

ITEM 1 – COVER PAGE

FORM ADV PART 2A

OREI ADVISORS LP

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This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of OREI Advisors LP (the “Adviser”). If you have any questions about the contents of this Brochure, please contact us at (650) 681-0185. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.

The Adviser is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). However, such registration does not imply a certain level of skill or training.

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

ITEM 2 – MATERIAL CHANGES

OREI Advisors LP filed its most recent Form ADV Part 2 on April 19, 2018. This annual amendment updates the description of the business practices of the Adviser and its affiliates.

ITEM 3 – TABLE OF CONTENTS

	<u>Page</u>
Item 1 – Cover Page	i
Item 2 – Material Changes	ii
Item 3 – Table of Contents	iii
Item 4 – Advisory Business	1
Item 5 – Fees and Compensation	2
Item 6 – Performance-Based Fees and Side-By-Side Management	8
Item 7 – Types of Clients	8
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	9
Item 9 – Disciplinary Information	32
Item 10 – Other Financial Industry Activities and Affiliations	32
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	33
Item 12 – Brokerage Practices	34
Item 13 – Review of Accounts	35
Item 14 – Client Referrals and Other Compensation	36
Item 15 – Custody	36
Item 16 – Investment Discretion	36
Item 17 – Voting Client Securities	36
Item 18 – Financial Information.....	37

ITEM 4 – ADVISORY BUSINESS

OREI Advisors LP, a Delaware limited partnership and a registered investment adviser (the “**Adviser**”), and its affiliated investment adviser provide investment advisory services to investment funds, which are privately offered to qualified investors in the United States and elsewhere. The Adviser and its advisory affiliates commenced operations in April 2016.

The Adviser’s clients include the following (each, a “**Fund**” and together with any future private investment fund to which the Adviser or its affiliates provide investment advisory services, the “**Funds**”):

- OREI Fund I LP; and
- OREI Fund I-A LP (together with OREI Fund I LP, “**Fund I**”).

The following general partner entities are affiliated with the Adviser:

- OREI Fund I GP LP ; and
- OREI Long Term Equity Fund GP LP (“**LTE General Partner**,” together with OREI Fund I GP LP, the “**General Partners**,” and the General Partners together with the Adviser, the “**Advisers**”).

The Advisers are subject to the Advisers Act pursuant to the Adviser’s registration in accordance with SEC guidance. This Brochure also describes the business practices of the Advisers, which operate as a single advisory business and are under common control. The Advisers also operate together with their affiliated and associated entities as “OREI,” “Ohana Real Estate Investors” and/or “Ohana.”

The Funds are private real estate funds and invest through negotiated transactions primarily in real estate-related debt securities, although certain Funds also may focus on investments in real estate, real estate-related equity investments and other investments, generally referred to herein collectively as “**portfolio investments**.” In 2019, the LTE General Partner commenced an additional investment strategy for a private fund organized by series that is expected to focus on long-term equity investments primarily in hotels, resorts, lodging and other hospitality assets or businesses, as set forth in the Governing Documents (as defined below). Such private fund has not held a final closing called capital or made any investments. The Advisers’ investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments, as applicable. Where such investments consist of real estate equity investments, the Principal (as defined below) or other senior personnel of the Advisers or their affiliates may serve on such portfolio investments’ respective boards of directors or otherwise act to influence control over management of portfolio investments held by the Funds.

The Advisers’ advisory services to the Funds are detailed in the applicable private placement memoranda, disclosure document or other offering documents (each, a “**Memorandum**”) and/or limited partnership or other operating agreements, service agreements or governing documents (each, a “**Fund Agreement**” and, as applicable, together with any

relevant Memorandum, the “**Governing Documents**”) and are summarized below under “Methods of Analysis, Investment Strategies and Risk of Loss,” as applicable. Investors in the Funds participate in the overall investment program for the applicable Fund, but may be excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the relevant Governing Documents. The Funds or the Advisers have entered into side letters or other similar agreements (“**Side Letters**”) with certain investors that have the effect of establishing rights under, or altering or supplementing the terms (including economic or other terms) of, the relevant Governing Documents with respect to such investors.

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

As of December 31, 2018, the Adviser managed \$217,171,717 in client assets on a discretionary basis. OREI Fund I UGP LLC, a Delaware limited liability company, acts as the general partner of the Adviser. The Adviser is controlled by G. Christopher Smith (the “**Principal**”), and is principally owned by Ohana Real Estate Investors, LLC and GCS & SBS Investments LLC, each of which are controlled by the Principal.

ITEM 5 – FEES AND COMPENSATION

In general, the Adviser and/or its affiliates receive a management fee (the “**Management Fee**”) and a carried interest in connection with advisory services. The Advisers are eligible to receive additional compensation in connection with management and other services performed for portfolio investments of the Funds and such additional compensation will offset in whole or in part the management fees otherwise payable to the Advisers in accordance with the relevant Governing Documents. Investors in the Funds also bear certain expenses.

Management Fees; Carried Interest

Each Fund I investor pays the Adviser and/or its affiliate a Management Fee equal to a fixed percentage *per annum* of (i) such investor's aggregate capital contributions (which includes the portion of its unfunded commitment committed for existing investments, and to the extent capital contributions are never made with respect to such amounts, subsequent Management Fee payments will be reduced by, or the General Partners will refund to such investor, the portion of the Management Fee relating to such amounts), less (ii) the aggregate amount of such investor's capital contributions (A) that have been repaid or recouped as a payment of principal with respect to investments and the proceeds thereof have been distributed to the investor, or (B) with respect to each investment that has been disposed of, and the proceeds thereof have been distributed to the investor, or (C) with respect to any investment that has been completely written-off. If the investor's commitment to a Fund meets the threshold specified in the Governing Documents (each such investor, a "**Significant Investor**"), then such Significant Investor is entitled to pay a lower fixed percentage *per annum* of the amount described in the preceding sentence, as described in the Governing Documents. The Management Fee may be reduced in the manner designated in the Governing Documents, including in exchange for a reduction in the General Partners' aggregate cash capital contribution and a corresponding interest in Fund profits. The Management Fee is payable quarterly in advance. Installments of the Management Fee payable for any period other than a full three-month period generally are adjusted on a *pro rata* basis according to the actual number of days in such period. The General Partners and/or their affiliates also generally receive a carried interest equal to a percentage of investment proceeds subject to a preferred return. The carried interest and Management Fee are more fully described in the applicable Governing Documents.

Fund I's Management Fee will be reduced by an amount equal to 100% of the following fees that are attributable to investors not designated as "affiliated partners" by the General Partners: (i) directors' fees, financial consulting fees or advisory fees paid to the General Partners with respect to any Fund portfolio investment; (ii) transaction fees paid to the General Partners with respect to any Fund portfolio investment; and (iii) break-up fees with respect to Fund transactions not completed that are paid to the General Partners, in each case net of certain expenses (including those described below) as set forth in the Governing Documents; but not including, in any event, any amount received by the General Partners, the Adviser, the Real Estate Services Group or other person from an investment (A) as reimbursement for expenses directly related to such investment (or prospective investment), (B) as payment for services provided to any investment in the ordinary course of such investment's business, (C) as compensation for services provided by the General Partners or other person as an employee of or in a similar capacity for, or by the Real Estate Services Group (as defined below) or a member thereof for services to, such investment or (D) as compensation for services provided by the Real Estate Services Group or a member thereof with respect to such investment, including hotel asset management, residential brokerage, development, sales, marketing, accounting, financial, administrative and/or other similar services in respect of a portfolio investment. Various costs and expenses will reduce the foregoing fees (and therefore such amounts will not reduce the Management Fee), including out-of-pocket costs and expenses (including travel expenses) incurred by the General Partners in connection with any consummated or unconsummated transaction or in connection with generating any such fees. To the extent that such an offset credit would reduce the Management Fee for a given quarterly period below zero, the credit will be carried forward for future application against payable Management Fees and if a

credit remains upon liquidation, a payment will be made crediting investors unless an investor has elected to waive such amount.

As a matter of practice, the Adviser is typically paid fees of the type referred to in the preceding paragraph from, on behalf of or with respect to co-investors in an investment. The receipt of such fees will not reduce the Management Fee payable by any Fund(s) that have also invested in such investment, and as a result a Fund will, in most cases, only benefit with respect to its allocable portion of any such fee and not the portion of any fee that relates to such co-investors, which have the potential to be significant. In addition, in certain circumstances the Adviser could receive compensation for management and other services performed in connection with co-investments (which may be at a reduced rate), and such amounts will not offset the Management Fee unless otherwise set forth in the applicable Governing Documents. Additionally, as further described below and in the applicable Governing Documents of each Fund, it is the Advisers' practice to use or retain the Real Estate Services Group to provide services to (or with respect to) certain portfolio investments in which one or more Funds invest. The Real Estate Services Group members generally receive compensation and other amounts described herein from the relevant portfolio investments or Funds to which they provide services, but no such amounts will result in additional offsets to the Management Fee.

Certain Governing Documents permit the Adviser to waive or agree to reduce the Management Fee. Certain waived portions of the Management Fee are treated by the Governing Documents as a deemed capital contribution by the relevant General Partner, which is effectively invested in the relevant Fund on such General Partner's behalf, and operates to reduce the amount of capital such General Partner would otherwise be required to contribute to the Fund. Fund investors may be required to make a *pro rata* contribution according to their respective commitments to fund any contribution that would otherwise be required of the Adviser in connection with any such waiver or reduction as described above and, as a result, the exercise of such waiver may result in an acceleration (or delay) of investor capital contributions. Waived or reduced Management Fees are not subject to the Management Fee offsets described above, and the amount of such waived or reduced Management Fees has the potential to be significant. Due to waived or reduced Management Fees by the Adviser and/or timing of receipt of compensation subject to offsets (as described above), it is possible that Management Fee offsets will be delayed.

It is expected that any future Funds will have a similar fee structure, although the private Fund managed by the LTE General Partner will be subject to varying fee structures as set forth in its Governing Documents.

Other Information

The Adviser is permitted to exempt certain "affiliated partner" investors and other investors in the Funds from payment of all or a portion of the Management Fee and/or carried interest, including the Adviser and any other person designated by the Adviser, such as investors with a professional or personal relationship with the Adviser or its personnel, or other investors meeting certain qualification requirements based on commitment size or other strategic or relationship factors. Any such exemption from fees and/or carried interest may be made by a direct exemption, a rebate by the Advisers and/or their affiliates, or through other Funds which co-invest with a Fund. For example, in instances where a professional of the Adviser (or an affiliated entity thereof)

invests in a Fund, such professional (or such affiliated entity) generally will be exempt from payment of the Management Fee and carried interest with respect to such Fund. Additionally, to the extent permitted by the relevant Governing Documents, the Adviser has the right to permit investors, affiliated with an Adviser or otherwise, to invest through the relevant General Partners or other vehicles that do not bear Management Fees or carried interest. In general, the Management Fee offsets described above apply only with respect to the capital commitments of fee-paying investors.

The Funds generally invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the Governing Documents, over the term of the relevant Fund, and investors generally are not permitted to withdraw or redeem interests in the Funds.

Principals or other current or former employees of the Advisers generally receive salaries and other compensation derived from, and in certain cases including a portion of, the Management Fee, carried interest or other compensation received by the Advisers and/or their affiliates.

In addition to the Management Fee and carried interest payable to the Adviser and/or its affiliate, each Fund bears certain expenses. As set forth in the applicable Governing Documents of each Fund, a Fund bears all expenses relating to the Fund's activities, investments and business, including: all fees, costs, expenses, liabilities and obligations attributable to structuring, organizing, acquiring, financing, refinancing, managing, monitoring, operating, holding, taking public or private, valuing, winding up, liquidating, dissolving and/or disposing of the Fund portfolio investments, including follow-on investments, real estate investment trust ("**REIT**") subsidiaries and refinancings (including interest and fees on money borrowed by the Fund, the Advisers, as applicable, on behalf of the Fund), registration expenses, compensation for services provided by the Real Estate Services Group (as defined below) or any member thereof, commitment, real estate title, survey, brokerage, finders', custodial and other fees; legal, accounting, investment banking, trustee, record keeping, administration, information services, professional fees and expenses, custodian, depository, auditing, insurance (including directors and officers, errors and omissions liability and other insurance), travel, meal and entertainment expenses, litigation and indemnification costs and expenses, judgments and settlements, consulting (including consulting and retainer fees paid to the Real Estate Services Group or any member thereof or to consultants performing investment initiatives and other similar consultants), expert network, financing, sale commissions, underwriting commissions, appraisal, third party valuation, filing, printing, real estate title, survey, reverse breakup, termination and other fees and expenses, transfer, registration, property management, construction, environmental, leasing and real estate commissions and other fees and expenses (including fees, costs and expenses associated with the preparation or distribution of Fund financial statements, tax returns, tax estimates and Schedule K-1s or any other administrative, regulatory or other Fund-related reporting (including any costs and expenses associated with investor administrative tools such as investor portals or third-party software) or filing (including in relation to any REIT subsidiary and Form PF and any Fund-related filings or reports or fees and expenses relating in any way to compliance with the requirements of the Alternative Investment Fund Managers Directive or any similar law, rule or regulation as implemented in any relevant jurisdiction) and the representation of the Fund or the investors by the tax matters partner or the Fund representative); costs and expenses of the Fund advisory board (including travel, meal and entertainment expenses); all fees, costs, expenses, liabilities and

obligations incurred by the Fund, the Advisers (as applicable) or any other Adviser person relating to investment and disposition opportunities for the Fund not consummated (“**Broken Deal Expenses**”) (including expenses related to transactions that may have been offered to co-investors and legal, accounting, auditing, insurance, travel, meal and entertainment expenses, consulting (including consulting and retainer fees paid to the Real Estate Services Group or any member thereof); all out-of-pocket fees, costs and expenses (including travel, meal and entertainment expenses) incurred by the Fund, the Advisers (as applicable) or any other Adviser person in connection with the annual and other periodic (if any) meetings of the Advisers and officers of the Funds and/or investor meetings and any other conference or meeting with any investor(s); any taxes, fees and other governmental charges levied against the Fund; placement fees and any expenses paid to third parties in connection with the organization and funding of the Fund costs and expenses that are classified as extraordinary expenses under generally accepted accounting principles (“**GAAP**”) unreimbursed expenses and unpaid fees of the Real Estate Services Group or its members all fees, costs and expenses incurred in connection with the organization, management, operation and dissolution, liquidation and final winding-up of any alternative investment vehicles or the Funds; any Fund organizational expenses; unreimbursed costs and expenses incurred in connection with any transfer of Fund interests; costs and expenses incurred in connection with the promotion of the Fund’s reputation and visibility for the benefit of the Fund; costs associated with reimbursing the Adviser and the officers of the Fund for all direct out-of-pocket expenses related to the Funds and all other direct costs; all cash development and operating expenses (including all development services fees, expenses and allowances); all debt service payments of the Fund; and all expenditures by the Fund which are treated as capital expenditures (as distinguished from expense deductions) under GAAP (excluding any payments or expenditures to the extent paid out of reserve accounts or from any other source other than revenues). The Funds also bear expenses indirectly to the extent a portfolio investment pays expenses, including expenses of the Adviser and/or its affiliates. Excluded from Fund expenses are ordinary administrative and overhead expenses incurred in connection with maintaining and operating the offices of the Adviser and the General Partners, including employees’ salaries, rent, utilities and other similar expenses specified in the Governing Documents. As is typical for private real estate funds, the Funds likely bear additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds. To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth in “Brokerage Practices.”

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

The Adviser and/or its affiliate generally have discretion over whether to charge transaction fees, monitoring fees or other compensation to a portfolio investment and, if so, the rate, timing, method and/or amount of such compensation. In most circumstances, such compensation is not reviewed or approved by an independent third party. The receipt of such compensation generally will give rise to potential conflicts of interest between the Funds, on the one hand, and the Adviser and/or its affiliate on the other hand.

Real Estate Services Group

Additionally, as permitted by, and further described in, the applicable Memorandum and/or Governing Documents of each Fund, the General Partners and/or portfolio investments may from time to time retain other companies and individuals, which may be operating professionals employed or retained by affiliates of the Adviser (including Ohana Realty Corp., a residential brokerage firm, and Ohana Real Estate Services LLC, a hospitality-focused real estate development and management firm, each controlled or managed by the Principal) or the Adviser (including the Adviser or its personnel to the extent that they are used to provide hotel asset management or operational management services, development, sales, marketing and residential brokerage services and/or administrative services (including accounting, financial or other similar services)) (the “**Real Estate Services Group**”), to provide services with respect to Fund investments and/or the Fund (including hotel asset management or operational management, development, sales, marketing and residential brokerage services and/or administrative services (including accounting, financial and other similar services)) (“**Services**”). The Real Estate Services Group may utilize Adviser resources (e.g., hotel asset management, finance, accounting and administration), employees of such affiliates, joint ventures, entities held by other funds managed by such General Partners or their affiliates, consultants, “operating partners,” “strategic partners,” “executive partners” or “senior advisors.” The Real Estate Services Group may be engaged to provide services that otherwise would be provided by third parties to, or in connection with, a Fund or its affiliates or one or more portfolio investments (or prospective portfolio investments) in relation to the identification, due diligence acquisition, holding, improvement and disposition of such investments, including the Services described above.

To the extent permitted by the applicable Governing Documents, fees and expenses associated with the Services (including certain Services provided by the Adviser to the Real Estate Services Group) generally will be paid and/or reimbursed by a Fund portfolio investment or prospective portfolio investment and/or a Fund. Fees and expenses may, at the discretion of the Adviser taking into account the particular Services, include a profits or equity interest in a portfolio investment or other incentive-based compensation to the Real Estate Services Group, which is determined according to one or more methods including the value of the time (including an allocation for overhead and other fixed costs) of the Real Estate Services Group, a percentage of the value of the a portfolio investment, the invested capital exposed to such a portfolio investment, amounts charged by other providers for comparable services and/or a percentage of cash flows from such a portfolio investment. The Real Estate Services Group’s fees, other compensation and expenses are not covered by a Fund’s Management Fee and will not otherwise reduce any Management Fee. The use of the Real Estate Services Group subjects the Adviser to conflicts of interest, as discussed under “Conflicts of Interest,” below.

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

As described under “Fees and Compensation,” the Adviser and/or its affiliates receive a carried interest allocation on certain realized profits in the Funds. The Adviser does not advise Funds not subject to a carried interest, although it generally has the authority to waive carried interest with respect to certain affiliated partners as described under “Fees and Compensation.” Additionally, to the extent that Adviser personnel are assigned varying percentages of carried interest from the Funds, such personnel are subject to potential conflicts of interest, to the extent they are involved in identifying investment opportunities as appropriate for Funds from which they are entitled to receive a higher carried interest percentage. The Adviser seeks to address the potential for conflicts of interest in these matters with allocation policies that provide that transactions and investment opportunities will be allocated to the Funds in accordance with each Fund’s investment guidelines and Governing Documents, as well as other factors that do not include the amount of performance-based compensation received by the Adviser or any personnel.

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

ITEM 7 – TYPES OF CLIENTS

The Advisers provide investment advice to the Funds. The Funds may include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The investors participating in the Funds may include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of the Advisers and their affiliates and members of their families, or other service providers retained by the Advisers.

The Funds generally have a minimum investment amount of \$10 million for third-party investors, and Fund interests generally are offered and sold to qualified purchasers (or qualified knowledgeable personnel of the Advisers). Such minimum investment amount may be waived by the Adviser.

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

General

The Adviser (together with the General Partners) is a private investment firm focused on investments primarily in real estate, real estate-related equity and debt securities, and other investments in mezzanine debt, preferred equity, and other fulcrum security investments in the real estate industry, with a focus on the hospitality sector. The Adviser's investment advisory services consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments (with a focus on mezzanine debt) and achieving dispositions for investments. Investments are primarily debt securities of existing properties within the luxury hotel, lodging, and related real estate space. The Adviser generally seeks to invest in quality properties in high barrier markets where capital is scarce and the Adviser believes it can leverage its expertise in operations, investment underwriting and budget development.

There can be no assurance that the Adviser will achieve the investment objectives of any Fund and a loss of investment is possible.

Investment and Operating Strategy

The Adviser identifies potential investments through an extensive network of relationships and a robust property information database. The Adviser's due diligence process follows a consistent and disciplined investment evaluation process for potential investments, which pass through multiple screenings. After an investment has been made, the Adviser monitors performance of collateral properties and engages in active dialogue with borrowers, to the extent necessary, to identify and address potential issues.

The Adviser undertakes a comprehensive and rigorous analytical approach to evaluating new investments with the ability to leverage its teams and/or affiliates in asset management, development, residential brokerage, and finance and administration.¹

The Adviser seeks to capitalize on dislocation in the capital markets by pursuing a mix of debt, mezzanine loans, preferred equity, and other fulcrum securities relating to luxury hospitality, lodging and other related real estate investments that provide risk-adjusted yields and price points. The Adviser targets investments primarily in assets that meet certain leverage criteria capable of providing a more senior position in the capital stack with an attractive equity cushion in front of the Adviser's investment. Drawing on a deep knowledge and experience in hotel operating, development and sales, the Adviser's team seeks to identify and structure attractive investment opportunities.

In certain situations, the Adviser intends to utilize its hotel operating expertise, development and construction capabilities, and industry relationships to identify situations where an equity investment may be most appropriate.

¹ Fees and expenses related to certain of such services may be paid to the Real Estate Services Group and are not covered by the Funds' Management Fees and do not otherwise reduce such Management Fees, as discussed herein.

The Adviser seeks to leverage its extensive experience in hotel operations, investment underwriting and budget development to fully underwrite the performance capability of each property being considered for investment, whether it is expected to take an equity or debt position in the property. In addition, the Adviser seeks to leverage its capital markets and document-negotiation experience to assess the opportunity and challenges associated with the potential investment. The Adviser generally engages relationships across its industry network to assess and evaluate the risks associated with the investment, including, but not limited to the risk of prepayment or default and to assess potential business plans in the event of a foreclosure. The Adviser seeks to evaluate investment opportunities in the luxury hotel real estate space through active involvement in asset managing existing properties, regular engagement in the capital markets, a long-tenured role on the board of directors of a luxury hotel management company and active development and construction management of multiple large-scale and complex projects.

As noted above, in 2019, the LTE General Partner commenced an additional investment strategy for a private fund organized by series that is expected to focus on long-term equity investments primarily in hotels, resorts, lodging and other hospitality assets or businesses or other related real estate assets or businesses, and companies owning, operating or otherwise related to such assets or businesses, as further described in the Governing Documents.

Risks of Investment

Each Fund and its investors bear the risk of loss that the Advisers' investment strategy entails. The risks involved with the Advisers' investment strategy and an investment in a Fund include, but are not limited to:

Real Estate Risks. Because the Funds invest in debt and equity interests related to lodging and other similar real estate properties, the Funds will be subject to risks related to real estate generally. These include the risks incident to the ownership and operation of real estate and real estate-related businesses and assets, including changes in the general economic climate, local, national or international conditions (such as an oversupply of space or a reduction in demand for space), the quality and philosophy of management, competition, attractiveness and location of the properties and changes in the relative popularity of property types and locations, changes in the financial condition of buyers and sellers of properties, changes in operating costs and expenses, changes in taxes, changes in energy pricing, risks due to dependence on cash flows, uninsured losses or delays from casualties or condemnation, changes in applicable laws, government regulations (including those governing usage, improvement and zoning) and fiscal policies, the availability of financing, interest rate levels, environmental liabilities, contingent liabilities, risks and operations problems arising from construction problems or similar liabilities, successor liability for investments in existing entities (e.g., buying out a distressed partner or acquiring an interest in an entity that owns a real property), acts of God, acts of war (declared or undeclared), terrorist acts, work stoppages, shortages of labor, strikes, union relations and contracts, fluctuating prices and supply of labor and/or other labor-related factors and other factors beyond the control of the Adviser, the Funds and their respective affiliates.

Economic Conditions. The real estate industry generally and the success of the Funds' investment activities in particular will both be affected by general economic and market conditions in the United States and other countries, as well as by changes in applicable laws, trade barriers,

currency exchange controls, and national and international political and socioeconomic circumstances in respect of the countries in which a Fund may invest. These factors may affect the level and volatility of prices and liquidity of the Fund's investments, which could impair the Fund's profitability and result in losses. Further, any material changes in the economic environment, including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates, could have a negative impact on the performance and/or valuation of a Fund's investments. The Funds' performance can be affected by deterioration in public markets and by market events, such as the onset of the credit crisis in the summer of 2007 or the downgrading of the credit rating of the United States in 2011. The impact of market and other economic events may also affect the Funds' ability to raise funding to support its investment objective and the level of profitability achieved on realizations of investments. In addition, general fluctuations in the market prices of investments and interest rates may affect the Funds' investment opportunities and the value of the Funds' investments.

Lack of Sufficient Investment Opportunities; Restrictions Imposed by Contractual Requirements. The business of identifying, structuring and completing debt, mezzanine, preferred equity and other fulcrum securities relating to luxury hospitality, lodging and other real estate investments is highly competitive and involves a high degree of uncertainty. It is possible that certain Funds will never be fully invested if enough sufficiently attractive investments are not identified. Further, the investments sought by a Fund may require investors, including the Fund and the Adviser, to meet certain financial requirements, such as having a minimum amount of assets under management, and there can be no assurances that the Fund will qualify as an investor in each investment that the Adviser believes is suitable for the Fund. If a Fund does not qualify for such investment, the Fund may be required to forego such investment opportunity. Whether or not sufficient investment opportunities are identified, investors in certain Funds will be required to bear Management Fees and other expenses as set forth in the applicable Governing Documents.

Need for Follow-On Investments. Following its initial investment in any investment, a Fund and/or other equity or debt investors in the properties in which the Fund invests may decide to invest additional funds in such investment or may have the opportunity to increase their respective investments in such investment by investing in additional real estate assets related thereto (whether for opportunistic reasons, to fund the needs of the investment, as an equity cure under applicable debt documents or for other reasons). There is no assurance that such Fund or such other persons will make such additional investments or that the Fund or such persons will have sufficient funds to make all or any of such investments (including an event of default under applicable debt documents in the event an equity cure cannot be made). Any decision by the Fund or such persons not to make follow-on investments or their inability to make such investments may have a substantial negative effect on a particular real estate asset in need of such an investment and the Fund's financial performance.

Hotel Risks. The Funds' debt and equity investments are subject to a number of business, financial, and operating risks inherent to the lodging and hospitality industry, including: significant competition from multiple hospitality providers in all parts of the world; changes in operating costs, including energy, food, compensation, benefits, and insurance; delays in or cancellations of planned or future development or refurbishment projects, which in many cases may not be within the Adviser's or the Funds' control; changes in desirability of geographic regions of the hotels, resorts or other properties constituting the Fund's business, geographic concentration of the Funds'

operations and customers, and shortages of desirable locations for development; changes in the supply and demand for hotel services (including rooms, food and beverage, and other products and services) and vacation ownership services and products; the ability of third-party internet and other travel intermediaries to attract and retain customers; and decreases that may result in the frequency of business travel as a result of alternatives to in-person meetings, including virtual meetings hosted online or over private teleconferencing networks. Any of these factors could increase the Funds' costs, limit or reduce the demand for the Fund properties, reduce a target property's ability to repay principal and interest on Fund investments, or otherwise affect a Fund's ability to maintain existing properties or develop new properties. As a result, any of these factors could adversely affect a Fund's financial results and investment performance.

Hospitality Industry Volatility. The hospitality industry is volatile in nature. The periods during which the Fund's lodging properties experience higher revenues vary from property to property, depending principally upon location and the customer base served. In addition, the hospitality industry can be cyclical and demand generally follows, on a lagged basis, the general economy. The volatility and cyclical nature of the Fund's industry may contribute to fluctuations in a Fund's results of operations and financial condition.

Investments in Real Estate Debt. The Funds hold direct or indirect investments in real estate-related debt instruments. In addition to the risks of borrower default (including loss of principal and nonpayment of interest) and the risks associated with real estate investments generally, real-estate related debt investments are subject to a variety of risks, including the risks of illiquidity, lack of control, mismanagement or decline in value of collateral, contested foreclosures, bankruptcy of the debtor, claims for lender liability, violations of usury laws and the imposition of common law or statutory restrictions on the exercise of contractual remedies for defaults of such investments. Purchases of participations in real estate loans raise substantially the same risks as investments in real estate loans. Debt investments have special inherent risks relative to collateral value. In the event of default, the source of repayment is limited to the value of the collateral and may be subordinate to other lien holders (and the collateral value of the property may be less than the outstanding amount of a Fund's investment).

Non-Performing Loans; Foreclosure Process. Debt investments (including real estate loans) by a Fund may be at the time of their acquisition, or may become after origination, participation or acquisition, non-performing for a wide variety of reasons, many of which are outside the control of the Adviser, the Fund or their affiliates. Non-performing real estate loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and a substantial write-down of the principal of such loans. To the extent that a Fund purchases partial interests in non-performing loans, the Fund may not have control over the workout process or the management of the real estate assets after such a workout.

The Adviser may find it necessary or desirable to foreclose on collateral securing one or more real estate loans purchased or originated by a Fund. The foreclosure process varies jurisdiction by jurisdiction and can be lengthy and expensive. Borrowers often resist foreclosure actions by asserting numerous claims, counterclaims and defenses against the holder of a real estate loan, including lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action. In some states and non-United States

countries, foreclosure actions can take up to several years or more to conclude. At any time during the foreclosure proceedings, the borrower may file for bankruptcy, staying the foreclosure action and further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the collateral property and may result in disrupting ongoing leasing and management of the property.

B-Notes Investments. The Funds may invest in one or more B-Notes. A “B-Note” is a commercial mortgage loan typically (i) secured by a first mortgage on a single large property or group of related properties and (ii) subordinated to an “A-Note” secured by the same first mortgage on the same collateral. As a result, if a borrower defaults, there may not be sufficient funds remaining for the holder of the B-Note. B-Notes do not have any secondary market, raising additional liquidity risks. However, since each B-Note is privately negotiated, B-Notes can vary in their structural characteristics and risks, including, for example, the rights of the holder of the B-Note to control the process following a borrower default. Furthermore, since they are typically secured by a single property, B-Notes reflect the risks associated with significant concentration.

Leverage. The Funds may employ leverage in the acquisition, operation and ownership of its investments and may refinance its investments, if desirable. Debt could take the form of a mortgage or other financing at the property level or ownership level. Such use of leverage generally magnifies the Fund’s opportunities for gain and its risk of loss from a particular investment. A Fund may make use of leverage by incurring or having an entity incur debt to finance a portion of its investment in such entity, including in respect of Fund portfolio investments not rated by credit agencies. Leverage generally magnifies both a Fund’s opportunities for gain and its risk of loss from a particular investment. In addition, recourse debt, which the Funds reserve the right to obtain, may subject other assets of the Fund and the investors’ commitments to risk of loss. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage on terms that the Adviser believes are reasonable. The use of leverage by a Fund will also result in interest expense and other costs that may not be offset by distributions made to a Fund or appreciation of its investments. While Fund-level borrowings generally will be interim in nature, asset-level leverage generally will not be subject to any limitations regarding the amount of time such leverage may remain outstanding. Leveraged investments may be subject to restrictive financial and operating covenants and a Fund may provide guarantees in order to secure such leverage. In the event a portfolio investment cannot generate adequate cash flow to meet its debt service, a Fund may suffer a partial or total loss of capital invested in the investment, which could adversely affect the returns of a Fund. Furthermore, should the credit markets be limited or costly at the time a Fund determines that it is desirable to sell all or a part of a portfolio investment, a Fund may not achieve an exit capitalization rate consistent with its forecasts. Moreover, certain entities in which a Fund will invest generally will not be rated by a credit rating agency.

A Fund may also borrow money or guaranty indebtedness (such as a guaranty of an entity’s debt subject to certain limitations in the Governing Documents). A Fund may incur leverage on a joint and several basis with one or more other investment funds and entities managed by the Adviser or any of its affiliates and may have a right of contribution, subrogation or reimbursement from or against such entities. In addition, to the extent a Fund incurs leverage (or provides such guaranties), such amounts may be secured by capital commitments made by a Fund’s investors

and such investors' contributions may be required to be made directly to one or more lenders instead of the Fund. The amount of leverage which a Fund may utilize at any time may be large in relation to its capital. Finally, leverage may include so-called "balloon" payments at maturity if leverage is not fully amortized by maturity and such "balloon" payments may be difficult or even impossible to refinance on attractive terms, thus potentially magnifying losses in respect of leveraged investments.

To the extent a Fund provides bridge financing to facilitate portfolio investments, it is possible that all or a portion of such bridge financing will not be recouped within the time period specified in the Governing Documents, in which case the investment would be treated as a permanent investment of the Fund. As a result, the Fund's portfolio could become more concentrated with respect to such investment than initially expected or otherwise provided for under the Fund's investment limitations, certain of which exclude bridge financing investments.

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

In addition, Fund-level borrowing will result in incremental partnership or other investment vehicle expenses that will be borne by investors. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a subscription line, an upfront fee for establishing a subscription line, and other one-time and recurring fees and/or expenses, as well as legal fees relating to the establishment and negotiation of the terms of the borrowing facility. Because a subscription line's interest rate is based in part on the creditworthiness of the relevant Fund's investors and the terms of the Governing Documents, it may be higher than the interest rate an investor could obtain individually. To the extent a particular investor's cost of capital is lower than the Fund's cost of borrowing, Fund-level borrowing can negatively impact an investor's overall individual financial returns even if it increases the Fund's reported net returns in certain methods of calculation.

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

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows the General Partner to fund investments and pay partnership expenses without calling capital, potentially for extended periods of time. Calling a large amount of capital at once to repay the then current amount outstanding under a subscription line could cause short-

term liquidity concerns for investors that would not arise had the relevant General Partner called smaller amounts of capital incrementally over time as needed by a Fund. This risk would be heightened for an investor with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the investor to meet the accumulated, larger capital calls at the same time. A Fund may also utilize Fund-level borrowing when the General Partner expects to repay the amount outstanding through means other than investor capital, including as a bridge for equity or debt capital with respect to an investment. If the Fund ultimately is unable to repay the borrowings through those other means, investors would end up with increased exposure to the underlying investment, which could result in greater losses.

Mezzanine Investments. The properties in which the Funds invest may be highly leveraged, thereby increasing the degree of credit risk inherent in each investment. Leverage often imposes restrictive financial and operating covenants on a company or property, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs or to pay principal and interest on the Funds' investments when due. The leveraged capital structure of Fund properties will increase the exposure of the Funds' investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates. A Fund's investments in such properties may be unsecured and subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured and bear floating interest rates. In the event any property cannot generate adequate cash flow to meet debt service, such Fund may suffer a partial or total loss of capital invested in the property, which could adversely affect the returns of the Fund. Furthermore, the entities and investments in which the Funds will invest generally will not be rated by a credit rating agency.

The mezzanine and junior debt investments of the Funds typically will be subordinated to the senior obligations of an issuer, either contractually (in the case of debt securities) or because of the nature of the security (in the case of preferred stock or common stock). In addition, many of the remedies available to subordinated holders are available only after satisfaction of claims of senior creditors. Any such subordinated investments may be characterized by greater credit risks than those associated with the senior obligations of the same issuer. Adverse changes in the financial condition of an issuer or in general economic conditions (or both) may impair the ability of this issuer to make payments on the subordinated securities and result in defaults on and declines in the value of these securities more quickly than in the case of the senior obligations of such issuer.

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

Debt Investments. The debt securities in which the Funds invest typically will be either secured by a borrower's ownership interests in a property or unsecured, and subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured. The ability of the Funds to influence the affairs of an investment, especially during periods of financial distress or following an insolvency is likely to be substantially less than that of senior creditors. For example, under terms of subordination agreements, senior creditors are typically able to block the acceleration of the mezzanine debt or other exercises by the Fund of its rights as a creditor. Accordingly, the Funds may not be able to take the steps necessary to protect its investments in a timely manner or at all. In addition, the debt securities in which the Funds will invest may not be protected by financial covenants or limitations upon additional indebtedness, may have limited liquidity and generally will not be rated by a credit rating agency. Debt securities are also subject to other creditor risks, including (i) the possible invalidation of an investment transaction as a "fraudulent conveyance" under relevant creditors' rights laws, (ii) so-called lender liability claims by the issuer of the obligations and (iii) environmental liabilities that may arise with respect to collateral securing the obligations. Additionally, adverse credit events with respect to any investment, such as missed or delayed payment of interest and/or principal, bankruptcy, receivership, or distressed exchange, can significantly diminish the value of any such Fund investments. Fund investments may be subject to early redemption features, refinancing options, pre-payment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by a Fund earlier than expected. In addition, depending on fluctuations of the equity markets, warrants and other equity securities may become worthless. Accordingly, there can be no assurance that a Fund's internal net rate of return objective will be realized.

Lower Credit Quality Investments. There generally are limited or no restrictions on the credit quality of the investments of the Funds. The Funds have the ability to invest in investments that may have substantial vulnerability to default in payment of interest and/or principal. Investments purchased by a Fund generally will not be rated by rating agencies, and, if rated, may have the lowest quality ratings provided by such rating agencies. Lower rated and unrated investments have large uncertainties or major risk exposures to adverse conditions. Generally, such investments offer a higher return potential than higher rated investments but involve greater volatility of price and greater risk of loss of income and principal. The market values of certain of these investments (such as subordinated investments) also tend to be more sensitive to changes in economic conditions than higher rated investments. Declining real estate values in particular will increase the risk of loss upon default, and may lead to a downgrading of the investments by the rating agencies, if rated. The value of such investments may also be affected by changes in the market's perception of the entity issuing or guaranteeing them, or by changes in government regulations and tax policies.

Redevelopment and Construction or Renovation Risks. A Fund's investments may include acquisition of debt or equity interests which, following such acquisition, may engage in real estate redevelopment. To the extent that a Fund invests in such assets or activities, it will be subject to the risks normally associated with such assets and redevelopment activities, including the possibility of redevelopment cost overruns and delays due to various factors (including inclement weather, labor or material shortages, the unavailability of construction and permanent financing and timely receipt of zoning and other regulatory approvals), the availability of both construction and permanent financing on favorable terms and market or site deterioration after the

redevelopment decision being made. Any unanticipated delays or expenses could have an adverse effect on the results of operations and financial condition of such Fund. If a Fund makes an equity investment in a property which subsequently becomes subject to redevelopment, such equity investment may receive little or no cash flow from the date of commencement of redevelopment through the date of completion of redevelopment and may continue to experience operating deficits after the date of completion. In addition, market conditions may change during the course of redevelopment that make such redevelopment less attractive than at the time it was commenced.

Competition with Other Luxury Hotel Properties. The Funds will face significant competition from other developers, owners and operators of luxury hotel properties in the same markets and may be in competition with other properties owned or managed by the Adviser for its own account or for other client accounts. When a Fund that has made an equity investment in a property, seeks to sell such property, it will compete with other owners of luxury hotel properties.

Non-controlling Investments. The Funds are expected to hold debt obligations and other non-controlling interests in real estate investments and, therefore, will have a limited ability to protect such investments. However, the Adviser will seek appropriate creditor and/or shareholder rights to help protect the Funds' interest.

Risks of Derivatives. The Funds may utilize derivative instruments and techniques in order to hedge interest rate and currency risk to which such Funds are subject. In addition to the general risks involved in any hedging activities, engaging in derivative transactions is subject to specific risks. The prices of all derivative instruments, including options and swaps, are highly volatile. Price movements of options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of options and swap agreements also depends upon the price of the securities or other instruments underlying them. In addition, a Fund will also be subject to the risk of the failure of any of the exchanges on which it trades derivative instruments or of their clearinghouses.

Counterparty Risks in Derivative Transactions. The Funds may effect hedging or other derivative transactions "over-the-counter" or in "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of exchange-based markets. This exposes such Funds 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 applicable contract (whether or not such dispute is bona fide) or because of a credit or liquidity problem, causing the applicable 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 Fund has concentrated its transactions with a single or small group of counterparties. The Adviser has no internal credit function that evaluates the creditworthiness of a counterparty in such a transaction. Further, while the Adviser will take great care in selecting brokers or dealers who will maintain custody of certain of a Fund's assets held as margin or other collateral for the Fund's borrowings, there is a risk that any of such brokers or dealers may become insolvent. It is expected that all Fund assets that are deposited with such brokers or dealers will be held in such brokers' or dealers' "street name" and hence a Fund will be exposed to a credit risk with respect to such parties. During the global recession, several prominent financial market participants failed or nearly failed

to perform their contractual obligations when due - creating a period of great uncertainty in the financial markets, government intervention in certain markets and in certain failing institutions, severe credit and liquidity contractions, early terminations of transactions and related arrangements, and suspended and failed payments and deliveries.

Currency Risk. The Funds may make investments denominated in currencies other than U.S. Dollars. Such investments will create currency exchange risks for the Fund (including the inability to repatriate currency, devaluation and non-exchangeability). Because the Funds will calculate income in U.S. Dollars, if the Funds make investments denominated in currencies other than U.S. Dollars, they may enter into one or more currency swap agreements or other derivative transactions to hedge the risks associated with exchange rate fluctuations. However, the amount and timing of distributions on investments denominated in currencies other than U.S. Dollars may not match the anticipated payments hedged by such currency swap agreements, and such mismatch would leave the Fund's income subject to risks from exchange rate fluctuations.

Potential Restrictive Covenants. From time to time the Funds are expected to enter into a credit facility with one or more lenders to bridge capital calls. Any such credit facility may contain a number of covenants that, among other things, might restrict the ability of the applicable Fund to: acquire or dispose of assets or businesses; incur additional indebtedness; make expenditures, distributions or capital calls; create liens on assets; enter into leases, investments or acquisitions; consent to transfers of interests in the Fund; make amendments to the governing documents of the Fund; or engage in certain transactions with affiliates, and otherwise restrict activities of the Fund without the consent of the lenders. In addition, such a credit facility would likely require the Fund to maintain specified financial ratios and comply with tests, including minimum interest coverage ratios, maximum leverage ratios, minimum net worth and minimum equity capitalization requirements.

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

Distressed Investments. The Funds may invest in the debt or equity, including debt obligations that are in covenant or payment default, of properties experiencing significant financial difficulties and material operating issues, including properties that may have been, are or will become involved in bankruptcy proceedings or other restructuring, recapitalization or liquidation processes. Investments in such properties involve a substantial degree of risk that is generally higher than the risk involved in investing in properties that are not in financial or operational distress. Given the heightened difficulty of the financial analysis required to evaluate distressed properties, there can be no assurance that the Adviser will correctly evaluate the value of the assets

of a distressed property securing its debt and other obligations or correctly project the prospects for the successful restructuring, recapitalization or liquidation of such property. Therefore, in the event that a portfolio property does become involved in bankruptcy proceedings or a restructuring, recapitalization or liquidation is required, the Fund may lose some or all of its investment or may be required to accept illiquid securities with rights that are materially different than the original securities in which such Fund invested.

Hedging. The Funds may enter into hedging transactions primarily to protect against the possible adverse effects to the value of its assets associated with interest and currency rate fluctuations. There can be no assurance that a Fund's hedging activities will have the desired effect on the performance of the Fund. The use of hedging transactions involves certain risks, including (i) the possibility that interest and currency rates fluctuate in a manner that would have led to better performance for the Fund if the Fund had not entered into such a transaction, (ii) the risk of imperfect correlation between the risk being hedged and the instrument used to hedge such risk, and (iii) potential lack of liquidity for the instrument used to hedge the risk. Engaging in hedging transactions may result in worse overall performance for the Fund than if it had not engaged in any such hedging transactions.

Prepayments. The yield on any Fund asset, and accordingly the overall return generated by the Fund, will be affected by the rate and timing of principal payments of such assets. The rate and timing of these principal payments, or in the case of principal losses, principal or notional write-downs, will be affected by, among other factors, (i) unscheduled principal payments or collections in the form of voluntary prepayments of principal or unscheduled recoveries of principal due to defaults, and (ii) the order of priority in which such principal and collections are distributed in reduction of the actual or notional principal balance of the assets.

Future and Past Performance. The performance of prior investments managed by certain of the Adviser's investment professionals (including the Principal) is not necessarily indicative of the Funds' future results. While the Advisers intend for the Funds to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that any targeted internal rate of return will be achieved. On any given investment, loss of principal is possible. Additionally, changes to estimates or projections used to assess the fair value of a Fund's assets, or operating results that are lower than a Fund's current estimates at certain locations, may cause the Fund to incur impairment charges that could adversely affect the Fund's results of operations.

Concentration of Investments. The Funds will participate in a limited number of investments and intend to make most investments in certain regions of North America within a short period of time. The performance of such investment will dictate the performance of the applicable Funds. Other Funds' investment portfolio could become highly concentrated, and the performance of one or a few holdings or of a particular geographic region may substantially affect such Funds' respective aggregate returns.

Illiquidity; Lack of Current Distributions. An investment in the Funds should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful equity investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon

the partial or complete disposition of an investment. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating a Fund (and the Management Fee payable to the Adviser (or an affiliate thereof)) may exceed its income, thereby requiring that the difference be paid from the Fund's capital.

Non-U.S. Investments. The Funds may invest in Canada or other non-U.S. jurisdictions, in Canadian Dollars or other foreign currency (as applicable) and/or through entities formed outside the U.S. These investments involve special risks not usually associated with investing in U.S. investments, entities, the U.S. federal government or U.S. state or local governments. Because investments in non-U.S. investments may involve non-U.S. Dollar currencies and because such Funds may incur obligations or temporarily hold funds in such currencies, the Funds may be affected favorably or unfavorably by changes in currency rates (including as a result of the devaluation of a foreign currency) or in exchange control regulations and may incur transaction costs in connection with conversions between various currencies. It may also be substantially more difficult to effect hedging transactions in foreign markets than it is typically in the United States.

In addition, because non-U.S. investments and entities are not subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to U.S. investments and entities, there may be different types of, and lower quality, information available about a non-U.S. investment or entity than a U.S. investment or entity. With respect to certain countries, there may be the possibility of expropriation or confiscatory taxation; political, economic or social instability; changes in governmental administration or economic monetary policy; limitation on the removal of funds or other assets or the repatriation of taxes on interest, capital gain or other income; import duties or other protectionist measures; credit controls; and greater risks of nationalization or diplomatic developments that could adversely affect the Fund's investments in those countries. The value of a Fund's investments may be affected by inflation, interest rates, taxation, commodity prices and other political and economic developments in or affecting non-U.S. countries. While the Adviser intends to manage the Funds in a manner to reduce the exposure to such risks, there can be no assurance that adverse political or economic developments will not cause the Funds to suffer a loss.

Limited Transferability of Fund Interests. There will be no public market for the Fund interests, and none is expected to develop. There are substantial restrictions upon the transferability of Fund interests under the Governing Documents and applicable securities laws. In general, withdrawals of Fund interests are not permitted. In addition, Fund interests are not redeemable.

Restricted Nature of Investment Positions. Generally, there will be no readily available market for Fund investments, and hence, most of the Fund's investments will be difficult to value. Certain investments may be distributed in kind to the investors and it may be difficult to liquidate such investments at a price or within a time period desired by such investors. After a distribution of an investment is made to the investors, many investors may decide to liquidate such investment within a short period of time, which could have an adverse impact on the price of such investment. The price at which such investment may be sold by such investors may be lower than the value of such investment determined pursuant to the Governing Documents, including the value used to determine the amount of carried interest available to the Adviser with respect to such investment.

Reliance on Fund Management. The Funds will be dependent on the Adviser. Control over the operation of the Funds will be vested with the Adviser, and the Funds' future profitability will depend largely upon the business and investment acumen of the Principal and the investment professionals of the Adviser. The loss or reduction of service of the Principal or other investment professionals of the Adviser could have an adverse effect on the Funds' ability to realize their investment objectives. In addition, the Principal and other investment professionals of the Adviser currently manages, and may in the future manage, other investment vehicles besides the current Funds and may need to devote substantial amounts of time to the investment activities of such other funds. Similarly, certain directors, officers or employees of the Adviser, including the Principal, are expected to provide certain consulting, hotel asset management or operational management, development, sales, marketing and residential brokerage services and/or administrative services (including accounting, financial and other similar services) to certain entities affiliated with the Adviser, including the Real Estate Services Group, with respect to real estate assets that are unrelated to the Funds' investments. Such present and potential future obligations of the Principal and other persons may pose conflicts of interest in the allocation of the time of the Principal and such other persons. Investors generally have no right or power to take part in the management of the Fund, and as a result, the investment performance of the Fund will depend on the actions of the Principal and the investment professionals of the Adviser. In addition, certain changes in the Adviser or circumstances relating to the Adviser may have an adverse effect on the Funds or one or more of their assets, including potential acceleration of debt facilities. No assurance can be given that the Adviser will be successful in selecting suitable investments on behalf of the Funds or that the objectives of the Funds will be achieved.

Third Party Involvement. To the extent a Fund is permitted to make equity investments pursuant to its Governing Documents, equity investments may be made as a co-venturer or partner with the seller of the property, an affiliate of the seller, an investor in the Fund or other third parties. Such investments may involve risks not present in investments where a third party is not involved, including the possibility that: (i) the applicable Fund and such co-venturer may reach an impasse on a major decision that requires the approval of both parties; (ii) a co-venture or partner of the Fund may at any time have economic or business interests or goals that are inconsistent with those of the Fund; (iii) the co-venturer or partner may encounter liquidity or insolvency issues or may become bankrupt; (iv) the co-venturer or partner may be in a position to take action contrary to the Fund's investment objective; (v) the co-venturer or partner may take actions that subject the property to liabilities in excess of, or other than, those contemplated; or (vi) in certain circumstances the Fund may be liable for actions of its co-venturers or partners. In addition, such Fund may rely upon the abilities and management expertise of a co-venturer or partner. It may also be more difficult for the Fund to sell its interest in any joint venture, partnership or entity with other owners than to sell its interest in other types of investments. The Fund may grant co-venturers or partners joint approval rights with respect to major decisions concerning the management and disposition of the investment, which would increase the risk of deadlocks. A deadlock could delay the execution of the business plan for the investment or require the Fund to engage in a buy-sell of the venture with the co-venturer or partner or conduct the forced sale of such investment. As a result of these risks, the Fund may be unable to fully realize its expected return on any such investment. Further, to the extent that the Fund offers any co-investment opportunity to any investors or third parties, some or all of the risks described above may also apply to such co-investments. Additionally, if the Fund is unable to maintain good relationships with third-party hotel owners and renew or enter into new management and franchise agreements, the Fund may

be unable to expand its presence and its business, financial condition, and results of operations may suffer. The Fund's business is subject to real estate investment risks for third-party owners which could adversely affect the Fund's operational results and its prospects for growth. Additionally, the Fund is exposed to the risks resulting from significant investments in owned and leased real estate, which could increase costs, reduce profits and limit the Fund's ability to respond to market conditions and sharing control in joint venture projects limits the Fund's ability to manage third-party risks associated with these projects.

Absence of Operating History. While the Principal and investment professionals of the Adviser have previous experience making and managing investments similar to those contemplated by the Funds, only certain of such persons have experience managing and investing a committed pool of funds. Furthermore, there can be no assurance that the Funds' investments will achieve results similar to those attained by previous investments of the Adviser. In addition, the Fund's investments are expected to differ from previous investments made by the Adviser in a number of respects, including target return levels, level of risk associated with a particular investment, amount invested in a particular investment, investments within a particular region or sector, amount of leverage used, structure and holding period. In particular, the historical investment focus of certain of the Adviser's investment professionals (including the Principal) has been on equity investments in luxury hotel properties, and the Fund intends to focus primarily on debt investments in such properties.

Projections. Any projected performance for the Funds' investments normally will be based primarily on financial projections. In all cases, projections are only estimates of future results that are based upon information relating to investments and third parties and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

Controlling Person Liability. The exercise of control over an entity can impose additional risks of liability for environmental damage, failure to supervise management, violation of government regulations (including securities laws) or other types of liability in which the limited liability characteristic of business ownership may be ignored. If these liabilities were to arise, a Fund might suffer a significant loss.

Uncertain Economic, Social and Political Environment. Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire investments, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of a Fund and its portfolio investments to execute their respective operations and to receive an attractive multiple of earnings upon disposition. This may slow the rate of future investments by a Fund and result in longer holding periods for investments. Furthermore, such

uncertainty or general economic downturn may have an adverse effect upon the Fund's portfolio investments.

Conflicting Investor Interests. Investors may have conflicting investment, tax, and other interests with respect to their investments in the Fund, including conflicts relating to the structuring of investment acquisitions and dispositions. Conflicts may arise in connection with decisions made by the Adviser regarding an investment that may be more beneficial to one investor than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, the Adviser generally will consider the investment and tax objectives of the Fund and its investors as a whole, not the investment, tax, or other objectives of any investor individually.

Investor Services to Fund and/or Portfolio Investments. The Adviser may be presented with opportunities to seek financing, real estate and other services in connection with a Fund's investments from certain investors or their affiliates (which may be affiliates or associates of the Adviser) that are engaged in the lending business, real estate business or other businesses. For example, an affiliate of the Principal, is expected to provide residential brokerage, sales, marketing and related services to certain Funds' and/or their portfolio investments, as described below. Such arrangements have the potential to subject the Adviser to conflicts of interest, because although the Adviser selects lending, real estate and other service providers that it believes are aligned with its operational strategies and will enhance investment performance and, relatedly, returns of the Fund, the Adviser has an incentive to pursue financing, real estate and other opportunities with certain investors because of its financial or other business interests, including an investor's historical relationship, affiliation or potential future relationship with the Adviser and Fund investments made or to be made by an investor. There are scenarios in which the Adviser, because of a belief that an investor will invest or continue to invest in one or more investment funds managed by the Adviser or any of its affiliates, or for other reasons, may favor the retention or continuation of lending, real estate or other services from such investor even if better rates and/or quality of service could be obtained from another provider. Whether the Adviser has a relationship or receives financial or other benefit from recommending a particular investor for lending, real estate or other services, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at a lower cost.

Valuation of Investments. Generally, the Adviser will determine the value of all the related Fund's investments for which market quotations are available based on publicly available quotations. However, market quotations will not be available for virtually all Fund portfolio investments because, among other things, the securities of the portfolio investment(s) held by such Fund generally will be illiquid and not quoted on any exchange. The Adviser will determine the value of all the Fund's investments that are not readily marketable based on ASC 820 guidelines as promulgated by the Financial Accounting Standards Board and any subsequent valuation guidelines required of an investment fund reporting under generally accepted accounting principles as promulgated in the United States. There can be no assurance that the Adviser will have all the information necessary to make valuation decisions in respect of these investments, or that any information provided by third parties on which such decisions are based will be correct. There can be no assurance that the valuation decision of an Adviser with respect to an investment will represent the value realized by the relevant Fund on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation. Accordingly, the valuation decisions made by the Adviser may cause it to ineffectively

manage the relevant Fund's investment portfolios and risks, and may also affect the diversification and management of such Fund's portfolio of investments.

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

Material Non-Public Information; Other Regulatory Restrictions. As a result of the operations of the Adviser and its affiliates, the Adviser frequently comes into possession of confidential or material non-public information. Therefore, the Adviser and its affiliates may have access to material, non-public information that may be relevant to an investment decision to be made by a Fund. Consequently, a Fund may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or the Adviser's internal policies.

Similarly, anti-money laundering, anti-boycott and economic and trade sanction laws and regulations in the United States and other jurisdictions may prevent the Adviser or the funds from entering into transactions with certain individuals or jurisdictions. The United States Department of the Treasury's Office of Foreign Assets Control ("OFAC") and other governmental bodies administer and enforce laws, regulations and other pronouncements that establish economic and trade sanctions on behalf of the United States. Among other things, these sanctions may prohibit transactions with or the provision of services to, certain individuals or portfolio investments owned or operated by such persons, or located in jurisdictions identified from time to time by OFAC. Additionally, antitrust laws in the United States and other jurisdictions give broad discretion to the U.S. Federal Trade Commission, the United States Department of Justice and other U.S. and non-U.S. regulators and governmental bodies to challenge, impose conditions on, or reject certain transactions. In certain circumstances, antitrust restrictions relating to one Fund's acquisition of a portfolio investment may preclude other Funds from making an attractive acquisition or require one or more other Funds to sell all or a portion of certain portfolio investments owned by them.

As a result of any of the foregoing, a Fund may be adversely affected because of the Adviser's inability or unwillingness to participate in transactions that may violate such laws or regulations, or by remedies imposed by any regulators or governmental bodies. Any such laws or regulations may make it difficult or may prevent a Fund from pursuing investment opportunities, require the sale of part or all of certain portfolio investments on a timeline or in a manner deemed undesirable by the Adviser or may limit the ability of one or more portfolio investments from conducting their intended business in whole or in part. Consequently, there can be no assurance that any Fund will be able to participate in all potential investment opportunities that fall within its investment objectives.

Conflicts of Interest

The Adviser and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own account and for the accounts of other Funds in addition to providing hotel asset management or operational management, development, sales, marketing and residential brokerage services and/or administrative services (including accounting, financial and other similar services) with respect to Fund portfolio investments and/or other investments. The Adviser will devote such time, personnel and internal resources as are necessary to conduct the business affairs of the Funds in an appropriate manner, as required by the relevant Governing Documents, although the Funds and their respective investments will place varying levels of demand on these over time. In the ordinary course of the Adviser conducting its activities, the interests of a Fund may conflict with the interests of the Adviser, one or more other Funds, portfolio investments or their respective affiliates. Certain of these conflicts of interest are discussed herein. As a general matter, the Adviser will determine all matters relating to Fund operations using its reasonable judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the advisory board(s) of the participating Fund(s).

During the commitment period of a Fund, all appropriate investment opportunities will be pursued by the Adviser's investment professionals through such Fund, subject to certain limited exceptions set forth in the Fund's Governing Documents and the Adviser's allocation policies. Without limitation, the Adviser's investment professionals currently manage, and expect in the future to manage, several other investments similar to those in which a Fund will be investing, and may direct certain relevant investment opportunities to those investments. The Principal and the Adviser's investment professionals will continue to manage and monitor such investments until their realization. Certain of the Adviser's investment professionals engage in other business activities, including serving on the board of directors of companies in the hotel or related industries. The investment professionals of the Adviser also currently have, and expect in the future to have, economic interests in other businesses (such as the Real Estate Services Group), as well as other investment portfolios and investments and receive fees and carried interest relating to these interests. Such other investments and/or business activities that the Adviser's investment professionals may control, manage or engage in may compete with portfolio investments, including hotel properties (as discussed above), acquired by a Fund. Following the commitment period of a Fund, the Adviser's investment professionals may and likely will focus their investment activities on other opportunities and areas unrelated to such Fund's investments.

From time to time, the Adviser will be presented with investment opportunities that would be suitable not only for a Fund, but also for other Funds and other investment vehicles operated by advisory affiliates of the Adviser. In determining which investment vehicles should participate in such investment opportunities, the Adviser and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. Except as required by the relevant Governing Documents, the Adviser is not obligated to recommend any investment to any particular investment vehicle. Investments by more than one client of the Adviser in a portfolio investment may also raise the risk of using assets of a client of the Adviser to support positions taken by other clients of the Adviser.

Following the determination of allocations among Funds based on the Governing Documents and other factors, the Adviser will determine if the amount of an investment opportunity in which one or more Funds will invest exceeds the amount that would be appropriate for such Fund(s) and the Adviser may, in its sole discretion, provide or commit to provide any such excess to one or more investors and/or other persons, including affiliates of the Adviser, the Real Estate Services Group and other consultants, service providers, finders, other sponsors and market participants, in each case on terms to be determined by the Adviser in its sole discretion, subject to its then-current policies and procedures regarding allocation and the Governing Documents and Side Letters. Conflicts of interest may arise in the allocation of such co-investment opportunities. The allocation of co-investment opportunities, which may be made to one or more persons for any number of reasons as determined by the Adviser in its sole discretion, may not be in the best interests of the applicable Fund or any individual investor. The Adviser will consider some or all of a wide range of factors in making such determinations, which may include: expressed interest in co-investment opportunities; expertise of the prospective co-investor in the industry to which the investment opportunity relates; perceived ability to quickly execute on transactions; tax, regulatory, securities laws and/or other legal considerations (*e.g.*, qualified purchaser or qualified institutional buyer status); confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity; the Adviser's perception of whether the investment opportunity may subject the prospective co-investor to legal, regulatory, reporting, or other burdens that make it less likely that the prospective co-investor would act upon the investment opportunity if offered or would impair the Adviser's ability to execute the relevant transaction in the desired time or on desired terms; the ability of the prospective co-investor to invest an amount of capital that is consistent with the needs of the investment, taking into account the amount of capital reasonably expected to be needed (including for potential add-on acquisitions and other potential additional investments); size of the investment allocation and practicality of dividing it up among multiple co-investors; lender requirements; whether the Adviser believes that allocating investment opportunities to an investor or person will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the Fund or the Adviser; and other factors that the Adviser considers important in connection with the specific transaction or investment, including, without limitation, expected investment holding period, services provided by the prospective co-investor to the issuer of the investment (or otherwise provided by the prospective co-investor with respect to the investment). Although a prospective co-investor's willingness to invest in future Funds may be considered by the Adviser, it generally will not be the sole determining factor considered by the Adviser in identifying co-investors. The Advisers may grant certain investors the opportunity to evaluate specified amounts of prospective co-investments in Fund portfolio investments or otherwise to have priority in co-investment opportunities. There

can be no assurance that co-investment opportunities will be offered.

Furthermore, decisions regarding whether and to whom to offer co-investment opportunities may be made by the Adviser or its related persons in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities may, and typically will, be offered to some and not to other investors and the consideration of the factors set forth above may result in certain investors receiving multiple opportunities to co-invest while others expressing interest in co-investments may receive none. For instance, Significant Investors will be offered their pro rata share (based on commitments) of any co-investment opportunity offered to other Fund investors. When and to the extent that employees and related persons of the Adviser and its affiliates make capital investments in (directly or indirectly through the Adviser) or alongside a Fund, the Adviser and its affiliates are subject to conflicting interests in connection with such Fund's investments. There can be no assurance that such Fund's return from a transaction would be equal to and not less than another investment vehicle participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

The Adviser's allocation of investment opportunities among the persons and in the manner discussed herein may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to others. While the Adviser will allocate investment opportunities in a manner that it believes in good faith is fair and equitable to its clients under the circumstances over time and considering relevant factors, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the conflicts of interest to which the Adviser may be subject, discussed herein, did not exist. Subject to applicable regulations, in certain cases, certain Funds are expected to buy or sell securities from other Funds without investor approval, provided that such transactions will be conducted in a manner that the Adviser believes in good faith to be fair and equitable to the Funds under the circumstances.

In certain cases, the Adviser will have opportunity (but, subject to any applicable restrictions or procedures in the relevant Governing Documents, no obligation) to identify one or more secondary transferees of interests in a Fund. In such cases, the Adviser will not receive compensation for identifying such transferees, and will use its discretion to select such transferees based on eligibility and other factors similar to those employed in selecting co-investors, and unless required by the relevant Governing Documents, will determine in its sole discretion whether the opportunity to receive a transfer of Fund interests should be offered to one or more existing Fund investors.

Conflicts may arise when a Fund makes investments in conjunction with an investment being made by another Fund, or if it were to invest in the securities of an investment in which another Fund has already made an investment. A Fund may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Funds. This may result in differences in price, terms, leverage and associated costs. Further, there can be no assurance that the relevant Fund and the other Fund(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. Adviser and its affiliates may express inconsistent views of commonly held investments or of market conditions more generally. There can be no assurance that the return on one Fund's investments

will be the same as the returns obtained by other Funds participating in a given transaction. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Funds. In that regard, actions may be taken for one or more Funds that adversely affect other Funds.

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

As a general matter, Fund expenses typically will be allocated among all relevant Funds or co-invest vehicles eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions will generally be made by the Adviser using its reasonable judgment, considering such factors as it deems relevant, but in its sole discretion. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, *e.g.*, in determining whether to allocate *pro rata* based on number of Funds or co-invest vehicles receiving related benefits or proportionately in accordance with asset size, or in certain circumstances determining whether a particular expense has greater benefit to a Fund or the Adviser. The Funds have different expense reimbursement terms, including with respect to Management Fee offsets, which may result in the Funds bearing different levels of expenses with respect to the same investment.

To the extent the Funds' hold controlling interests (typically in the case of equity interests) in portfolio investments, the Adviser and/or its affiliates typically will have the right to appoint board members (including current or former Adviser personnel or persons serving at their request), or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio investment board members approve compensation and/or other amounts payable to the Adviser and/or its affiliates. Except to the extent such amounts are subject to the offset provisions of the Governing Documents, they will be in addition to any Management Fees or carried interest paid by a Fund to the Adviser or its affiliates.

Additionally, a portfolio investment typically will reimburse the Adviser or service providers retained at the Adviser's discretion for expenses (including without limitation travel expenses) incurred by the Adviser or such service providers in connection with its performance of services for such portfolio investment. This subjects the Adviser and its affiliates to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements over time could be significant. The Adviser determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices. Although the amount of individual reimbursements typically is not disclosed to investors in any Fund, their effect is reflected in each Fund's audited financial statements, and any fee paid or expense reimbursed to the Adviser or such service providers generally is subject to: agreements with or review by sellers, buyers and management teams; the review and supervision of the board of directors of portfolio investments; and/or third party co-investors in its transactions. These factors help to mitigate related potential conflicts of interest.

Certain investment professionals of the Adviser including the Principal are expected to perform consulting, hotel asset management or operational management, development, sales, marketing and residential brokerage services and/or administrative services (including accounting, financial and other similar services) for third-parties and Adviser affiliates pursuant to agreements with such parties, including the Real Estate Services Group.

The Adviser generally will receive compensation and reimbursements from such affiliates and/or third parties for expenses attributable to such services, including, salaries and out-of-pocket expenses. In addition, as discussed below, to the extent the Real Estate Services Group provides Services to a portfolio investment, such portfolio investment is expected to pay the Real Estate Services Group, notwithstanding that certain Services provided by the Real Estate Services Group will be performed by Adviser employees in the Adviser's sole discretion. This subjects the Adviser and its affiliates to conflicts of interest because the Fund does not have an interest or share in these payments, such payments will not otherwise reduce the Fund's fees and expenses and the amount of such payments over time is expected to be substantial. The Adviser believes that potential conflicts may be reduced as discussed below.

The Adviser generally exercises its discretion to recommend to a Fund or to a portfolio investment thereof that it contract for services with (i) the Adviser, the Real Estate Services Group or a related person of the Adviser (which may include a portfolio investment of the Fund), (ii) an entity with which the Adviser or its affiliates or current or former members or personnel has a relationship or from which the Adviser or its affiliates or their personnel otherwise derives financial or other benefit, including the Real Estate Services Group or (iii) certain investors or their affiliates. This discretion subjects the Adviser to conflicts of interest, because although the Adviser selects service providers that it believes are aligned with its operational strategies and will enhance portfolio investment performance and, relatedly, returns of the relevant Fund, the Adviser has an incentive to recommend the related or other person (including an investor) because of its financial or other business interest, including the Principal's business interest in the Real Estate Services Group. There are scenarios in which the Adviser, because of such belief or for other reasons (including whether the use of such persons could financially benefit the Adviser and/or its affiliates, establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the Fund or the Adviser), would favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Whether or not the Adviser has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

The Adviser and/or its affiliates may also, from time to time, employ personnel (or their affiliates) or utilize service providers with pre-existing ownership interests in the Funds, portfolio investments owned by the Funds or other investment vehicles advised by the Adviser and/or its affiliates; conversely, current or former personnel or executives of the Adviser and/or its affiliates may serve in significant management roles at portfolio property management or operational management companies or service providers recommended by the Adviser. Similarly, the Adviser, its affiliates and/or personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including managers of private funds, banks and brokers, advisors, consultants, finders (including executive finders, portfolio investment finders,

executives, attorneys, accountants, institutional investors, family offices, lenders, current and former employees, and current and former portfolio property management or operational management company executives, as well as certain family members or close contacts of these persons). Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, the Adviser and/or its affiliates, and/or the Funds or other investment vehicles they advise. The Adviser may have a conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to such Fund or a portfolio investment if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds, will provide the Adviser information about markets and industries in which the Adviser operates (or is contemplating operations) or will provide other services that are beneficial to the Adviser. The Adviser may have a conflict of interest in making such recommendations, in that the Adviser has an incentive to maintain goodwill between it and the existing and prospective portfolio investments for a Fund, while the products or services recommended may not necessarily be the best available to the portfolio investments held by a Fund.

The Adviser believes that the significant investment of certain of its investment professionals in the Funds, as well as their interest in the carried interest, aligns, to some extent, their interests with the interest of the investors; however, certain strategic investors with significant capital commitments are expected to share in the net Management Fee income and/or carried interest with respect to a Fund. As discussed below, this also may create an incentive for the Adviser to utilize the services of the Real Estate Services Group. Such investors do not have investment approval, veto or other similar governance rights with respect to investment decisions by the Adviser.

The Adviser, its affiliates, and equity holders, officers, principals and employees of the Adviser and its affiliates may buy or sell securities or other instruments that the Adviser has recommended to a Fund. In addition, officers, principals and employees may buy securities in transactions offered to but rejected by a Fund. Such transactions are subject to any restrictions in the Fund's Governing Documents and any policies and procedures set forth in the Adviser's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of any Fund. Employees and related persons of the Adviser have, and are expected to continue to have, capital investments or other financial interests in or alongside certain Funds, or in prospective portfolio investments directly or indirectly, and therefore may have additional conflicting interests in connection with these investments.

Because certain expenses are paid for by a Fund and/or its portfolio investments or, if incurred by the Adviser, are reimbursed by a Fund and/or its portfolio investments, the Adviser will not necessarily seek out the lowest cost options when incurring (or causing a Fund or Fund investment to incur) such expenses.

In addition, as described above, portfolio investments and the Funds may pay or bear certain fees with respect to the Real Estate Services Group (including consultants introduced or arranged by the Adviser and/or its affiliates that regularly provide services to one or more portfolio investments, prospective portfolio investments and/or the Fund), and such fees do not offset the Management Fee. Certain members of the Real Estate Services Group generally make use of Adviser resources or otherwise are associated with the Adviser. The Real Estate Services Group

generally receives investment opportunities, reimbursements and other compensation that will not be shared with the Funds or reduce the Management Fee of any Fund, as described herein. In addition, certain of the Adviser's investment professionals, including the Principal, are expected to provide consulting or other services to the Real Estate Services Group or Fund portfolio investments, and any fees earned in connection therewith similarly will not reduce any Management Fees. In addition, to the extent the Adviser provides hotel asset management or operational management, development, sales, marketing and residential brokerage services and/or administrative services (including accounting, financial and other similar services) to a Fund, a portfolio investment or a prospective portfolio investment, as permitted under the applicable Governing Documents, it may charge such entities fees in addition to the Management Fee. As noted herein, certain members of the Real Estate Services Group are affiliates of the Adviser, and the Principal controls certain entities within the Real Estate Services Group, and the retention of the Real Estate Services Group subjects the Adviser and its affiliates to potential conflicts of interest because it would receive fees in addition to the Management Fee for Services provided by the Real Estate Services Group. Therefore, the Adviser has an incentive to engage the Real Estate Services Group for such Services. The Adviser believes that such potential conflicts may be reduced if the services of the Real Estate Services Group align with the Adviser's model for the portfolio investment and improve the performance of such investment. In addition, compensation paid to the Real Estate Services Group will be at market rates or pursuant to arms' length transactions and will be disclosed to the extent required under the applicable Fund's Governing Documents. Although the Adviser seeks to retain the Real Estate Services Group with a view to creating efficiencies in servicing portfolio investments (and, ultimately, the applicable Fund) and/or improving portfolio investment performance, a number of factors may result in limited or no cost savings from such retention. There can be no assurance that members of the Real Estate Services Group are more qualified to provide the applicable Services, or could provide such Services at a lower cost, than another service provider.

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

The Adviser and/or its affiliates may enter into Side Letters with certain investors in a Fund providing such investors with different or preferential rights or terms, including but not limited to different fee structures, information rights, co-investment rights, and liquidity or transfer rights.

From time to time the Adviser expects to engage, or coordinate the engagement of, certain service providers and/or vendors, which provide goods and/or services to portfolio investments owned by a Fund, the Adviser, its affiliates (including the Real Estate Services Group) and portfolio investments owned by other Funds. Participants in such arrangements generally participate voluntarily and expect to receive discounts negotiated with such service providers and/or vendors on a group-wide basis. The Adviser and its affiliates (including the Real Estate Services Group) also participate, and receive similar benefits and discounts as the portfolio investments participating therein. No such amounts will result in additional offsets to the Management Fee. The Adviser believes the potential for conflicts relating to such arrangements is mitigated by the anticipated cost savings to portfolio investments (which is expected to be to the benefit of the applicable Fund(s)) that will result if the negotiated discounts rates for goods and/or services are discounted relative to those widely available in the market.

From time to time the Adviser, its affiliates and personnel and persons selected by them expect to receive the benefit of “friends and family” and similar discounts from hotels, resorts and/or other properties owned by the Funds under which such properties make their lodging, leasing and/or services available at reduced rates. Because their portfolio investments offer such discounts to customers other than the Adviser and such persons as part of their standard commercial practices in an effort to expand their respective customer bases, the Adviser believes that the potential for conflicts of interest relating to such discounts is mitigated. The Adviser, its affiliates and personnel generally refrain from requesting or negotiating for such discounts in the ordinary course. Discounted prices or better terms offered by a portfolio company to the Adviser, its affiliates, any other portfolio investment or third parties may affect the returns of the portfolio investment.

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

ITEM 9 – DISCIPLINARY INFORMATION

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

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

As noted above, the Adviser is affiliated with Ohana Realty Corp., a residential brokerage firm providing real estate sales and marketing services.

Ohana Realty Corp. may provide services to a Fund or portfolio investment to the extent permitted under its Governing Documents. The Adviser does not believe the relationship creates a

material conflict of interest, although potential conflicts of interest are discussed above under “Methods of Analysis, Investment Strategies and Risk of Loss.”

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

The Adviser has adopted the Code of Ethics and Securities Trading Policy and Procedures (the “**Code**”), which sets forth standards of conduct that are expected of the Adviser’s principals and employees and addresses conflicts that arise from personal trading. The Code requires certain Adviser personnel to:

- report their personal securities transactions;
- pre-clear with the Chief Compliance Officer any proposed direct or indirect acquisition of beneficial ownership of any initial public offering or limited offering;
- pre-clear with the Chief Compliance Officer the direct or indirect acquisition or disposition of certain other securities; and
- comply with the policies and procedures reasonably designed to prevent the misuse of, or trading upon, material non-public information.

A copy of the Code will be provided to any investor or prospective investor upon request to John Ginochio, the Adviser’s Chief Compliance Officer, at (650) 681-0185. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client’s interests in client eligible investments.

The Adviser and its affiliated persons may come into possession, from time to time, of material non-public or other confidential information about public companies which, if disclosed, might affect an investor’s decision to buy, sell or hold a security. Under applicable law, the Adviser and its affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of the Adviser.

Accordingly, should the Adviser or any of its affiliated persons come into possession of material non-public or other confidential information with respect to public and non-public company, the Adviser generally would be prohibited from communicating such information to clients, and the Adviser will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of Adviser personnel serving as directors of public companies and may restrict trading on behalf of clients, including a Fund.

Principals and employees of the Adviser and its affiliates may directly or indirectly own an interest in one or more Funds.

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

securities recommended or bought for, any Fund, even though their investment objectives may be the same or similar. The operative documents and investment programs of certain Funds may restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of certain other vehicles in issuers held by such Funds or may give priority with respect to investments to such Funds. Some of these restrictions could be waived by investors (or their representatives) in such Funds.

From time to time, the Adviser may advance funds on behalf of a Fund and contribute such amounts to the relevant Fund as a special interim capital contribution for investment, to be redeemed at a later date. A yield amount in connection with such borrowing typically is borne by the relevant Fund, consistent with the Governing Documents.

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

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

ITEM 12 – BROKERAGE PRACTICES

The Adviser focuses on securities transactions of private real estate-related debt securities and generally purchases and sells such securities through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, the Adviser may also distribute securities to investors in a Fund or sell such securities, including through using a broker-dealer, if a public trading market exists. Although the Adviser does not intend to regularly engage in public securities transactions, to the extent it does so, it follows the brokerage practices described below.

If the Adviser sells publicly traded securities for a Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Adviser. In such event, the Adviser will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, the Adviser may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) responsiveness to requests for trade data and other financial information.

The Adviser has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although the Adviser generally seeks competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with the Adviser seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although the Adviser generally does not make use of such services at the current time and has not made use of such services since its inception.

The Adviser does not expect to engage in regular public securities transactions; however, to the extent that the Adviser engages in any such transactions, orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for Funds are completed independently, the Adviser may also purchase or sell the same securities or instruments for several Funds simultaneously. From time to time, the Adviser may, but is not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or “batched” to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Fund of the Adviser is favored over any other Fund. When an aggregated order is filled in its entirety, each participating Fund generally will receive the average price obtained on all such purchases or sales made during such trading day.

To the extent such orders are not batched, they may have the effect of increasing brokerage commissions or other costs.

When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a *pro rata* basis to each Fund participating in such buy or sell order in accordance with the amount of securities originally requested for such Funds.

ITEM 13 – REVIEW OF ACCOUNTS

The Funds generally hold private, illiquid and long-term investments. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, the Adviser closely monitors investments of the Funds. The relevant investment committee or the

Principal (as applicable) is responsible for ensuring that Fund investments are maintained in order with a Fund's stated objective(s), and the Adviser's Chief Compliance Officer periodically checks to confirm that such Fund is maintained in accordance with its stated objectives.

The Funds generally will provide to investors (i) annual GAAP audited and quarterly unaudited financial statements, (ii) annual tax information necessary for each investor's tax return and (iii) annual reports providing a narrative summary of the status of each portfolio investment.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

The Adviser and/or its affiliates may provide certain business, consulting or real estate services to portfolio investments and may receive compensation from these companies in connection with such services. Generally, fees and expense reimbursements related to such services are in addition to Management Fees. *See* "Fees and Compensation."

From time to time, the Adviser may enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming an investor in a Fund. Any fees payable to any such placement agents will be borne by the Adviser indirectly, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, typically are borne by the relevant Fund(s).

ITEM 15 – CUSTODY

The Advisers have custody of the Funds' assets and are subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). Pursuant to the Custody Rule, the Funds' assets are held in the name of one or more Funds with Merrill Lynch, Pierce, Fenner & Smith Incorporated. As mentioned in Item 13, the Funds' investors will receive annual GAAP audited and quarterly unaudited financial statements. Those audited financial statements will be distributed to the investors within 120 days of the Funds' fiscal year-end. The Adviser recommends that investors carefully review such quarterly statements and annual reports.

ITEM 16 – INVESTMENT DISCRETION

The Adviser generally has discretionary authority to manage investments on behalf of each Fund. As a general policy, the Adviser does not allow clients to place limitations on this authority. To the extent permitted under a Fund's Governing Documents, the Adviser and/or its affiliates also may enter into Side Letters with certain investors whereby the terms applicable to such investor's investment in the Fund may be altered or varied, including, in some cases, the right to consent to certain decisions that are made on behalf of the Fund. The Adviser assumes this discretionary authority pursuant to the terms of the Governing Documents and powers of attorney executed by the investors of such Fund, as applicable.

ITEM 17 – VOTING CLIENT SECURITIES

The Adviser has adopted Proxy Voting Policies and Procedures (the "**Proxy Policy**") to address how it will vote proxies, as applicable, for each Fund's portfolio investments. The Proxy Policy seeks to ensure that the Adviser votes proxies (or similar instruments) in the best interest

of the Funds, including where there may be material conflicts of interest in voting proxies. The Adviser generally believes its interests are aligned with those of each Fund's investors, for example, through the principals' beneficial ownership interests in such Fund and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that the Adviser may address the conflict using several alternatives, including by seeking the approval or concurrence of a Fund's advisory board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. There also may be instances when the Adviser refrains from voting a proxy, such as when the Adviser determines that the cost of voting the Proxy exceeds the expected benefit to a Fund and would not be in the Fund's best interest. The Adviser does not consider its receipt of management or other fees from portfolio investments to create a material conflict of interest in voting proxies with respect to such investments. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by the Adviser when voting proxies on behalf of a Fund. Clients or investors may obtain a copy of the Adviser's Proxy Policy or information regarding how the Adviser voted proxies for particular portfolio investments by contacting John Ginochio, the Chief Compliance Officer, at (650) 681-0185, and it will be provided at no charge.

ITEM 18 – FINANCIAL INFORMATION

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