.

Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size, and strike price, the terms of over-the-counter options (options not traded on exchanges) are generally established through negotiation with the other party to the option contract. While this type of arrangement allows a Discretionary Fund greater flexibility to tailor an option to its needs, over-the-counter options generally involve greater credit risk than exchange-traded options, which are guaranteed by the clearing organization of the exchanges where they are traded.

Swaps. A Discretionary Fund may utilize swaps and other derivative transactions where it believes it will further the objectives of such Discretionary Fund. Notional amounts of swap transactions are not subject to any limitations, and swap contracts may expose a Discretionary Fund to unlimited risk of loss. Swaps may be used as an alternative to futures contracts. To the extent a Discretionary Fund invests in repos, swaps, forwards, futures, options and other "synthetic" or derivative instruments, counterparty exposures can develop and such Discretionary Fund takes the risk of nonperformance by the other party on the contract. This risk may differ materially from those entailed in exchange-traded transactions which generally are supported by guarantees of clearing organizations, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. In the international securities markets, the

existence of less mature settlement structures and systems can result in settlement default and exposure to counterparty credits.

Futures and Related Options. The Firm may buy and sell futures contracts and related options on behalf of a Discretionary Fund. A futures contract is an agreement between two parties to buy and sell a specific quantity of a commodity or security (including an index) for a set price at a future date. A Discretionary Fund may also buy and sell call and put options on futures or on securities indexes in addition to or as an alternative to purchasing or selling futures contracts.

The use of futures and options involves certain special risks. Futures and options transactions involve costs and may result in losses. Certain risks arise because of the possibility of imperfect correlations between movements in the prices of futures and options and movements in the prices of the underlying securities, securities index, currencies or other commodities or of the securities or currencies in a Discretionary Fund's portfolio which are the subject of the hedge (to the extent such Discretionary Fund uses futures and options for hedging purposes). The successful use of futures and options further depends on the Firm's ability to forecast market or interest rate movements correctly. Other risks arise from a Discretionary Fund's potential inability to close out its futures or options positions, and there can be no assurance that a liquid secondary market will exist for any futures contract or option at a particular time. The use of futures and options for purposes other than hedging is regarded as speculative. Certain regulatory requirements may also limit a Discretionary Fund's ability to engage in futures and options transactions.

Short Sales. The Firm may make short sales of investment securities on behalf of a Discretionary Fund. In a short sale, the seller sells a security that it does not own, typically a security borrowed from a broker or dealer. Because the seller remains liable to return the underlying security that it borrowed from the broker or dealer, the seller must purchase the security prior to the date on which delivery to the broker or dealer is required. The making of short sales exposes a Discretionary Fund to the risk of liability for the market value of the security that is sold, which is an unlimited risk due to the lack of an upper limit on the price to which a security may rise. In addition, there can be no assurance that securities necessary to cover a short position will be available for purchase or that securities will be available to be borrowed by a Discretionary Fund at reasonable costs. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a "short squeeze" can occur, and a Discretionary Fund may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short.

The SEC has in the past adopted interim rules requiring reporting of all short positions above a certain *de minimis* threshold and is expected to adopt rules requiring monthly public disclosure of short positions in the future. In addition, other non-U.S. jurisdictions where a Discretionary Fund may trade have adopted reporting requirements. If a Discretionary Fund's short positions or its strategy become generally known, it could have a significant effect on the Firm's ability to implement its investment strategy. In particular, it would make it more likely that other investors could cause a "short squeeze" in the securities held short by a Discretionary Fund, forcing such Discretionary Fund to cover its positions at a loss. Such reporting requirements may also limit the Firm's ability to access management and other personnel at certain companies where the

Firm seeks to take a short position. In addition, if other investors engage in copycat behavior by taking positions in the same issuers as the Discretionary Fund, the cost of borrowing securities to sell short could increase drastically and the availability of such securities to the Discretionary Fund could decrease drastically. Such events could make the Discretionary Fund unable to execute its investment strategy. The SEC has recently adopted restrictions on the short sale of securities which fall more than 10 percent in a given day (referred to as the “circuit breaker” or “modified uptick rule”). It is unclear what effect, if any, these restrictions will have on the Discretionary Funds. If the SEC were to adopt additional restrictions on short sales, such restrictions could restrict the Discretionary Funds’ ability to engage in short sales in certain circumstances, and the Discretionary Funds may be unable to execute their investment strategies as a result.

The SEC and regulatory authorities in other jurisdictions may adopt (and in certain cases have adopted) bans on short sales of certain securities in response to market events. Bans on short selling may make it impossible for a Discretionary Fund to execute certain investment strategies and may have a material adverse effect on a Discretionary Fund’s ability to achieve its investment objective and generate returns. In addition, engaging in short selling may increase the risk of a Discretionary Fund becoming subject to government investigation.

Financial Market Fluctuations. General fluctuations in the market prices of securities may affect the value of the investments held by a Client. Instability in the securities markets will also likely increase the risks inherent in a Client’s investments. There is no guarantee that ordinary and prudent precautions for natural and other disasters will provide an effective connection between the Firm and markets in the event of large-scale disruptions in the United States or, alternatively, in the countries where the Firm executes trades.

Leverage. The Firm may utilize leverage in investing a Discretionary Fund’s assets, including through engaging in trading on margin by borrowing funds and pledging securities as collateral. While such use of borrowed funds increases returns if a Discretionary Fund earns a greater return on the incremental investments purchased with borrowed funds than it pays for such funds, the use of leverage decreases returns if such Discretionary Fund fails to earn as much on such incremental investments as it pays for such funds. The effect of leverage may therefore result in a greater decrease in the net asset value of a Discretionary Fund than if such Discretionary Fund were not so leveraged. Any use by a Discretionary Fund of short-term margin borrowings will result in certain additional risks to such Discretionary Fund. For example, the securities pledged to brokers to secure a Discretionary Fund’s margin accounts could be subject to a “margin call,” pursuant to which such Discretionary Fund would be required to either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. A sudden, precipitous drop in value of a Discretionary Fund’s assets accompanied by corresponding margin calls could force such Discretionary Fund to liquidate assets quickly, and not for what the Firm perceives to be their fair value, in order to pay off its margin debt. In addition, a Discretionary Fund may engage in certain derivative transactions which implicitly contain leverage and subject such Discretionary Fund to the same risks discussed above.

Leveraged Companies. A Discretionary Fund’s investments may include companies whose capital structures have significant leverage. Such investments are inherently more sensitive to

declines in revenues and to increases in expenses and interest rates. The leveraged capital structure of such investments will increase the exposure of the portfolio companies to adverse economic factors such as downturns in the economy or deterioration in the condition of the portfolio company or its industry. Additionally, the securities acquired by a Discretionary Fund may be the most junior in what will typically be a complex capital structure, and thus subject to the greatest risk of loss.

Bank Loans. Risks associated with bank loans include (i) the fact that prepayments generally may occur at any time without premium or penalty and that the exercise of prepayment rights during periods of declining spreads could cause a Discretionary Fund to reinvest prepayment proceeds in lower-yielding investments; (ii) the borrower's inability to meet principal and interest payments and interest payments on its obligations (*i.e.*, credit risk); and (iii) price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the borrower and general market liquidity (*i.e.*, market risk). If bank loans become nonperforming, the loans may require substantial workout negotiations or restructuring that may result in, among other things, a substantial reduction in the interest rate and/or a substantial write-down of the principal of the loan.

In addition to the risks noted above, due to required third-party consents or other reasons, certain loans may not be purchased or sold as easily or as quickly as publicly traded securities. Moreover, historically, the trading volume in the loan market has not been as liquid as the market for public securities.

A Discretionary Fund may acquire interests in loans either directly (by way of assignment ("Assignment")) or indirectly (by way of participation ("Participation")) or through the acquisition of synthetic securities, structured finance securities or interests in lease agreements that have the general characteristics of loans and are treated as loans for withholding tax purposes. A Discretionary Fund may also originate loans either directly or through direct or indirect subsidiaries or special purpose vehicles established by the Firm. The purchaser, in an Assignment of a loan obligation, typically succeeds to all the rights and obligations of the selling institution (the "Selling Institution") and becomes a lender under the loan or credit agreement with respect to the debt obligation. In contrast, Participations acquired by a Discretionary Fund in a portion of a debt obligation held by a Selling Institution typically result in a contractual relationship only with such Selling Institution, not with the obligor. A Discretionary Fund would have the right to receive payments of principal, interest and any fees to which it is entitled under the Participation only from the Selling Institution and only upon receipt by the Selling Institution of such payments from the obligor. In purchasing a Participation, a Discretionary Fund generally will have no right to enforce compliance by the obligor with the terms of the loan or credit agreement or other instrument evidencing such debt obligation, nor any rights of setoff against the obligor, and a Discretionary Fund may not directly benefit from the collateral supporting the debt obligation in which it has purchased the Participation. As a result, a Discretionary Fund would assume the credit risk of both the obligor and the Selling Institution. In the event of the insolvency of the Selling Institution, a Discretionary Fund may be treated as a general creditor of the Selling Institution in respect of the Participation and may not benefit from any setoff between the Selling Institution and the obligor.

Purchasers of loans are predominately commercial banks, investment funds and investment banks. As secondary market trading volumes increase, new loans frequently contain standardized documentation to facilitate loan trading that may improve market liquidity. There can be no assurance, however, that future levels of supply and demand in loan trading will provide an adequate degree of liquidity or that the current level of liquidity will continue. Because holders of such loans are provided confidential information relating to the borrower, the unique and customized nature of the loan agreement and the private syndication of the loan, loans are not purchased or sold as easily as publicly traded securities are purchased or sold. In addition, historically the trading volume in the loan market has been small relative to the market for high yield debt securities.

High Yield Securities. A Discretionary Fund may make investments in “high yield” debt and preferred securities which are rated lower than investment grade by the various credit rating agencies (or in comparable non-rated securities). Securities that are rated lower than investment grade are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer’s capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those for higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

Securities that are rated BB+ or lower by Standard & Poor’s Ratings Group (“S&P”) or Ba1 or lower by Moody’s Investors Service (“Moody’s”) are often referred to in the financial press as “junk bonds” and may include securities of issuers in default. “Junk bonds” are considered by the rating agencies to be predominately speculative and may involve major risk exposures such as: (i) vulnerability to economic downturns and changes in interest rates; (ii) sensitivity to adverse economic changes and corporate developments; (iii) redemption or call provisions which may be exercised at inopportune times; and (iv) difficulty in accurately valuing or disposing of such securities.

Distressed Investments. The Discretionary Funds are authorized to invest in the securities and obligations of distressed and bankrupt issuers, including debt obligations that are in covenant or payment default. Such investments generally are considered speculative. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid, if at all, only after lengthy workout or bankruptcy proceedings, during which the issuer might not make any interest or other payments and the amount of any recovery may be affected by the relative security of a Discretionary Fund’s investment in the capital structure of the issuer. In addition, distressed investments are more likely to be challenged as fraudulent conveyances and amounts paid on the investment may be subject to avoidance as a preference under certain circumstances.

Corporate Debt. A Discretionary Fund may invest in corporate debt. Corporate debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on the obligation and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. When interest rates rise, the value of corporate debt securities can be expected to decline. Debt securities with longer maturities tend to be more sensitive to interest rate movements than those with shorter maturities.

Zero-Coupon and Deferred Interest Rate Bonds. A Discretionary Fund may invest in zero coupon bonds and deferred interest bonds, which are debt obligations issued at a significant discount from face value. The original discount approximates the total amount of interest the bonds will accrue and compound over the period until maturity or the first interest accrual date at a rate of interest reflecting the market rate of the security at the time of issuance. While zero coupon bonds do not require the periodic payment of interest, deferred interest bonds generally provide for a period of delay before the regular payment of interest begins. Such investments experience greater volatility in market value due to changes in interest rates than debt obligations that provide for regular payments of interest.

Investment in Illiquid Securities. A Discretionary Fund may invest part of its assets in investments that the Firm determines to be illiquid, lacking a readily ascertainable market value or that otherwise should be held, in the opinion of the Firm, until the resolution of a special event or circumstance (*i.e.*, special situation assets). However, the Firm may designate as special situation assets any amount of investments that were previously acquired by a Discretionary Fund and, in the Firm's sole discretion, have since become illiquid or lacking a readily ascertainable market value. A Discretionary Fund may acquire and hold investments which are illiquid or lacking a readily ascertainable fair value, which have not been designated by the Firm as special situation assets and are therefore not subject to the above restriction. Due to their illiquidity, valuing such assets may be subject to uncertainty and subjectivity.

Certain special situation assets and other assets and liabilities for which no such market prices are available may be carried on the books of a Discretionary Fund at cost (or, in the case of a pre-existing Discretionary Fund investment that is designated as a special situation asset after it is acquired, at estimated fair market value as of the date of such designation) as reasonably determined by the Firm (except as otherwise required in the preparation of audited financials). There is no guarantee that cost will represent the value that will be realized by a Discretionary Fund on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment. A withdrawing limited partner with an interest in a special situation asset will not receive any amount with respect to such interest until the related special situation asset is realized or deemed realized. From time to time, the General Partners may, in their sole discretion, choose to modify or waive any certain terms applicable to one or more Discretionary Fund investors, including, but not limited to, fee terms, withdrawal terms, and notice requirements for investments in special situation accounts.

Special situation assets may include privately placed securities that are not registered under the Securities Act, and may have little or no trading market. In addition, a Discretionary Fund may not be able to readily dispose of such investments, and, in some cases, may be contractually prohibited from disposing of such securities for a specified period of time. These limitations on

liquidity of a Discretionary Fund's investments could prevent a successful sale thereof, result in delay of any sale, or reduce the amount of proceeds that might otherwise be realized.

Investments in special situation assets may occur as a result of, among other things, direct investments and a Discretionary Fund's purchase of debt instruments that convert to illiquid or private interests in the event of a reorganization of an entity's capital structure. A Discretionary Fund's special situation assets may involve a high degree of business and financial risk.

Real Estate. As a Client may invest in real estate and real-estate related investments, the net asset value of a Client's portfolio can be expected to change in light of factors affecting the real estate industry, including, for example, changes in the capital market and economic conditions, which can materially affect the value of the real estate investments, the supply of and demand for real property in certain markets; overbuilding; casualty or condemnation losses; delays in completion of construction; changes in real estate values; changes in operation costs and property taxes; levels of occupancy; adequacy of rent to cover operating expenses; possible environmental liabilities; regulatory limitations on rent; financial conditions of tenants; changes in the number of buyers and sellers of properties; changes in availability of financing; increases in interest rates, real estate tax rates, energy prices, and other operating expenses; changes in environmental laws and regulations, zoning laws and other governmental rules and policies; changes in the relative popularity of properties; risks due to dependence on cash flow; risks and operating problems arising out of the presence of certain construction materials, as well as acts of God, uninsurable losses and other factors which are beyond the Client's control; fluctuations in rental income; increased competition; and other risks related to international, national, local and regional geopolitical and economic conditions. In addition, real estate is subject to long-term cyclical trends that give rise to significant volatility in real estate values.

The market value of real-estate related investments also may be affected by changes in interest rates, macroeconomic developments, and social and economic trends. For instance, during periods of declining interest rates, certain mortgage real estate investment trusts ("REITS") may hold mortgages that the mortgagors elect to prepay, which prepayment may diminish the yield on securities issued by those REITs.

Some REITs have relatively small market capitalizations, which can tend to increase the volatility of the market price of their securities. REITs are subject to the risk of fluctuations in income from underlying real estate assets, poor performance by the REIT's manager and the Firm's inability to effectively manage cash flows generated by the REIT's assets, prepayments and defaults by borrowers, self-liquidation, adverse changes in the tax laws, and, with respect to U.S. REITs, the risk of failing to qualify for the special tax treatment granted to REITs under the Internal Revenue Code of 1986, as amended, and/or to maintain their exemption from investment company status under the 1940 Act. REITs depend generally on their ability to generate cash flow to make distributions to investors. Investments in REITs are subject to risks associated with the direct ownership of real estate.

Credit Market Illiquidity. Credit markets experienced an extended period of significant lack of liquidity beginning in 2007 and may experience such periods of significant lack of liquidity in the future. While this lack of liquidity may create opportunities for a Client to acquire assets at prices that the Firm believes are attractive, this lack of liquidity creates a number of risks. There

can be no assurance that the market will, in the future, become more liquid and it may well continue to be volatile for the foreseeable future. It is also possible that illiquidity in the market could cause prices to decline further, which may force a Client, to the extent it is leveraged, or other leveraged investment vehicles to sell assets to satisfy requirements under their borrowing arrangements or to meet margin calls, which could, in turn, create further downward price pressure. If there is a substantial decline in the market value of a Client's portfolio of investments, investments may need to be liquidated quickly, and may not be liquidated at what the Firm perceives to be fair value. Upheavals in the credit markets may cause margin borrowing costs and securities borrowing costs to increase or to make such arrangements unavailable. Such increases in borrowing costs may impact a Discretionary Fund's ability to utilize leverage and generate returns.

Asset Allocation Risk. A Discretionary Fund's performance depends upon the ability of the Firm's investment professionals to allocate and reallocate a Discretionary Fund's assets effectively among strategies. A Discretionary Fund may allocate assets to a strategy that underperforms other strategies. There is no guarantee that the Firm's judgments regarding such allocations will produce the most advantageous results.

Counterparty Risk. A Discretionary Fund is exposed to counterparty risk to the extent it uses "over-the-counter" derivatives, enters into repurchase agreements, lends its portfolio securities or allows a prime broker, if any, or an over-the-counter derivative counterparty to retain possession of collateral. If a counterparty fails to meet its contractual obligations, goes bankrupt, or otherwise experiences a business interruption, a Discretionary Fund could miss investment opportunities or otherwise hold investments it would prefer to sell, resulting in losses for a Discretionary Fund. Certain markets in which a Discretionary Fund may effect transactions are "over-the-counter" or "interdealer" markets, and may also include unregulated private markets. The lack of a common clearing facility in these markets creates counterparty risk. The participants in such markets typically are not subject to the same level of credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes the investor to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing a Discretionary Fund to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a Discretionary Fund has concentrated its transactions with a single or small group of counterparties. A Discretionary Fund may also be exposed to similar risks with respect to non-U.S. brokers in jurisdictions where there are delayed settlement periods.

There can be no assurance that a counterparty will be able or willing to make timely settlement payments or otherwise meet its obligations, especially during unusually adverse market conditions. A Discretionary Fund typically may only close out over-the-counter transactions with the relevant counterparty, and may only transfer a position with the consent of the particular counterparty. When a counterparty's obligations are not fully secured by collateral, then a Discretionary Fund is essentially an unsecured creditor of the counterparty. If the counterparty defaults, a Discretionary Fund will have contractual remedies, but there is no assurance that a counterparty will be able to meet its obligations pursuant to such contracts or that, in the event of default, such Discretionary Fund will succeed in enforcing contractual remedies. Counterparty

risk is still present even if a counterparty's obligations are secured by collateral because a Discretionary Fund's interest in collateral may not be perfected or additional collateral may not be promptly posted as required. To the extent a Discretionary Fund allows a prime broker, if any, or any over-the-counter derivative counterparty to retain possession of any collateral, such Discretionary Fund may be treated as an unsecured creditor of such counterparty in the event of the counterparty's insolvency. Counterparty risk also may be more pronounced if a counterparty's obligations exceed the amount of collateral held by a Discretionary Fund (if any), such Discretionary Fund is unable to exercise its interest in collateral upon default by the counterparty, or the termination value of the instrument varies significantly from marked-to-market value of the instrument.

A Discretionary Fund will be exposed to the credit risk of its counterparties and may also bear the risk of settlement default. For example, although the seller under a repurchase agreement will be required to maintain the value of the securities subject to the agreement in an amount exceeding the repurchase price, default by the seller would expose a Discretionary Fund, as buyer, to possible loss due to adverse market action or delay in connection with the disposal of the underlying obligations. Conversely, where a Discretionary Fund acts as seller under a repurchase agreement it is exposed to the risk of the buyer defaulting in its obligation to return the securities when it is required to do so, and such Discretionary Fund could realize a loss on the purchase of the underlying security to the extent that the purchase price of the underlying security is greater than the cash collateral posted by the buyer. In addition, if the seller becomes involved in bankruptcy or litigation proceedings, a Discretionary Fund may incur delay and costs in selling the underlying security or may suffer a loss of principal and interest if such Discretionary Fund is treated as an unsecured creditor and is required to return the underlying collateral to the seller's estate.

Securities purchased or sold on a "when-issued" or "delayed delivery" basis involve a risk of loss if the value of the securities to be purchased declines prior to the settlement date or if the value of the securities to be sold increases prior to a settlement date. Loans of securities also involve risks of delay in receiving additional collateral or in recovering the securities loaned, or possibly loss of rights in the collateral, should the borrower of the securities become insolvent.

Additionally, a Discretionary Fund may be exposed to documentation risk, including the risk that the parties may disagree as to the proper interpretation of the terms of a contract (*e.g.*, the definition of default). If a dispute occurs, the cost and unpredictability of the legal proceedings required for a Discretionary Fund to enforce its contractual rights may lead such Discretionary Fund to decide not to pursue its claims against the counterparty. A Discretionary Fund, therefore, may be unable to obtain payments the Firm believes are owed to it under over-the-counter derivatives contracts or those payments may be delayed or made only after such Discretionary Fund has incurred the costs of litigation.

Due to the nature of a Discretionary Fund's investments, a Discretionary Fund may invest in derivatives and/or execute a significant portion of its securities transactions through a limited number of counterparties and events that affect the creditworthiness of any of those counterparties may have a pronounced effect on such Discretionary Fund. In addition, the creditworthiness of a counterparty may be adversely affected by larger than average volatility in the markets, even if the counterparty's net market exposure is small relative to its capital. The

Firm evaluates the creditworthiness of the counterparties to a Discretionary Fund's transactions or their guarantors at the time such Discretionary Fund enters into a transaction. A Discretionary Fund is not restricted from dealing with any particular counterparty or from concentrating any or all transactions with one counterparty. The ability of a Discretionary Fund to transact business with any one of a number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by such Discretionary Fund. (See "*Risks of Derivative Instruments*" above and "*Custodial Risk*" below.)

Counterparty risk may be further complicated by U.S. financial reform legislation which includes provisions for clearing, margin and reporting requirements for derivatives transactions and new restrictions on the types of derivatives transactions that can be entered into by certain financial companies. The ultimate impact of these regulatory changes remains unclear. Also, the legislation may limit the flexibility of a Discretionary Fund to protect its interests in the event of an insolvency of a derivatives counterparty, because of powers granted to clearinghouses and to the Federal Deposit Insurance Corporation to limit or delay close-out of derivatives positions of insolvent clearing members or financial companies and to transfer such positions to other entities.

Lack of Liquidity in Markets. The markets for many securities and other investments are thinly traded from time to time. This lack of liquidity and market depth could disadvantage a Discretionary Fund, both in the realization of the prices which are quoted and in the execution of orders at desired prices or in desired quantities. Also, domestic and international securities exchanges and the SEC and other regulatory authorities have authority to suspend trading in a particular security without notice.

Concentration of Investments. A Discretionary Fund's assets may not be diversified. Any such non-diversification would increase the risk of loss to a Discretionary Fund if there was a decline in the market value of any security or sector in which a Discretionary Fund had invested a large percentage of its assets. Investment in a non-diversified fund will generally entail greater risks than investments in a diversified fund.

Directional Investments. Certain of the positions that will be taken or sectors that will be invested in by a Discretionary Fund will be designed to profit from forecasting absolute price movements in a particular instrument. Predicting future prices is inherently uncertain and the losses incurred, if the market moves against a position or sector, will often not be hedged. The speculative aspect of attempting to predict absolute price movements is generally perceived to exceed that involved in attempting to predict relative price fluctuations.

Investment in Small-Capitalization and Mid-Capitalization Securities. The pursuit of a Discretionary Fund's investment strategy may result in a portion or all of such Discretionary Fund's assets being invested in securities of small- and mid-cap issuers. While in the Firm's opinion the securities of a small- or mid-cap issuer may offer the potential for greater capital appreciation than investments in securities of large cap issuers, securities of small- and mid-cap issuers may also present greater risks. For example, some small- and mid-cap issuers often have limited product lines, markets or financial resources. They may be subject to high volatility in revenues, expenses and earnings. They may be dependent for management on one or a few key

persons, and can be more susceptible to losses and risks of bankruptcy. Their securities may be thinly traded (and therefore have to be sold at a discount from current market prices or sold in small lots over an extended period of time), may be followed by fewer investment research analysts and may be subject to wider price swings and thus may create a greater chance of loss than securities of larger-cap issuers. In addition, small- and mid-cap issuers may not be well known to the investment public and may have only limited institutional ownership. The market prices of securities of small- and mid-cap issuers generally are more sensitive to changes in earnings expectations, to corporate developments and to market rumors than are the market prices of large-cap issuers. Transaction costs in securities of small- and mid-cap issuers may be higher than in those of large-cap issuers.

Convertible Securities. A Discretionary Fund may invest in convertible securities, which are debt securities or preferred equity securities that are exchangeable for other debt or equity securities of the issuer at a predetermined price or according to a formula. Convertible securities entitle the holder to receive interest payments paid on corporate debt securities or the dividend preference on preferred equity securities until such time as the convertible security matures or is redeemed or until the holder elects to exercise the conversion privilege. As a result of the conversion feature, convertible securities typically offer lower interest rates than if the securities were not convertible. It is possible that the potential for appreciation on convertible securities may be less than that of a common stock equivalent.

Convertible securities may or may not be rated within the four highest categories by S&P and Moody's and, if not so rated, would not be investment grade. To the extent that convertible securities are rated lower than investment grade or not rated, there would be greater risk as to timely repayment of the principal of, and timely payment of interest or dividends on, those securities.

Also, in the absence of adequate anti-dilution provisions in a convertible security, dilution in the value of a Discretionary Fund's holding may occur in the event the underlying stock is subdivided, additional securities are issued, a stock dividend is declared or the issuer enters into another type of corporate transaction which increases its outstanding securities.

Investment in Non-U.S. Securities. A Discretionary Fund may invest in non-U.S. securities. Such investments may be subject to a greater risk than U.S. investments due to non-U.S. economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of taxes on dividends, interest payments, or capital gains, the need for approval by government or other authorities to make investments, and possible difficulty in obtaining and enforcing judgments against non-U.S. entities and other factors beyond the control of the Firm. Furthermore, issuers of non-U.S. securities are subject to different, often less comprehensive accounting, reporting or disclosure requirements than U.S. issuers. The securities markets of some countries in which a Discretionary Fund may invest have substantially less volume than those in the United States, and securities of certain companies in these countries are less liquid and more volatile than securities of comparable U.S. companies. Accordingly, these markets may be subject to greater influence by adverse events generally affecting the market, and by large investors trading significant blocks of securities, than is usual in the United States. Brokerage commissions and other transaction costs on securities exchanges

in non-U.S. countries are generally higher than in the United States. Non-U.S. securities settlements may in some instances be subject to delays and related administrative uncertainties. In some countries there are restrictions on investments or investors such that the only practicable way for a Discretionary Fund to invest in such markets is by entering into swaps or other derivative transactions with its prime brokers or others. Such transactions involve counterparty risks which are not present in the case of direct investments and which may not be controllable by the Firm.

Market Disruption and Geopolitical Risk. A Client is subject to the risk that war, terrorism, and related geopolitical events may lead to increased short-term market volatility and have adverse long-term effects on the U.S. and world economies and markets generally, as well as adverse effects on issuers of securities and the value of a Client's investments. War, terrorism, and related geopolitical events have led, and in the future may lead, to increased short-term market volatility and may have adverse long-term effects on U.S. and non-U.S. economies and markets generally. Those events as well as other changes in U.S. and non-U.S. economic and political conditions also could adversely affect individual issuers or related groups of issuers, securities markets, interest rates, credit ratings, inflation, investor sentiment and other factors affecting the value of a Client's investments. At such times, a Client's exposure to a number of other risks described elsewhere in this section can increase.

Cybersecurity Risk. The information and technology systems used by the Firm, key service providers to the Firm, and the Clients to carry out routine business operations may be vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons, security breaches and usage errors by their respective professionals. Although the Firm has implemented various protections designed to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, it may be necessary for the Firm to make a significant investment to fix or replace them and to seek to remedy the effect of these issues. The failure of these systems for any reason could cause significant interruptions in the operations of the Firm or the Clients and result in a failure to maintain the security, confidentiality or privacy of sensitive data including personal information. A cybersecurity breach could expose both the Firm and the Clients to substantial costs (including, without limitation, those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage), civil liability as well as regulatory inquiry and/or action. Furthermore, the Firm and the Clients cannot control the cybersecurity plans, strategies, systems, policies and procedures put in place by service providers to the Clients and/or the issuers in which the Clients invest.

Other Instruments and Future Developments. A Discretionary Fund may take advantage of opportunities in the area of swaps, options on various underlying instruments and swaptions and certain other customized "synthetic" or derivative investments in the future. In addition, a Discretionary Fund may take advantage of opportunities with respect to certain other "synthetic" or derivative instruments which are not presently contemplated for use by such Discretionary Fund or which are currently not available, but which may be developed to the extent such opportunities are both consistent with a Discretionary Fund's investment objective and legally

permissible for a Discretionary Fund. Special risks may apply to a Discretionary Fund's investments in the future.

Cash and Other Investments. A Client may invest all or a portion of its assets in cash or cash items for investment purposes, pending other investments or as provision of margin for futures or forward contracts. These cash items may include a number of money market instruments such as negotiable or non-negotiable securities issued by or short-term deposits with the U.S. and non-U.S. governments and agencies or instrumentalities thereof, bankers' acceptances, commercial paper, repurchase agreements, bank certificates of deposit, and short-term debt securities of U.S. or non-U.S. issuers. A Client may also hold interests in investment vehicles that hold cash or cash items. While investments in many types of cash items generally involve relatively low risk levels, they may produce lower than expected returns, and could result in losses. Investments in cash items and money market funds may also provide less liquidity than anticipated by a Client at the time of investment.

Liquidity Risk. A Client may invest in assets and derivatives which it may not be able to readily sell or dispose of, including securities whose disposition is restricted by securities laws. A Client's ability to sell assets or derivatives may be adversely affected by various factors, including limited trading volume, lack of a market maker, or legal restrictions. Other instruments, and in particular, caps, floors, collars and certain other derivatives, may also have varying liquidity and/or pricing availability. Short sales are particularly subject to liquidity risk because a Discretionary Fund's purchase of securities or currencies to close out a short position can itself cause the price of the securities or currencies to rise further, thereby exacerbating the loss. It is also possible that an exchange or governmental authority may suspend or restrict trading on an exchange or in particular securities or other instruments traded on the exchange. It may not always be possible to execute a buy or sell order at the desired price or to liquidate an open position, either due to market conditions on exchanges or due to the operation of daily price fluctuation limits (the maximum permitted fluctuation in the price of a futures or options contract during any trading day) or "circuit breakers."

Custodial Risk. A Discretionary Fund's prime brokers will have custody of a Discretionary Fund's securities, cash, distributions and rights accruing to such Discretionary Fund's securities accounts. SEC rules require the prime brokers to maintain physical possession and control of fully paid securities held in a Discretionary Fund's account and to establish certain reserves for the benefit of customers. However, subject to these limitations, the prime brokers generally have the ability to loan, pledge, and rehypothecate the securities in a Discretionary Fund's account, as is typical market practice, and may have insufficient assets to meet all of its obligations to customers in the event of an insolvency of the prime brokers. In such an event, a Discretionary Fund would typically not have a right to recover its securities held by the prime brokers, but would rather have only an unsecured claim against the prime brokers and participate *pro rata* with other customers of the prime brokers in the proceeds of the sale of customer securities. Also, even if the prime brokers do have sufficient assets to meet all customer claims, there could be a delay before a Discretionary Fund receives assets to satisfy its claims. In order to manage the risks associated with prime broker insolvency, a Discretionary Fund may establish relationships with multiple prime brokers. However, there can be no assurance that a Discretionary Fund will be able to establish or maintain such relationships. In addition, a Discretionary Fund may not be able to identify potential solvency concerns with respect to such

Discretionary Fund's prime brokers or to transfer assets from one prime broker to another prime broker in a timely manner.

The prime brokers may hold a Discretionary Fund's securities through third parties such as clearing corporations, other brokers or banks. In addition, a Discretionary Fund may hold securities, cash and other assets directly with banks or other third parties not associated with the prime brokers. As a result, a Discretionary Fund may be subject to credit risk with respect to such third parties as well as with respect to the prime brokers. In addition, certain of a Discretionary Fund's assets may be held by non-U.S. affiliates of such Discretionary Fund's prime brokers and entities other than the prime brokers. Assets held by such non-U.S. affiliates may be subject to legal regimes that provide fewer or different investment protections than the U.S. If a Discretionary Fund has over-collateralized derivative contracts, it is likely to be an unsecured creditor of any such counterparty in the event of its insolvency. Also, even if a Discretionary Fund's prime broker or such other third parties do have sufficient assets to meet all claims, there could be a delay before a Discretionary Fund receives assets to satisfy its claims.

A Discretionary Fund may change brokerage arrangements at any time without notice to its limited partners. There are likely to be operational and other delays associated with changes in prime brokerage arrangements.

Committed Loan Obligation and Total Return Swap Facilities. A Discretionary Fund may from time to time enter into one or more committed loan credit facilities and/or total return swap facilities with various lenders. The Firm believes that such facilities may provide a Discretionary Fund with additional flexibility to finance attractive future investments if and when such opportunities arise. While a Discretionary Fund may not benefit from such additional financing flexibility for some time, a portion of the costs incurred in connection with negotiating and securing such facilities will be due immediately. There can be no assurance that (i) a Discretionary Fund will be successful in securing any such facilities under favorable terms or (ii) if secured, any such facility will be used. Costs related to such facilities could have a negative effect on the performance of a Discretionary Fund. For additional information on the risks of incurring debt to make investments, see the discussion under "*Leverage*" above.

Portfolio Turnover. The Discretionary Funds have not placed any limit on the rate of portfolio turnover, and portfolio securities may be sold without regard to the time they have been held when, in the opinion of the Firm, investment considerations warrant such action. A high rate of portfolio turnover involves correspondingly greater expenses than a lower rate, may act to reduce a Discretionary Fund's investment gains or create a loss for investors and may result in taxable costs for investors depending on the tax provisions applicable to such investors.

Special Purpose Co-Investment Vehicles ("SPVs") and Special Situation Investments ("SSIs"). Certain Discretionary Fund investors may participate in SPVs and SSIs. Other investors will participate in some illiquid investments, but will not participate in SPVs and SSIs. A Discretionary Fund's treatment of SPVs and SSIs gives rise to a number of risks. An investor participating in SPVs or SSIs that withdraws its main book account generally remains exposed to the risk of loss on any SPVs and SSIs until such SPVs or SSIs are realized or deemed realized, or the SPVs or SSIs cease to be designated as SPVs or SSIs. Management Fees, other expenses and the incentive allocation will continue to accrue and will reduce the amount of proceeds from

such SPV/SSI accounts ultimately recoverable by the investor. Unrealized depreciation in the value of an SPV or SSI generally does not affect the measurement of performance for purposes of calculating a Discretionary Fund's main book incentive allocation, which may result in a higher main book incentive allocation than if such unrealized depreciation were included in the measurement of performance.

Master-Feeder Structure. Each of 40 North Latitude Master and 40 North Investments is a master fund for a single feeder fund, 40 North Latitude Feeder. The "master-feeder" fund structure presents certain unique risks to investors. For example, a smaller fund investing in 40 North Latitude Master or 40 North Investments may be materially affected by the actions of a larger feeder fund. If a larger feeder fund withdrew from 40 North Latitude Master or 40 North Investments, the remaining feeder fund may experience higher *pro rata* operating expenses, thereby providing lower returns. 40 North Latitude Master or 40 North Investments may become less diverse due to redemption by a larger feeder fund, resulting in increased portfolio risk. In addition, 40 North Latitude Master or 40 North Investments may structure certain transactions with the aim of securing a particular tax, regulatory or other benefit that is relevant for one feeder fund but not another. Any incremental costs associated with such structuring will generally be borne by all investors in the absence of an agreement to the contrary. Each of 40 North Latitude Master and 40 North Investments is a single entity and its respective creditors may enforce claims against all of its respective assets.

Underlying Fund Risks. Investments in Underlying Funds will generally be illiquid and subject to "*Liquidity Risk*" as discussed above. Due to the illiquid nature of the assets of the Underlying Funds, the possibility exists that investors in Multi-Manager Portfolios may redeem their investment at a price that does not accurately reflect the value of their investment. In addition, to the extent the Underlying Funds invest in strategies discussed above, Multi-Manager Portfolios will be indirectly subject to the risks of such strategies.

No assurance can be given that the Firm will have knowledge of all circumstances that may adversely affect an investment in an Underlying Fund and the Firm's ability to independently verify information provided by Underlying Funds may be limited. Investment analyses and decisions by the Firm may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the Firm at the time of making an investment decision may be limited, and the Firm may not have access to detailed information regarding the investment opportunity.

Although the Firm will seek to select only underlying managers who will invest assets with the highest level of integrity, the Firm's investment selection process cannot ensure that selected underlying managers will perform as desired and the Firm will have no control over the day-to-day operations of the selected underlying managers or Underlying Funds. The Firm would not necessarily be aware of certain activities at the underlying manager level, including, without limitation, an underlying manager's engaging in unreported risks, investment "style drift" or even regulatory breaches or fraud. As a result, there can be no assurance that underlying managers or Underlying Funds selected by the Firm will conform their conduct to the desired standards. There is a risk that underlying managers or Underlying Funds may fail to meet their stated objectives or fail to continue as going concerns as a result of poor performance, failure to raise assets, regulatory violations and enforcement actions, fraud or other factors, which in any

case could result in a complete loss of the investment with such Underlying Fund or underlying manager. Investments with underlying managers or Underlying Funds carry additional risks including, but not limited to, lack of liquidity, lack of diversification, lack of transparency, reliance on underlying managers for performance and valuation information, and dependence on key personnel.

Investments in the Underlying Funds are subject to risk related to the structure of such Underlying Funds. For instance, if an investor in an Underlying Fund fails to fund a capital call when due, the Multi-Manager Portfolios may in some instances be obligated to bear costs and other adverse consequences related to such defaults.

The Underlying Funds will be managed by portfolio managers unrelated to the Firm. The Firm expects to rely upon the expertise of such portfolio managers who oversee the Underlying Funds in connection with their evaluation of proposed investments, and no assurance can be given as to the accuracy or completeness of the information provided by such portfolio managers. Furthermore, the historical performance of portfolio managers is not indicative of their future performance, which can vary considerably. Moreover, the Multi-Manager Portfolios generally will not have the opportunity to evaluate the specific investments made by any Underlying Fund and will not have an active role in the day-to-day management of the Underlying Funds. As a result, returns will depend largely on the performance of these unrelated portfolio managers and could be substantially adversely affected by the unfavorable performance of these portfolio managers. The performance of an Underlying Fund may also rely on the services of a limited number of key individuals, the loss of whom could significantly adversely affect the Underlying Fund's performance.

Risks of Mezzanine Financings. Winter Properties may invest in mezzanine loans, which occupy that portion of the capital structure between senior first mortgage debt and equity. While a senior first mortgage loan is generally secured by an interest in the assets of the borrower, a mezzanine loan is generally secured by an interest in the entity (or in an affiliate of the entity) that holds the assets rather than the assets themselves. It is likely that Winter Properties' mezzanine investments would be subordinate to the more senior debt of the borrower and, if an event of default occurs under the more senior loan, the senior lenders will have preferential claims to the assets of the borrower and may foreclose upon such collateral to the exclusion of the mezzanine and other subordinated lenders, notwithstanding an event of default with respect to the mezzanine or other subordinated loans. Accordingly in such an event, the borrower's assets would first be used to repay the more senior lenders in full, resulting in the risk that all or substantially all of the borrower's assets will be unavailable to satisfy the mezzanine and other subordinated lenders. Additionally, Winter Properties' mezzanine investments could become subject to lender liability claims in response to actions to enforce mortgage obligations and bankruptcy risks, including counterclaims, cramdowns and equitable subordination. There can be no assurance that any such mezzanine and other subordinated loans will be repaid or that Winter Properties will be able to realize on any of the collateral for such loans.

Risks of Distressed Mortgage Loans. Winter Properties may purchase non-performing or subperforming mortgage loans, or interests therein, as well as mortgage loans that have had histories of delinquencies or defaults. These mortgage loans may be in default or may have a greater than normal risk of future defaults, delinquencies, bankruptcies or fraud losses, as

compared to a pool or newly originated, high-quality loans of comparable type, size and geographic concentration. Returns on an investment of this type depend on a borrower's ability to make required payments and, in the event of default, the ability of the loan's servicer to foreclose and liquidate the mortgage loan.

Refinancing Risk. Winter Properties anticipates that only a small portion of the principal of any mortgage indebtedness, if any, will be repaid prior to its maturity. Winter Properties may not have funds sufficient to repay indebtedness at maturity and it may be necessary for Winter Properties to refinance indebtedness through additional debt financing or equity offerings. If Winter Properties is unable to refinance this indebtedness on acceptable terms, then Winter Properties may be forced to dispose of properties upon disadvantageous terms, which could result in losses to Winter Properties and adversely affect the returns and the amount of cash available for distribution to its investors. If prevailing interest rates or other factors result in higher interest rates at a time when Winter Properties must refinance such indebtedness, Winter Properties' interest expense would increase, which would adversely affect Winter Properties' results of operations and its ability to pay expected distributions. Further, if a property is mortgaged to secure payment of indebtedness and Winter Properties is unable to meet mortgage payments, the property could be foreclosed upon by, or otherwise transferred to, the mortgagee with a consequent loss of income and asset value to Winter Properties. Even with respect to nonrecourse indebtedness, the lender may have the right to recover deficiencies from Winter Properties in certain circumstances, including fraud and environmental liabilities.

Early-Stage and Development-Stage Companies. Early-stage and development-stage companies often experience unexpected problems in the areas of product development, manufacturing, marketing, financing, regulation, and general management, which, in some cases, cannot be adequately solved. Such companies may face intense competition, including from companies with greater financial resources, more extensive development, manufacturing, marketing and service capabilities and a larger number of qualified managerial and technical personnel. In addition, such companies may require substantial amounts of financing that may not be available through institutional private placements or the public markets. Such companies may also be more likely to face heightened legal and regulatory uncertainty, especially (but not exclusively) companies that operate in new industries, such as "fintech," cryptocurrencies and other digital assets, cannabis or certain peer-to-peer sharing platforms, in which the legal status of core elements of the business model, especially (but not exclusively) under securities, banking and other financial services laws, is not free from doubt. The percentage of companies that survive and prosper can be small.

Investments in more mature companies in the expansion or profitable stage involve substantial risks. Such companies typically have obtained capital in the form of debt and/or equity to expand rapidly, reorganize operations, acquire other businesses or develop new products and markets. These activities by definition involve a significant amount of change in a company and could give rise to significant problems in sales, manufacturing, regulation, and general management of these activities.

Investments in Unseasoned Companies. One or more of the Discretionary Funds may invest portions of their assets in privately held companies with limited histories of profit and stability. These companies may require considerable additional capital to develop technologies and markets, acquire customers, comply with applicable laws and regulations and achieve or

maintain a competitive position. This capital may not be available at all, or on acceptable terms. Such companies may face intense competition, including competition from established companies with much greater financial and technical resources, more extensive development, manufacturing, marketing and service capabilities, and a greater number of qualified managerial and technical personnel. Although a Discretionary Fund may be represented by at least one representative of its General Partner or the Firm on a portfolio company's board of directors, each portfolio company will be managed on a day-to-day basis by its own management team (who generally will not be affiliated with such Discretionary Fund, such General Partner, or the Firm). Portfolio companies may have substantial variations in operating results from period to period and experience failures or substantial declines in value at any stage.

Potential Liabilities. In connection with its investments, a Discretionary Fund may negotiate the right to appoint one or more of the investment professionals of its General Partner or the Firm as a member of the portfolio company's board of directors. Such membership on the board of directors of a company can result in a Discretionary Fund or the individual director being named as a defendant in litigation or other disputes, investigations, or enforcement actions. A Discretionary Fund may also participate in portfolio company financings at valuations lower than the valuations in preceding rounds of financing. Disputes arising out of such down-round financings may result in a Discretionary Fund, its General Partner or its limited partners being named as defendants. Typically, portfolio companies will have insurance to protect directors and officers, but this insurance may be inadequate. A Discretionary Fund will also indemnify its General Partner, the Firm and their respective members and affiliates, among others, for liabilities incurred in connection with operations of the Discretionary Fund, including liabilities arising from such disputes. Such indemnification obligations and other liabilities could be substantial and could adversely affect a Discretionary Fund's returns. The partners of a Discretionary Fund may also be required to return distributions previously made to them to satisfy its obligations. While the Firm intends to manage the Discretionary Funds in a way that will minimize exposure to these risks, the possibility of successful claims or lawsuits or adverse regulatory action cannot be eliminated, and such events could have significant adverse effects on the Discretionary Funds.

Additional Risks of 40 North QOZ. The qualified opportunity zone provisions of the Code were adopted as part of the 2017 Tax Cuts and Jobs Act, which was enacted on December 22, 2017. It is intended that the real estate development projects in which 40 North QOZ will invest to satisfy the requirements for a qualified opportunity zone business property and that 40 North QOZ will be able to constitute a qualified opportunity fund ("QOF"). However, investors should be aware that the legislation that created QOFs is ambiguous in certain material ways. While the IRS has issued proposed regulations, it has not definitively established all the requirements for deferring capital gains by investing in a QOF. Important subjects that will require further elaboration by the IRS include, without limitation:

- i. the amount of cash and cash equivalents that a QOF may hold;
- ii. the rules that require a QOF to be engaged in an active trade or business; and
- iii. the interaction between the general rules of partnership taxation and the rules that apply to QOFs.

Investors will not be able to determine in advance the ultimate complexity or costs of complying with qualified opportunity zone procedures, which may be material. Regulations could restrict 40 North QOZ's operations or require it to modify its investment objectives in a manner that would harm its investors. Moreover, because this part of the Code and the related regulations are untested, they will likely be subject to varying interpretations and their application in practice may evolve over time, which may result in continuing uncertainty regarding compliance matters and additional costs. In addition, laws and regulations may change, especially over the relatively long holding period of QOF investments.

State tax conformity with QOF tax benefits may vary from state to state.

If 40 North QOZ does not satisfy the QOF requirements then the outlined tax benefits associated with the qualified opportunity zone program may not apply, and, penalties could be imposed on 40 North QOZ.

Potential investors are urged to consult their tax adviser as to the tax consequences and risks of an investment in 40 North QOZ. Prospective investors are also cautioned that, apart from the tax consequences, there can be no assurance that 40 North QOZ's investments will be profitable or that investors will receive a positive return on either a pre-tax or after-tax basis.