

## **Item 1 - Cover Page**

**Form ADV Part 2A**

### **Rockbridge Capital, LLC**

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**March 30, 2022**

This brochure provides information about the qualifications and business practice of Rockbridge Capital, LLC ("RBC"). If you have any questions about the contents of this brochure, please contact us at (614) 246-2400 or by visiting our website at [www.rockbridgecapital.com](http://www.rockbridgecapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. RBC is a registered investment adviser. RBC's registration as an investment adviser does not imply any level of skill or training.

Additional information about RBC is available at the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 - Material Changes

This brochure is dated March 30, 2022. The following are material changes to this Form ADV Part 2A since the last *annual* update on March 30, 2021. There may be other non-material changes that have been made to this brochure.

In Item 8 – added additional risk disclosures

You may obtain a copy of our brochure by contacting Eric B. Phipps, Chief Compliance Officer, by phone at 614-750-1138, or by email at [ebhipps@rockbridgecapital.com](mailto:ebhipps@rockbridgecapital.com). Additional information about RBC is also available via the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## Item 4-Advisory Business

Rockbridge Capital, LLC ("RBC") was formed in July 2002 and is an Ohio limited liability company. RBC serves as the Registered Investment Adviser ("RIA") and provides management and investment advisory services to the following flagship pooled investment vehicles.

Pooled Vehicle/Fund	GP/Managing Member
Rockbridge Real Estate Fund III LLC ("Fund III")	RBC Partners III LLC, an Ohio limited liability company
Rockbridge Portfolio Fund I L.P. fka Rockbridge Hospitality Fund IV L.P. ("Fund IV")	RBC Partners IV LLC, a Delaware limited liability company
Rockbridge Portfolio Fund II L.P. ("RBPFI")	RBC Partners III LLC, an Ohio limited liability company
RB Partners I LLC (also sometimes referred to as Rockbridge Hospitality Fund V, "Fund V")* This Fund is single investor fund of one	RBP Manager, LLC, an Ohio limited liability company
Rockbridge Hospitality Fund VI L.P. ("Fund VI")	RBC Partners VI LLC, a Delaware limited liability company
Rockbridge Hospitality Fund VII L.P. ("Fund VII")	RBC Partners VII LLC, a Delaware limited liability company
Rockbridge Hospitality Fund VIII L.P. ("Fund VIII")	RBC Partners VIII LLC, a Delaware limited liability company
BridgePoint Hospitality Holdings LLC ("BridgePoint")	Bridgepoint Hospitality Management LLC, an Ohio limited liability company

Rockbridge also provides investment advisory services to certain other pooled investment vehicles, including, single-asset vehicles, co-investment vehicles and similar investment vehicles.

The primary investment objective of most pooled investment vehicles managed by RBC is to make debt and/or equity investments relating to U.S. real estate, principally hotels ("Rockbridge Hospitality Funds"). In the case of Bridgepoint Hospitality Holdings LLC, ("BridgePoint") the primary objective is to make investments in hospitality management companies or related investments. An affiliate of RBC serves as the general partner, managing member or manager (as applicable) of each Fund (each, a "General Partner").

The controlling member of RBC is Rockbridge Holdings, LLC. The controlling member of Rockbridge Holdings, LLC is RB Founders, LLC. RB Founders, LLC has three members, James T. Merkel (the controlling member), Kenneth J. Krebs, and the Stephen C. Denz Trust. Mr. Merkel and Mr. Krebs are current team members of RBC and Mr. Denz is retired from RBC. RBC (together with its affiliates, "Rockbridge") provides management services in connection with (i) the Rockbridge Hospitality Funds' debt and equity investments in the U.S. real estate market

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(principally hotels) and (ii) BridgePoint's investments in hospitality management companies or related investments. Collectively, the Rockbridge Hospitality Funds and BridgePoint are referred to as the "Rockbridge Funds" or the "Funds".

## Description of Advisory Services

RBC serves as the investment adviser to each of the Funds (the "Manager") as set forth in various management, partnership, and limited liability company agreements (collectively, the "Advisory Agreements"). Under the Advisory Agreements RBC principally:

1. Identifies and recommends investment opportunities for the Funds;
2. Monitors and evaluates the Funds' investments; and
3. Makes recommendations to the General Partner of each Fund regarding the acquisition or disposition of investments.

Each of the Rockbridge Hospitality Funds generally targets debt and/or equity investments in U.S. hotel properties. BridgePoint generally targets investments in hospitality management companies and related investments. RBC generally provides the Funds with advice regarding these types of investments.

RBC bases its advice to each of the Funds on the investment strategy of that Fund and not on the individual needs of the investors in that Fund. Investment advice is provided directly to the Funds and the General Partners and not individually to the Funds' investors (the "Limited Partners").

As a private offering, the offering of interests in the Funds have been, or are made in reliance upon an exemption from registration under the Securities Act of 1933 for sale of securities which does not involve a public offering. The Funds are not required to register as investment companies under the Investment Company Act of 1940 (the "Investment Company Act") under certain provisions which excludes from the definition of an "investment company," any issuer which has not made and does not presently propose to make a public offering of its securities and (i) has fewer than 100 beneficial owners (Section 3(c)(1)), or (ii) restricts investors to only "qualified purchasers" (Section 3(c)(7)).

**For information contained in this brochure, investors in the Funds should also refer to the applicable Private Placement Memorandum ("PPM"), operating agreement and other governing and offering documents of the Fund for further information.**

RBC's discretionary regulatory assets under management were \$3,502,674,069 as of December 31, 2021.

## Item 5 - Fees and Compensation

Under the Advisory Agreements, each Fund pays RBC a management fee as compensation for RBC's services (each such fee, a "Management Fee"). For each Fund, a Management Fee is

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payable less than six months in advance and typically paid directly from the Fund to RBC. On each Management Fee payment date for a Fund, that Fund's Manager initiates a payment from that Fund's account to RBC. RBC generally only charges a Management Fee on a quarterly basis, however if the Management Fee is charged for any period other than a full quarterly period, the fee will be adjusted pro rata according to the actual number of days in such period.

For each Rockbridge Hospitality Fund, each Management Fee is initially based on a percentage (generally 1.5% or less) of committed or called capital for such Fund. After a Rockbridge Hospitality Fund's initial investment period, the applicable Management Fee is calculated as a percentage (generally 1.5% or less) of the invested capital of that Fund. For BridgePoint, the Management Fee is a flat fee or a fee based upon the revenue of the business. Each Management Fee is generally non-negotiable though RBC is authorized to waive or reduce the Management Fee for certain investors in its sole discretion, including with respect to certain investors that have made large or early commitments to a Fund.

In certain cases, a Management Fee is reduced or offset because RBC has received certain fees as described in the Funds' applicable governing or offering documents, or because a Fund has incurred organizational expenses above a predetermined cap. To the extent such reduction or offset exceeds the applicable Management Fee payable in any Management Fee payment period, such excess shall generally be carried forward to reduce the applicable Management Fee payable in succeeding Management Fee payment periods. As set forth in Item 6 below, each Manager is also eligible to receive a share of its Fund's profits in excess of its own capital interest in such Fund, if any. RBC and its affiliates, employees, former employees and retired partners of RBC, their family members and related persons (as that term is defined in the Form ADV Glossary of Terms) typically are not subject to a Management Fee (or carried interest). The PPM (if applicable), Advisory Agreements, and related governing or offering documents for each Fund include further details on fees, expenses, and other compensation related matters.

RBC or its affiliates, at their discretion, enter into "side letters" with investors in the Funds, which allow for certain additional rights to such investors in the event of business, tax, regulatory, legal or other circumstances applicable to such investors. All arrangements as such, shall be in writing and agreed upon by all parties. RBC retains flexibility to structure its compensation from investors and expects in certain circumstances to agree to invoice an investor directly for Management Fees or other compensation, rather than deducting such amounts from the investor's capital account(s)

In general, in addition to the applicable Management Fee and performance-based fees (see Item 6 below), investors in a Fund will bear as Fund expenses all costs and expenses relating to such Fund's activities, investments and business directly, indirectly or on an allocated basis (without duplication) including, without limitation, costs, fees, and expenses for or relating to: legal, compliance with applicable laws and regulations, reporting, auditing, consulting, construction management/development services, risk management, compliance, custodial, administrative, brokerage (see Item 12 below), banking, valuation, book-keeping and accounting (including the preparation and distribution of financial statements, tax filings and Schedule K-1s); borrowings (including principal and interest), financings or derivative transactions such as interest rate

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protection agreements (e.g., caps and swaps); meetings of the Board of Advisors (defined below) or any of the investor(s); transactions not consummated; travel and entertainment (including private air travel); any strategic advisors, operating executives, operating partners, subject matter experts or other experts who provide services to the Fund and/or its investments (including with respect to potential investments) related to, among other things: (i) conducting due diligence or analysis on industry, geopolitical or other operational issues, and (ii) operational improvement initiatives, and developing and implementing such initiatives; the organization of entities through or in which investments may be made; insurance (including policies that provide coverage to the Fund or its investments and any indemnified persons against liabilities to third parties in connection with the Fund's activities); conferences; market data, research, periodicals, and software; advertisements and other marketing materials related to a Fund, its General Partner, RBC or any of their affiliates; any formation, amendment, waiver or variation of the governing and offering documents related to a Fund or its Manager; complying with "know your customer" or anti-money laundering laws, FATCA or similar laws; registration and compliance (if applicable) under the AIFMD or other regulatory regime; regulatory and compliance of the Fund and/or RBC; non-recurring or extraordinary matters (such as litigation, threatened litigation, indemnification and advancement payments, or government, commission or authority inquiry, proceeding, audit or action involving the Fund, and any losses related thereto); restructuring, dissolving and/or terminating a Fund, a Manager and/or any other Fund-related entities; and other items associated with the acquisition, holding and disposition of a Fund's investments or potential investments.

Investors also bear expenses of a Fund that they (i) may not have borne had they been able to directly make investments of the type made by such Fund or (ii) may not be charged by other funds or investment vehicles. These expenses include legal expenses associated with organizing or closing a Fund, or its General Partner. The Funds bear some or all of the costs of investor diligence, reporting or transfer costs and expenses that may or may not benefit the other investors or a Fund equally or at all. It is possible that the amount of these expenses incurred by a Fund could exceed the amount of these expenses incurred by another investor or investment vehicle or fund. In addition, in circumstances where a Fund invests or is considering investing with a partner, certain costs and expenses incurred by such joint venture partner may be capitalized into the deal (or a Fund shares in its share of deal expenses). Such costs and expenses may: exceed the amount or be different than what RBC or the General Partner would charge such Fund, be charged in accordance with such partner's policies or no policies at all, and the General Partner or RBC may not have visibility to the methodology used to calculate such amounts or the type or the amount of certain specific expenses.

This list is not intended to be exhaustive. Any fees and expenses payable by such Fund are typically paid from such Fund's account(s).

## **Other Fees**

RBC or its affiliates may provide and be paid for services or other business arrangements to or on behalf of a Fund or its investments and receive fees (at rates described in each applicable PPM or other governing and offering documents). Such services or arrangements may include, among others: (1) legal services to a General Partner on behalf of a Fund or its investments, including services related to the formation and operation of a Fund and its related entities, legal due diligence,



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compliance with applicable laws (including the preparation and submission of necessary regulatory filings of a Fund or RBC and the response to inquiries from regulatory bodies), negotiation and completion of transactions related to the acquisition, holding and disposition of investments, and services related to litigation, settlement or defense of claims or potential claims; (2) accounting- and reporting-related services, including for services related to preparation and distribution of financial statements, tax filings and Schedule K-1s, and representation of a Fund or its investors by a "partnership representative" for tax purposes; (3) hotel management services, including base and incentive, accounting, technology, regional operations, legal, reservations, human resources, sales and marketing, concept development, food and beverage related, development, technical services, pre-opening, and termination fees; (4) debt placement services; (5) development or construction services including development/renovation management, FF&E procurement, construction management/general construction fees and related services; (6) media, advertising, and signage services, including interior and exterior advertising, digital out-of-home media, signage and other creative content solutions and branded advertisements; (7) Complementary Companies (as defined in Item 10) that create, develop, own and/or operate related food and beverage, retail or other outlets that enhance or expand the products, offerings or amenities at hotels, and design and concept development services and related consulting services; (8) use of RBC's or its affiliates' intellectual property; and (9) additional services not identified in a PPM or offering and governing documents provided such services are performed at rates approved by a Fund's investors or Board of Advisors; plus expense and certain personnel reimbursement in connection with all of the foregoing. *See also* Item 10 – Other Financial Industry Activity and Affiliations – "Conflicts of Interest" sections below. While the RBC believes that: (i) the responsiveness and synergies of doing business with such related parties provide a superior result for the Funds and (ii) it is intended that such service or transaction will be structured in a manner that aligns the interests of the Funds and the applicable affiliate, it is possible for conflicts to arise between the interests of the affiliate providing such service or activity and a Fund, its investments, and/or RBC or its affiliates and there can be no assurances that (i) the use of a related party will provide as good or better results for a Fund than an unaffiliated third-party would provide, (ii) such activities will realize the intended benefits or (iii) that a superior result will be achieved. In certain circumstances where RBC commits or has committed to seek "market" or "arms-length" rates or terms, RBC will do so in its sole discretion, seeking rates that it has determined in its sole discretion to be reflective of the range of rates in the applicable or related markets. Consequently, RBC undertakes no minimum amount of benchmarking, and does not represent that any such benchmarking relates specifically to the assets or services to which such rates or terms relate.

RBC or its affiliates may also provide and be paid for services or business arrangements to third parties in connection with investments (e.g., lenders, borrowers or advertisers), including but not limited to: (1) origination / exit services that enable a Fund to make an investment; (2) servicing, special servicing, and asset management services to first mortgage lenders in which a Fund makes an investment; (3) advertising revenues from third-party advertisers who purchase advertising for a display owned or managed by RBX (as defined in Item 10) or its affiliates; and (4) additional services not identified herein at rates approved by a Fund's investors or Board of Advisors, plus expenses and certain personnel reimbursement in connection with all of the foregoing.



In certain cases, a Management Fee paid by investors in a Fund may be reduced by RBC's receipt of such fees. In such cases, a Management Fee is reduced by reducing future payments of the Management Fee, each down to \$0 if necessary, until the Management Fee has been reduced, in total, by the amount of such fees received by RBC. Fees may be reduced by any financing, acquisition, closing or similar fee payable to RBC or an affiliate. In certain Funds, upon a Fund's termination, if applicable, if the applicable Management Fee has not been reduced by the full amount of such fees received by RBC, then upon the request of a Fund investor, RBC will contribute to such Fund, for distribution to that investor, that investor's share of the unreduced Management Fee.

## **Item 6 – Performance-Based Fees and Side by Side Management**

The General Partner of each Fund is entitled to performance-based compensation ("Carried Interest") as set forth in each Fund's applicable governing and offering documents. Generally, if a Rockbridge Fund has returned to its investors both (i) depending on the Rockbridge Fund, (a) all capital contributions in respect of its realized investments and the amounts written down on its unrealized investments or (b) an amount equal to all capital contributions and (ii) an additional amount equal to an annual, compounded return on all unreturned capital contributions (the "Preferred Return"), then that Rockbridge Hospitality Fund's General Partner may receive Carried Interest distributions of up to 20% of the cumulative amounts otherwise distributable to investors. If a Rockbridge Hospitality Fund's General Partner has received Carried Interest distributions in excess of what it is entitled to receive, then such General Partner is required to return the after-tax amount of any such Carried Interest distributions as further described in each Rockbridge Hospitality Fund's applicable governing and offering documents. With respect to BridgePoint, the Manager may receive Carried Interest distributions of up to approximately 20-32% of the distributable amounts.

The existence of Carried Interest distributions may create an incentive for the Manager to make more speculative investments on behalf of a Fund than it would otherwise make in the absence of such performance-based compensation. However, any such incentive is mitigated by the General Partner's Carried Interest return obligations discussed in the previous paragraph, the significant investments by RBC principals and key employees in certain of the Funds, and the fact that each Fund's Preferred Return is calculated across the Fund's total capital. Further, RBC manages each Fund in accordance with the investment strategy disclosed in such Fund's applicable governing and offering documents to help communicate to investors the investment strategy and the risks associated with the strategy. Generally, the PPM and other governing or offering documents of each Fund contain further details regarding the performance-based compensation, risk and strategy.

## Item 7 - Types of Clients

RBC provides investment advice solely to its Funds, also known as its “clients”, and references throughout this Brochure to clients and to RBC’s related duties to and practices on behalf of its clients and/or investors should be construed accordingly. The Funds generally 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 generally 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 from time to time include, directly or indirectly, principals or other employees of RBC and its affiliates and members of their families or other service providers retained by RBC.

Fund interests are offered and sold solely to "accredited investors" that are also "qualified clients". While this is our practice, there may be instances where an investor in a Fund satisfies only the accredited investor status.

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

### Investment Strategies

RBC generally advises (i) each Rockbridge Hospitality Fund on creating an investment portfolio of debt and equity investments relating to U.S. real estate and other assets, principally hotels, in privately negotiated transactions and (ii) BridgePoint on investing in hospitality management companies and related investments in privately negotiated transactions. In constructing an investment portfolio for the Rockbridge Hospitality Funds, RBC looks at a number of factors, including the number of investments a Fund has made and plans to make, whether a proposed investment is in debt or equity, cash flow projections and targeted returns, and the location, market, hotel manager, brand, if any, and service-level of the target property, among other data. With respect to BridgePoint investments, RBC generally looks at a number of factors including cash-flow projections and targeted returns, multiples of cash flow, the characteristics of the underlying management contracts, and key employees.

RBC employs a cash-flow-based, research-driven underwriting process focused on deal structures, market and sub-market dynamics, and analyses of the hotel manager.

With respect to the Rockbridge Funds, RBC's Investment Group department generally meets weekly to discuss potential and pending transactions. During such meeting, proposed transactions are discussed as needed. When the transaction team proposes to enter into a binding agreement to invest in a transaction, it prepares a detailed package for RBC's Investment Committee, which

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meets as needed. The Investment Committee analyzes the merits of the transaction and determines whether to authorize the investment in the proposed transaction. The Investment Committee meetings usually include a detailed review of the proposed investment, the respective market analysis, the deal's capitalization, return expectations, and exit strategies. BridgePoint currently undertakes limited investment and disposition activity. Each acquisition and disposition is analyzed on a case-by-case basis. When considering a potential investment for BridgePoint, the Investment Committee will meet to analyze the merits of the transaction and determine whether to authorize the investment.

Rockbridge may also seek to invest in Qualified Opportunity Zones through a Qualified Opportunity Fund. Qualified Opportunity Zones were created by the 2017 Tax Cuts and Jobs Act and are designed to spur economic development and job creation in distressed communities throughout the country and US possessions by providing tax benefits to investors who invest in eligible capital into these communities. Taxpayers may defer tax on eligible capital gains by making an appropriate investment in a Qualified Opportunity Fund. A Qualified Opportunity Fund is an investment vehicle that files either a partnership or corporation federal income tax return and is organized for the purpose of investing in Qualified Opportunity Zone property.

## **Risk of Loss**

*General.* An investment in a Fund may result in the loss of capital. No guarantee or representation is made that any Fund will achieve its investment objectives or avoid substantial losses. An investment in a Fund is speculative and involves certain considerations and risk factors that prospective investors should consider before subscribing for interests. A prospective investor should consult its own legal, tax and/or financial advisors prior to investing in a Fund.

*Suitability.* The purchase of interests in private equity funds involves certain risks and is suitable only for persons of substantial financial means who have no need for liquidity in their investment, and who can bear the risk of potential loss of their entire investment. No guarantee or representation is made that the investment program of a Fund or any investment will be successful, that the various investments selected will produce positive returns or that a Fund will achieve *its* investment objectives.

Various risks involved in investing may include, but are not limited to, market risk, liquidity risk, limited transferability, investment fund risk, non-registered fund risk, valuation risk, derivative risk, venture financing risk, distressed securities risk, interest rate risk, real estate ownership risk, currency risk, and financial risk, among others. Investors in *a* Fund should refer to the Funds' applicable PPM and governing and offering documents for further information concerning risks.

*Performance Risk.* RBC cannot guarantee any level of performance or that investors in the Funds will not experience a loss of their investments. Performance of any investment is not guaranteed and may be impacted by global or domestic economic events. Further, real estate markets are volatile and fluctuate substantially over time. As a result, there is a risk of loss of the assets which RBC manages that may be out of RBC's control. There is no assurance that the Funds will be able to generate returns or that the returns will be commensurate with the risks inherent with their investment strategy. The marketability and value of any such investment will depend upon many factors beyond the control of RBC or the Funds. The expenses of the Funds may exceed their income, and an investor in a Fund could lose the entire amount of its contributed capital. Therefore, an investor should invest in a Fund only if the investor can withstand a total loss of its investment. The past investment performance of the Funds cannot be taken to guarantee future results of the Funds or any investment in the Funds or future funds.

*Real Estate Risks Generally.* Investments will be subject to the risks incident to the ownership and operation of real estate and real estate-related businesses and assets. These risks include, but are not limited to, the quality and philosophy of management, general economic and local conditions, negative developments in the economy that depress business and travel activity, national or international conditions (such as an oversupply of space or a reduction in demand for space), competition based on rental or room rates, attractiveness and location of the properties and changes in the relative popularity of property types and locations, changes in the financial condition of tenants and customers or consumers (if applicable), buyers and sellers of property, changes in operating costs and expenses, 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, real property tax rates, interest rate levels and the availability of mortgage funds which may render the sale or refinancing of properties difficult or impractical, environmental liabilities, contingent 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 General Partner, the Manager, a Fund and their respective affiliates.

*Highly Competitive Market for Investment Opportunities.* The business of identifying, structuring, completing, and realizing attractive real estate and real estate-related transactions is highly competitive and involves a high degree of uncertainty. A Fund competes for investments with many other real estate investment vehicles, as well as individuals, financial institutions (such as mortgage banks, pension funds, and real estate investment trusts), and other institutional investors. Furthermore, over the past several years, a significant number of real estate funds have been formed for the purpose of investing in real estate assets. Additional funds with similar investment objectives may be formed in the future by other unrelated parties. There can be no assurance that a Fund will be able to locate and complete investments which satisfy a risk profile and rate of return objective or in the opinion of the General Partner realize their values or that it will ever be fully invested if enough sufficiently attractive investments are not identified. However, investors will be required to

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pay Management Fees during the commitment period based on the entire amount of the Limited Partners' commitments and other expenses as set forth in partnership agreements.

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

*Risk of Limited Number of Investments.* While a Fund's partnership agreement sets forth limitations on the percentage of the aggregate amount of commitments that may be invested in any one project as of the end of the commitment period, a Fund may participate in a limited number of investments in certain regions or sectors within a short period of time. As a result, a Fund's investment portfolio could become highly concentrated, and the performance of a few holdings or of a particular sector may substantially affect its aggregate return. Other than as set forth above, investors have no assurance as to the degree of diversification in a Fund's investments, either by geographic region, asset type, or otherwise. To the extent that the capital raised is less than the target amount, a Fund may invest in fewer real estate and real estate-related assets and thus be less diversified. Furthermore, in those transactions for which the General Partner intends to refinance all or a portion of the capital invested, there will be a risk that such refinancing may not be able to be completed, which could lead to increased risk as a result of a Fund having an unintended long-term investment as to a portion of the amount invested, thus further reducing diversification.

*Investments in Partnerships and Other Entities.* A Fund expects to invest from time to time with one or more third parties as a co-venturer or partner, including with the seller (or an affiliate thereof) of the property, a person involved in the selling or acquisition of the property, an investor in a Fund (or other vehicle controlled by Rockbridge) or other parties through private partnerships and joint ventures, public real estate companies, or other entities, and thereby in some cases acquire non-controlling interests in certain investments. Although a Fund may not have complete control over these investments, and therefore may have a limited ability to protect its position therein, the General Partner does not expect such investments to be passive and that appropriate rights will be negotiated to protect a Fund's interests. In circumstances where a Fund invests with third parties, such third parties may seek and receive compensation arrangements relating to such investments, including incentive compensation arrangements. Nevertheless, such investments may involve risks in connection with third party involvement, including the possibility that a third party or co-venturer may (i) at any time develop economic or business interests or goals that are inconsistent with those of the Fund, (ii) negotiate governance rights that result in an impasse because neither party has full control over the partnership or joint venture, (iii) have financial difficulties, such as liquidity or insolvency issues or may become bankrupt, resulting in a negative impact on such investment, (iv) seek to cause or block the sale of a Fund's interest in any such partnership or joint venture or otherwise take actions that are contrary to a Fund's interests or investment objectives, (v) take actions that subject the property to liabilities in excess of, or other than, those contemplated, or (vi) take actions which may cause a Fund to be liable in certain circumstances. In addition, disputes between a Fund and partners or co-venturers may result in litigation or arbitration that would

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increase a Fund's expenses and prevent the General Partner and its representatives from focusing their time and effort on the Fund's business and investments. In certain circumstances, a Fund may be liable for the actions of its third parties or co-venturers.

Limited or No Control over Projects. Although the General Partner intends to monitor the performance of each investment, it generally will not seek control over the day-to-day management of many of the projects in which a Fund invests, and the success of each investment generally will depend in large part on the ability and success of the management of the project. With respect to its debt investments, a Fund will generally have the rights that are typical of mezzanine or subordinate lenders in the hospitality industry but will not have control over the day-to-day operations of the project or the ability to dictate owner controlled-decisions. In making equity investments, a Fund, in certain instances may invest in projects in which other private firms have made equity investments with the result that other investors may have more influence in decisions made by and affecting such projects. The mere fact that the General Partner disagrees with decisions made by other investors or management in a project may not trigger any particular ability of a Fund to effectuate a decision or course of action, dispose of its investment in such project or otherwise produce its desired outcome, with the result that the value of a Fund's investment in a project may be materially impacted by the decisions of other investors or management in a project.

Non-controlling Investments. A Fund may hold debt obligations and other noncontrolling interests in real estate investments and, therefore, will have a limited ability to protect its position in such investment. However, the General Partner will seek appropriate creditor and/or shareholder rights to help protect a Fund's interest.

Distressed Investments. A Fund may invest in the debt, 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 General Partner 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, a Fund may lose some or all of its investment.

Fund-level Leverage. The General Partner may use Fund-level leverage in the acquisition, operation and ownership of its investments in an amount the General Partner believes to be prudent. While leverage usually represents a lower cost of capital than equity, its use tends to increase risk. The amount of leverage used, if any, may vary based upon the credit markets, type of investment or facility; however, the aggregate amount of indebtedness will not exceed the amounts specified in the Partnership Agreement. The proceeds of such leverage, if any, may be used as a return of capital to the Limited Partners, subject to the terms of a partnership agreement. As described in a partnership agreement, borrowings by a Fund may be secured by the Limited Partner's commitments as well as a Fund's assets.



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. The use of leverage by a Fund will also result in interest expense and other costs to a Fund that may not be covered by distributions made to a Fund or appreciations of its investments. The use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. In connection with one or more credit facilities entered into by a Fund, distributions to Limited Partners may be subordinated to payments required in connection with any indebtedness contemplated thereby. In addition, leverage could accelerate and magnify declines in the value of a Fund's investments in a down market. A Fund may also borrow money or guaranty indebtedness (such as a guaranty of a portfolio investment's debt) or otherwise be liable therefor, and in such situations, it is not expected that a Fund would be compensated for providing such guarantee or exposure to such liability. The use of leverage by a Fund also will result in interest expense and other costs to a Fund that may not be covered by distributions made to a Fund or appreciation of its investments. A Fund may incur leverage on a joint and several basis with one or more other investment funds and entities managed by the General Partner 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 the 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 the lenders instead of a Fund. Further, to the extent income received from investments is used to make interest and principal payments on such borrowings, Limited Partners may be allocated income, and therefore tax liability, in excess of cash received by them in distributions. The presence of leverage substantially increases the risk profile of a Fund and its investments.

Asset-level Leverage. A Fund's investments will be subject to varying degrees of leverage at the project level. The General Partner will seek to use leverage in the acquisition, operation and ownership of its investments in a manner it believes is prudent. Nevertheless, the use of leverage involves a high degree of financial risk and will increase the exposure of the investments to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the investments. In the event any project cannot generate adequate cash flow to meet its debt service, a Fund may suffer a partial or total loss of capital invested in the project, which would adversely affect the returns of the 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 project, a Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the portfolio Investments in which a Fund will invest generally will not be rated by a credit rating agency.

*Tax-exempt investors should note that the use of leverage by the Fund may create UBTI.*

Subscription Line. A Fund may enter into a subscription line with one or more lenders in order to finance its operations (including the acquisition of a Fund's investments and the payment of expenses). Such borrowing subjects Limited Partners to certain risks and costs. For example, because amounts borrowed under a subscription line typically are secured by pledges of the General



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Partner's right to call capital from the Limited Partners, Limited Partners may be obligated to contribute capital on an accelerated basis if a Fund fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder. Moreover, any Limited Partner claim against a 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 expenses that will be borne by Limited Partners. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a subscription line, an upfront fee for establishing a subscription line, and other one-time and recurring fees and/or expenses, as well as legal fees relating to the establishment and negotiation of the terms of the borrowing facility. Because a subscription line's interest rate is based in part on the creditworthiness of the relevant Fund's Limited Partners and the terms of a partnership agreement, it may be higher than the interest rate a Limited Partner could obtain individually. Conflicts of interest may arise in that the use of such facilities may, and likely would, delay the need for Limited Partners to make certain contributions to a Fund, which generally has the potential to enhance a Fund's performance figures and thereby benefit the General Partner and its affiliates. To the extent a particular Limited Partner's cost of capital is lower than the Fund's cost of borrowing, Fund-level borrowing can negatively impact a Limited Partner's overall individual financial returns even if it increases a Fund's reported net returns in certain methods of calculation.

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

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows the General Partner to fund investments and pay partnership expenses without calling capital, potentially for extended periods of time. To the extent provided in a Partnership Agreement, any such borrowing may remain outstanding for such time as the General Partner deems appropriate, potentially including through disposition of such investment, and the interest expense and other costs of any such borrowings will be fund expenses that may decrease net returns of a Fund. Calling a large amount of capital at once to repay the then current amount outstanding under a subscription line could cause short-term liquidity concerns for Limited Partners that would not arise had the relevant General Partner called smaller amounts of capital incrementally over time as needed by a Fund. This risk would be heightened for a Limited Partner with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the Limited Partner to meet the accumulated, larger capital calls at the same time. A Fund may also utilize Fund-level borrowing when the General Partner expects to repay the amount outstanding through means other than Limited Partner capital, including as a bridge for equity or debt capital with respect to an investment. If a Fund ultimately is unable to repay the borrowings

through those other means, Limited Partners would end up with increased exposure to the underlying investment, which could result in greater losses.

If an investment appreciates in value and is disposed of prior to repayment of the borrowing, the disposition proceeds would be applied to repay the borrowing (and related interest and expenses), and the net proceeds would be distributed to the Limited Partners without a preferred return accrual on the amount invested by a Fund (due to the absence of invested capital funded by Limited Partners) prior to the determination of carried interest distributions. Accordingly, borrowings by a Fund may support the distribution of proceeds to Limited Partners and increase the potential carried interest for the General Partner; however, the interest incurred by a Fund due to such borrowing would reduce the carried interest received by the General Partner. Subject to the limitations in a partnership agreement, if any, this may incentivize the General Partner to permanently fund the acquisition and ongoing capital needs of investments of a Fund and related expenses with the proceeds of such borrowings in lieu of drawing down capital contributions on an as-needed basis, and, accordingly, capital contributions to repay such borrowings may be required only at the time of the disposition of an investment (or never if principal and interest on such borrowings are repaid out of disposition proceeds).

*Mezzanine Investments.* The properties in which a Fund will 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 a Fund's investments when due. The leveraged capital structure of Fund properties will increase the exposure of a Fund's 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, a Fund may suffer a partial or total loss of capital invested in the property, which could adversely affect the returns of a Fund. Furthermore, the entities and investments in which a Fund will invest generally will not be rated by a credit rating agency.

The mezzanine and junior debt investments of a Fund 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.* A Fund 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 a Fund makes or acquires subordinated or "mezzanine" debt investments, a Fund does not anticipate having absolute control over the underlying collateral as a Fund will be

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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.

*Lower Credit Quality Investments.* A Fund may 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.

*Reliance on the General Partner and the Manager.* The General Partner and Manager, as applicable, have exclusive control over and responsibility for a Fund's activities and operation, and, other than as may be set forth herein, investors are not able to make investment or any other decisions regarding the management of a Fund.

*Role of Professionals.* The success of a Fund depends largely upon the business skill and management expertise of the Manager's professionals. These professionals may serve as officers, directors, or board of advisor members of other entities, including investments where appropriate. In their capacity as officers, directors, or board of advisor members, these professionals may become subject to confidentiality, fiduciary or other duties which adversely affect a Fund. For example, if a professional devotes significant time and attention to another entity's business or operations, this could reduce the time and attention that they are able to devote to a Fund's investments. Moreover, if any such professional obtains trade secrets or material non-public information regarding one of a Fund's investments or any of their affiliates, agents, competitors, or suppliers, a Fund may not be able to execute certain transactions if such transactions would result in violations of any confidentiality obligations, fiduciary duties, or applicable securities laws.

The interests of these professionals in the General Partner should tend to discourage them from withdrawing from participation in the Fund's investment activities. There is no assurance, however, that any of the professionals will continue to participate in a Fund's investment activities throughout a Fund's entire term.

*Activities and Compensation of Senior Advisors.* We maintain business relationships with certain advisors and consultants who generally have established asset-class, industry, and/or regional expertise and who we expect to assist or advise us with respect to transaction sourcing, diligence, valuation, structuring, consulting or similar matters with respect to, one or more of a Fund's projects;

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in some cases, these individuals may be former Rockbridge employees or otherwise have close business and personal relationships with Rockbridge and other indicia of employment (e.g., business cards, e-mail, addresses, and inclusion in the Manager's marketing materials on its website). We generally refer to these individuals as "Senior Advisors." In addition, we may also utilize other similar consultants with, for example, more narrow expertise (such consultants are also referred to as Senior Advisors for purposes of this Section).

Senior Advisors generally are independent contractors. They generally are not our employees,<sup>1</sup> even if most or all of their work is performed on our behalf or at our direction, they perform the same or similar activities as our employees or they have more access to and involvement in our business activities than other third-party consultants. Senior Advisors are generally not our affiliates for purposes of a partnership agreement and therefore are not subject to certain restrictions and conditions of a partnership agreement that relate specifically to our employees and affiliates. A Fund and/or projects are expected to make payments to Senior Advisors, and any such payments and/or any fees the Fund and/or projects pay to Senior Advisors (such as sourcing fees) will not reduce the Management Fees payable by Limited Partners, even if such amounts would reduce the Management Fee if they were paid to our affiliates. In some instances, Senior Advisors may make personal investments in a Fund or other Rockbridge-managed investment vehicles (including on a reduced or no management fee and carried interest basis) and in projects alongside a Fund or in other Rockbridge Hospitality Funds, and a Fund may invest in projects in which Senior Advisors hold existing material investments. Similarly, a Fund may co-invest in projects alongside funds that are managed by Senior Advisors or invest in projects in which such funds have an existing material investment.

We believe that the expertise of Senior Advisors will benefit a Fund. Relying on Senior Advisors, however, creates conflicts of interest. For example, we typically determine the amount of compensation that will be paid to Senior Advisors. Senior Advisors have tailored compensation arrangements specific to their engagement and can receive compensation in multiple forms, depending on their individual arrangement and the services they provide, including cash payments from a Fund or a project, carried interest in a Fund or our other funds, profits interests in a project, equity or stock option grants from a project, and fees and promote relating to a particular transaction, which may be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the Senior Advisor, a percentage of the value of the project, the invested capital exposed to such project, amounts charged by other providers for comparable services and/or a percentage of cash flows from such project. To the extent a Fund or its projects incur these compensation amounts, they would ultimately be borne by a Fund's Limited Partners, but generally would not offset the Management Fees payable by Limited Partners, even if such amounts would reduce the Management Fee if they were paid to our affiliates. The close business or personal relationships that some Senior Advisors have with Rockbridge give us less incentive to negotiate with a prospective Senior Advisor for a lower level of compensation. The appropriate level of compensation for a Senior Advisor may be difficult to determine, especially if the expertise and services he or she provides are unique and/or tailored to the specific engagement.

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<sup>1</sup> Whether an individual is an employee generally turns on whether certain indicia of employment are present. This determination is highly fact dependent and involves complex judgments within varying legal and regulatory frameworks. As a general matter, we do not expect to treat our Senior Advisors as employees or otherwise consider them our affiliates.

These and other factors may result in limited or no cost savings from retaining Senior Advisors, and 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 lesser cost. Further, services provided by Senior Advisors paid for by a Fund and/or its projects may result in direct or indirect benefits to the General Partner, its affiliates and/or portfolio investments of other Funds. Consequently, the General Partner, its affiliates and/or portfolio investments of a Fund could receive benefits without bearing any of the associated costs. In addition, given that the Manager (and not a Fund) otherwise pays the salaries of our employees, we have incentives to retain individuals as Senior Advisors instead of hiring them as employees, or to convert existing employees to Senior Advisors.

*Risks of Acquiring Real Estate Loans and Participations.* Real estate loans issued or acquired by a Fund may be at the time of their acquisition, or may become after issuance or acquisition, non-performing for a wide variety of reasons, many of which are outside of the control of the General Partner, a Fund or their affiliates. Such 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, a Fund may not have control over the workout process or the management of the real estate assets after such a workout. Even if a restructuring were successfully accomplished, a risk exists that upon maturity of such real estate loan, replacement "takeout" financing will not be available. Purchases of participations in real estate loans raise many of the same risks as investments in real estate loans and also carry risks of illiquidity and lack of control. It is possible that the General Partner may find it necessary or desirable to foreclose on collateral securing one or more real estate loans purchased by a Fund. The foreclosure process 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, without limitation, 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, foreclosure actions can take 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 operations of the property. Upon acquiring ownership of a property by foreclosure, a Fund will assume the burdens of ownership, including obtaining casualty insurance, paying taxes and making repairs necessary to render the property suitable for sale.

*B-Notes Investments.* A Fund 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. The interest of the A-



Note holder and the Fund's B-Note may diverge or be in conflict and the A-Note holder may seek to protect its rights or interests to the detriment of the B-Note holder's interest.

*Insurance May Not Cover All Losses.* Uninsured and underinsured losses at a Fund level or investment level could harm a Fund's overall financial condition, results of operations and ability to make distributions to its Limited Partners. Certain types of losses generally are either uninsurable (or not economically insurable) or may be subject to insurance coverage limitations. Should an uninsured loss or a loss in excess of insured limits occur, the Fund could lose all or a portion of the capital it has invested in an investment, as well as the anticipated future revenue from the investment. These same risks apply to any capital deployed by an investment of a Fund. In that event, a Fund and/or its investment might nevertheless remain obligated for any notes payable or other financial obligations related to the investment, in addition to obligations to a Fund's and/or its investment's ground lessors, franchisors and managers. Inflation, changes in building codes and ordinances, environmental considerations, provisions in loan documents encumbering the investments pledged as collateral for loans, and other factors might also keep a Fund and/or its investment from using insurance proceeds to replace or renovate an investment after it has been damaged or destroyed. Under those circumstances, the insurance proceeds the Fund and/or its investment receives might be inadequate to restore a Fund's and/or its investment's economic position on the damaged or destroyed investment.

*A Fund May Make Investments with Maturity Dates Later than the Term of the Fund.* A Fund may make investments with maturity dates later than the date on which the Fund is expected to terminate.

Although a Fund expects that either it will have disposed of those investments prior to termination or that those investments will be suitable for in-kind distribution at dissolution, a Fund may have to sell, distribute, or otherwise dispose of those investments at a disadvantageous time as a result of termination. In addition, there can be no assurances with respect to the time frame in which the winding-up and the final distribution of proceeds to the investors will occur.

*Potential Investments at the End of the Commitment Period.* As a Fund nears the end of its commitment period, the Manager may have identified more opportunities than a Fund can close. Given that deal-making is uncertain, it is possible that a prospective investment originally pursued by a Fund may not be able to be made by the Fund (e.g., if a Fund has invested all of the commitments the Manager determines it will put in portfolio investments during its commitment period), but a Fund has incurred costs or expenses related to it. If such prospective investment is ultimately capitalized by a new fund or other investment vehicle managed by the Manager or its affiliates, such vehicle will generally reimburse a Fund for such costs and expenses at cost. In situations where a Fund consummates a portfolio investment in a project in which a prior fund or investment vehicle managed by the Manager or its affiliates incurred diligence costs and expenses pursuing, a Fund may reimburse such prior fund or vehicle for such costs and expenses at cost.

*Distribution-in-Kind.* Although, under normal circumstances, prior to termination of the Fund, the Fund intends to make distributions in cash or marketable securities as the General Partner may determine in its sole discretion, it is possible under certain circumstances (including the termination of the Fund) that distributions may be made in-kind and could consist of securities for which there is no readily available market or which are subject to additional restrictions on sale or transfer.

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*Prepayments.* The yield on any Fund asset, and accordingly the overall return generated by a 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. The General Partner may elect to waive, reduce, or modify prepayment fees, yield maintenance fees or other amounts due to a Fund.

*Reserves for Follow-on Investments.* In managing a Fund, the General Partner may establish reserves for follow-on investments in Projects, operating expenses (including Management Fees payable to the General Partner), Fund liabilities, and other matters. Estimating the amount necessary for such reserves is difficult, particularly because follow-on investment opportunities are directly tied to the success and capital needs of Projects. Inadequate or excessive reserves could have a material adverse effect upon the investment returns to the Limited Partners. If reserves are inadequate, a Fund may be unable to take advantage of attractive follow-on or other investment opportunities or to protect its existing investments from dilutive or other punitive terms associated with "pay to play" or similar provisions. If reserves are excessive, the Fund may decline attractive investment opportunities or hold unnecessary amounts of capital in money market or similar low-yield accounts.

*Expedited Transactions.* Investment analysis and decisions by the General Partner may be undertaken on an expedited basis in order for a Fund to take advantage of investment opportunities. In such cases, the information available to the General Partner and the Manager at the time of an investment decision may be limited, and the General Partner or the Manager may not have access to the detailed information necessary for a full evaluation of the investment opportunity. In addition, the General Partner may rely upon independent consultants in connection with its evaluation of proposed investments. There can be no assurance that these consultants will accurately evaluate such investments.

*Environmental Liabilities.* A Fund may be exposed to substantial risk of loss from environmental claims arising from or related to investments made with undisclosed or unknown environmental problems or as to which inadequate reserves had been established. Environmental claims with respect to a specific investment may exceed the value of such investment, and under certain circumstances, subject the other assets of a Fund to such liabilities. The presence of such substances, or the failure to properly remediate contamination from such substances, may adversely affect the owner's liability to sell the real estate or to borrow funds using such property as collateral, which could have an adverse effect on a Fund's return from such investment. Some federal, state and local laws, ordinances and regulations impose liability, often regardless of fault or knowledge, on various parties (jointly and severally), including owners and operators, associated with real estate affected by a release of a regulated environmental contaminant, such as a hazardous or toxic substance.

*Terrorism or Armed Conflict.* The impact on economic conditions of terrorist attacks or the outbreak or escalation of armed conflict involving the United States may reduce the value of hotels and hospitality properties, and have an adverse impact on interest rates, the availability of financing, raw



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materials, oil, gas, electricity, water, energy, or other factors. These events could reduce the value of a Fund's assets.

*Natural Disaster Risk.* Certain investments will be located in states that have a history of seismic activity, fires, floods, hurricanes, and other natural disasters. The location of investments in these areas leaves a Fund vulnerable to such adverse events or conditions and a Fund could be more adversely affected than it would have been if such investments were located in different areas. There can be no assurance that the Fund's investments will be sufficiently insured against any such risks.

*Public Disruptions.* Investments by a Fund and underlying investments may involve the risk of substantial delays, a diminution in revenues or increases in costs due to a number of unforeseen factors including: public protests; labor disputes; work stoppages; strikes; riots; mass violence; political opposition; regulatory and permitting delays; delays in procuring sites; supply disruptions; force majeure; or failure by one or more counter-parties to perform in a timely manner their contractual, financial or other commitments. While a Fund, depending on the circumstances, will generally seek investments in which creditworthy and/or appropriately insured parties bear a portion of these risks, there can be no assurance that any or all such risks can be mitigated or that such parties, if present, will perform their obligations. Any material delays or increases in costs could significantly impair the financial viability of a project and result in a material adverse effect on a Fund and/or the applicable portfolio investment.

*Privacy Law Compliance Risk.* The adoption, interpretation and application of consumer, data protection and/or privacy laws and regulations ("Privacy Laws") in the United States, Europe and elsewhere are often uncertain and in flux. Compliance with Privacy Laws could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and current and planned business activities of the Manager, the General Partner, a Fund and its portfolio investments, and as such could increase costs and require the dedication of additional time and resources to compliance for such entities. A failure to comply with such Privacy Laws by any such entity or their service providers could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations and overall business, as well as have a negative impact on reputation and Fund performance. As Privacy Laws are implemented, interpreted, and applied, compliance costs for a Fund and/or its portfolio investments are likely to increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

For example, California has passed the California Consumer Privacy Act of 2018, and the EU has enacted the General Data Protection Regulation (EU 2016/679), each of which broadly impacts businesses that handle various types of personal data, potentially including the Manager and its affiliates and portfolio investments of a Fund. Such laws impose stringent legal and operational obligations on regulated businesses, as well as the potential for significant penalties.

Other jurisdictions, including other U.S. states, have proposed or are considering similar Privacy Laws, which if enacted could impose similarly significant costs and operational and legal obligations. Such Privacy Laws and regulations are expected to vary from jurisdiction to jurisdiction, thus increasing costs, operational and legal burdens, and the potential for significant liability for regulated entities.

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*Cybersecurity Risk.* The Manager, the General Partner, a Fund's investments and their respective affiliates, service providers, customers and counterparties use computers, other electronic devices, networks, software, on-line services and other tools (collectively, "Information Systems") to process, store and transmit large amounts of electronic information, including without limitation information relating to (i) Fund transactions, (ii) the Limited Partners, and (iii) the business of the investments, including their customers and counterparties (collectively, "Data"). Data may include confidential information such as market sensitive data and personally identifiable information of Limited Partners, customers, and other parties. Information Systems are not able to protect Data under all circumstances. Any breach of these or other Information Systems may cause Data to be lost or improperly accessed, used or disclosed and cause the Manager, the General Partner, a Fund's investments and their respective affiliates, service providers, customers and/or counterparties to suffer, among other things, financial loss, disruption of business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events could have a material adverse effect on a Fund, the Limited Partners, and the Limited Partners' investments therein.

*Risks Associated with Interest Rate Fluctuations and Unmatched Terms.* A Fund may enter into borrowing arrangements with lenders to leverage a Fund's investment activities either at a Fund level, the asset level, or both. Some of these borrowings are expected to be at floating rates of interest. In contrast, loans made by a Fund to Projects may be at fixed interest rates and therefore a Fund may be subjected to interest rate risk. To the extent that the Fund does not borrow at fixed rates for periods and amounts that match the periods and amounts of the fixed-rate loans to projects or does not hedge its floating rate borrowings to protect itself against rising interest rates, rising interest rates could result in diminished investment returns or losses to a Fund. More generally, a Fund may be exposed to interest rate risk depending on the structures and terms of the various investments and borrowings the Fund undertakes.

*Financings.* A Fund's investments may involve the additional risks attendant to investments consisting of subordinate loan positions. The Fund's loans may not be secured by a mortgage but may instead be secured by partnership interests or other collateral that provides weaker rights than a mortgage. In the event of a default, a Fund's source of repayment will be limited to the value of the collateral and may be subordinate to other lienholders (and the collateral value of the property may be less than the outstanding amount of the investment). In cases in which a Fund's collateral consists of partnership or similar interests, a Fund's rights and level of security may be less than if it held a mortgage loan.

These risks may be mitigated to some extent by inter-creditor agreements between a Fund and the senior lenders for any project. In the context of a borrower default under a mezzanine investment or participation interest of a first mortgage comprising a subordinate note or interest in a loan evidenced by senior notes or tranches and a subordinate note or tranche, the applicable inter-creditor agreement, if any, would normally provide the Fund with the right to cure borrower defaults. A Fund should be able to (a) realize the value of any remaining equity in the collateral after the senior lender or participant, or (b) provided sufficient funds are then available, cure the borrower default with respect to the senior notes or tranches and/or buy the senior notes or tranches. In either case a Fund's remedies will be subject to the rights of the senior lenders or participants. Additionally, in order to purchase senior notes or tranches, a Fund may need to obtain financing, either through calls

of commitments (if made during the commitment period) or through third-party financing, which may not be available.

In the context of a borrower default under an investment comprising "true" mezzanine financing consisting of a loan subordinate to a senior loan to such borrower or its parent, a Fund's exercise of remedies may be accomplished independently of a senior lender's exercise of remedies. The applicable inter-creditor agreement, if any, may provide a Fund with the right to cure borrower defaults under the senior loan with the senior lender. However, if a Fund seeks recovery against available collateral, the Fund will then own the collateral, which may have outstanding lien obligations to the senior lender and may have other financial obligations to third parties. In the context of a borrower default, a Fund may be subject additionally to equitable defenses to actions in respect of its loan collateral, to which defense it would not otherwise be subject. 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' right laws, (ii) so-called lender liability claims by the issuer of the obligations, and (iii) environmental liabilities that may arise with respect to real estate or other collateral securing the obligations. A Fund's 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 value of projects and other factors, participation rights, warrants, and other equity securities may become worthless.

*Risks Associated with Debt and Equity Investments.* A Fund may invest substantially all of its available capital in debt and equity investments in private real estate assets, principally hotels. Such investments involve a high degree of business and financial risk and can result in substantial or complete losses.

Identifying Projects with sufficient liquidity to repay debt is a difficult task. Many of a Fund's projects may need substantial additional capital to cover debt service or maintain competitive market positions. As a result, the General Partner cannot assure investors that a Fund will succeed in investing their capital in projects that are able to satisfy their obligations to a Fund or yield profits.

The ability of a Fund to influence a project's affairs, 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, a Fund may not be able to take the steps necessary to protect its investments in a timely manner or at all. In addition, the debt instruments in which a Fund may invest may not be protected by financial covenants or limitations upon additional indebtedness, may have limited liquidity and are unlikely to be rated by a credit rating agency. Generally, to the extent a Fund's debt investments are secured, the collateral provided to protect the Fund's debt investments will be illiquid and difficult to value, and a Fund's rights to such collateral may be subordinate to the rights of a project's other, potentially more senior, creditors. If a project defaults on its loan obligations to a Fund, a Fund could also experience significant delays and costs in exercising its rights to protect its investment. A Fund's ability to obtain payment from a project may be limited by bankruptcy or similar laws affecting creditors' rights. As a result, there can be no assurance that the collateral

associated with a Fund's debt investments will be available or adequate, or that a Fund will ultimately collect the full amount owed on a defaulted obligation.

A Fund may own equity positions in one or more entities that own real property. These equity interests may be subordinate to general and secured creditors of the entity. This subordination could increase a Fund's risk of loss. There is no fixed period of return for equity investments. Acquisition of equity interests involves risks not present in real property loans or direct property ownership. For example, there is the possibility that other equity owners may at any time have economic or business interests or goals that are inconsistent with those of a Fund. The value of securities or other equity instruments may fluctuate in a manner dependent on criteria not directly related to the risks associated with real property, such as the terms and conditions of the equity, the relative seniority of the equity and the general prospects and conditions of the issuer.

Bridge Financings. On one or more occasions, a Fund may lend to projects on a short-term, unsecured basis in anticipation of a future issuance of equity or long-term debt instruments. Such bridge loans would typically be convertible into a more permanent, long-term instrument; however, for reasons not always in a Fund's control, such long-term instruments may not be issued and such bridge loans may remain outstanding. In such event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by a Fund.

Litigation Risks. In the ordinary course of its business, a Fund will be subject to a variety of litigation risks from time to time, particularly in consequence of the potential that one or more projects will face financial or other difficulties during the term of a Fund's investment. In the event of a dispute arising from such activities (or other activities relating to the operation of a Fund or the General Partner), it is possible that a Fund, its General Partner, or the members of the General Partner may be named as defendants. Under most circumstances, a Fund will indemnify its General Partner, the Manager, and, unless otherwise determined by the General Partner in its sole discretion, each of their respective affiliates, the key persons, Senior Advisors, and the respective owners, partners, members, managers, officers, directors, employees, agents, representatives and affiliates of any of them for any costs they may incur in connection with such disputes. Beyond direct costs, such disputes may adversely affect a Fund in a variety of ways, including by distracting the General Partner and harming relationships between a Fund and its projects or other investors in such projects.

ADA Compliance. Projects will be required to comply with Title III of the Americans With Disabilities Act of 1990 (the "ADA") to the extent that such properties are "public accommodations" and/or "commercial facilities" as defined by the ADA and such equivalents. In connection with any project, compliance with the ADA requirements could require removal of structural barriers to handicapped access in certain public or common areas of properties to bring the property into compliance, which may or may not have been foreseen at the time of acquisition. Future changes to federal, state, and local laws also may require modifications to a Fund's properties, or restrict a Fund's ability to renovate its properties. Non-compliance could result in imposition of fines or an award of damages to private litigants. A Fund cannot predict the ultimate cost of compliance with the ADA or other legislation. If a Fund incurs substantial costs to comply with the ADA and any other similar legislation, a Fund's financial condition, results of operations, cash flow, cash available for distribution and ability to satisfy its debt service obligations could be materially adversely affected.

*Exculpation and Indemnification.* A Fund's partnership agreement will set forth the circumstances under which the General Partner, the Manager, the key persons, Senior Advisors, their respective affiliates and the respective partners, members, managers, officers, directors, employees, agents and affiliates of any of them are to be excused from liability to a Fund and its investors for claims, losses or damages that a Fund or such investors may incur by virtue of any such person's performance or services for a Fund. As a result, a Fund and its investors may have a more limited right of action in certain cases against these persons than they would have in the absence of such provision. If a claim is made against the General Partner, the Manager, and, any of their respective affiliates, the key persons, Senior Advisors, and the respective owners, partners, members, managers, officers, directors, employees, agents, representatives or affiliates of any of them, such person(s) may be entitled to be indemnified by the Fund, in which case the assets of a Fund could be used to indemnify such persons for amounts incurred in connection with such claim. Such indemnification obligations could materially impact the returns to Limited Partners. In certain cases, previous distributions to the Fund's investors may be recalled to cover such indemnification obligations of a Fund.

*Investor Liability.* A Fund may have potential liability for its actions under the general doctrines of lender liability and equity investor liability. Lender and equity investor liability claims may arise in a variety of circumstances and at any time throughout the investment process. Claims may arise even before a transaction is complete if a Fund provides false or misleading information to potential project sponsors through advertisements or other communications. A Fund could also incur liability for failing to honor the terms of any contractual commitment. The servicing of loan investments may also subject a Fund to lender liability claims. In certain instances, loan documents or other agreements (and/or any provision contained therein) may be determined by a court to be unenforceable. Any guaranty delivered to a Fund in connection with the making of an investment may present additional exposure to liability when the Fund attempts to enforce such a guaranty. A Fund, whether making a loan or an equity investment, may have remedies available to it limited by state statutes, such as strict statutory foreclosure requirements with respect to loans or limited remedies in connection with Limited Partnerships, limited liability companies or other investment vehicles in connection with an equity investment, which may result in the Fund losing its right to enforce certain remedies, in whole or in part. In addition, in California and other states, the rights of a lender to obtain a deficiency judgment against a borrower may be limited by statute under certain circumstances. As discussed below, a Fund may also be subject to usury claims in connection with its loan investments. Even if a Fund properly exercises its remedies, a bankruptcy filing by the borrower could result in certain restrictions on the ability of a Fund to exercise its remedies. There are numerous other ways in which a Fund may be exposed to lender or equity investor liability claims in addition to those discussed above. No assurance can be given that a Fund will be able to successfully avoid lender or equity investor liability claims and lawsuits. Even if it is successful in defending any such claims, the costs of defending the claims could be substantial. If any such liability or claims are incurred, the cash flow distributable to the Limited Partners could be significantly reduced.

*Usury.* Any loans made by a Fund to any borrower entity may be subject to state usury laws. The General Partner intends to use reasonable best efforts to cause a Fund to comply with any applicable usury laws. However, in some instances, the General Partner may not be aware that the usury laws of a state are applicable and/or the General Partner may not be successful in causing a Fund to



comply with such laws. Failure of a Fund to comply with any applicable usury laws could result in a Fund incurring a significant loss with respect to any such loan.

*Failure to Make Capital Contributions.* If Limited Partners fail to fund their subscription obligations or make required capital contributions when due, a Fund's ability to complete its investment program or otherwise continue operations may be substantially impaired. A default by a number of Limited Partners could leave a Fund with less than the minimum capital commitment and would limit opportunities for investment diversification and likely reduce returns to a Fund. If a limited partner defaults, it may be subject to various remedies as provided in a Fund's governing documents.

*Liability for Return of Distributions.* If a Fund is otherwise unable to meet its obligations (including indemnification obligations) or liabilities, including those arising from the operation, sale or disposition of any investment, the Limited Partners (including any former Limited Partners) may, under the terms of the Partnership Agreement or applicable law, be obligated to return cash distributions with interest previously received by them if such distributions are deemed to be a return of their capital contributions or a wrongful payment to them. In addition, a Limited Partner may be liable under applicable federal or state bankruptcy laws, such as the Delaware Revised Uniform Limited Partnership Act, to return a distribution made during a Fund's insolvency.

*Performance Allocation.* The existence of carried interest distributions to a Fund's General Partner, which is based on a percentage of net profits, may create an incentive for the General Partner to make riskier or more speculative investments or to hold an investment longer than otherwise would be the case on behalf of a Fund than it would otherwise make in the absence of such performance-based compensation, although the significant commitment by the key persons to invest in a Fund's investments and the General Partner's giveback provision should tend to reduce this incentive, as should the fact that the preferred return is calculated on a cumulative basis.

*Transfer by General Partner.* To the extent the General Partner, the Manager and/or their respective affiliates commit to make a direct or indirect investment in or alongside a Fund, a participation in or a portion of such investment may thereafter be transferred to others, subject to any express limitations thereon in its Partnership Agreement.

*Carried Interest Legislation.* Congress has considered proposed legislation that would treat certain income allocations to service providers by partnerships such as a Fund (including any carried interest) as ordinary income for U.S. federal income tax purposes that under current law is treated as an allocation of the partnership's income, which may be taxed at lower rates than ordinary income. Enactment of any such legislation, whether during or after the initial closing of a Fund, could adversely affect the ability of the principals, employees or other individuals associated with a Fund or the General Partner who were or may in the future be granted direct or indirect interests in the General Partner, to benefit from carried interest taxed at lower rates. This may reduce such persons' after-tax returns from a Fund and the General Partner, which could make it more difficult for the General Partner and its affiliates to incentivize, attract and retain individuals to perform services for a Fund.

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UBTI. U.S. tax-exempt Investors may recognize substantial amounts of UBTI as a result of investing in a Fund. Prospective Investors that are U.S. tax-exempt investors should consult their own tax advisors regarding the possible U.S. federal income tax impact of an investment in a Fund.

Subordination. A Fund may invest in debt and equity positions that are junior to other securities within the capital structure of a real estate investment. Further, a Fund intends to use debt at the fund-level to enhance yields to its investors. The use of leverage increases the risk of loss to a Fund.

Liquidity of Fund Investments. Most investments of a Fund will have no readily available public market and none is expected to develop. While current income is expected, losses on unsuccessful investments may be realized before gains on successful investments are realized. Except for the amortization of principal on senior debt investments, the return of capital and the realization of gains, if any, will generally occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the initial investment. Prior to such time, there may be no current return on certain investments. Disposition of such investments may require a lengthy time period or may result in distributions in kind to the Limited Partners.

Affiliated Services and Other Fees and Charges. The Manager or its affiliates (including entities owned by key persons, employees or other affiliates of the Manager and/or Senior Advisors) are expected to provide and be paid for services or other business arrangements to or on behalf of a Fund, a portfolio investment or a project or an affiliate thereof in accordance with the terms of a partnership agreement. Such services or arrangements will be paid for by a Fund and/or a project at approved rates and may include, among others: (1) management: (a) management and/or oversight of any aspect of operations of the real estate and related assets (e.g., the hotel and its outlets) and the maintenance of brands and their requirements (e.g., maintenance and enforcement of brand standards, market positioning and advertising, customer loyalty programs, employee training and development, and standard operating procedures for bars, restaurants, retail outlets, and hotel and related brands), including base and incentive, asset management, use of hospitality specialists, technology, regional operations, legal, reservations, human resources, sales, and marketing; (b) accounting services for the real estate or any related assets' operations or structure; (c) centralized services that, principally due to economies of scale, the management firm can provide on a more economical basis than through dedicated on-site personnel at each asset (including for example: technology, revenue management, and e-commerce); (d) consulting for technical services prior to project completion, regarding, for example: food and beverage development and pricing, complementary outlet design and positioning, staffing and service levels, operational integration and efficiency, and similar functions required to achieve desired hotel positioning and guest experience; (e) consulting for pre-opening services to prepare an asset for opening by, for example: developing service standards, hiring and training personnel, engaging vendors and third-party service providers, and procuring operational supplies and equipment; and (f) branding and outlet consulting services related to, for example, concept development, marketing, and overall narrative of the guest experience (such as brand positioning, interior and media design and development, and training and standard operating procedures); (2) debt services: (a) in the event the Fund makes a Portfolio Investment in a mezzanine loan, subordinated note of a mortgage loan (e.g., a B Note) or other interest in a mortgage loan, fees for servicing, special servicing, and asset management



services for the senior note held by a third-party lender (e.g., an A Note) at rates approved by or paid by such third-party lenders, for any portion of such loan held by third-party lenders, or for a synthetic participation or note on note financing by a third-party lender, in each case, directly or indirectly, which such services may include some or all of the following: monitoring covenant compliance, processing construction loan draws, managing delinquencies and defaults, pursuing work-outs and restructurings in an effort to resolve any default including extensions, interest rate adjustments or other loan modifications in accordance with the terms of any loan participation and servicing agreement and other services (these services are provided to the Fund on the portion of the Fund's Portfolio Investments in a mezzanine loan or B Note at no cost); (b) debt placement fees on what the Manager refers to as "quasi-equity" and "equity investments" for identifying lenders, coordinating with such third parties, structuring, sourcing, negotiating, and closing third-party debt (including refinancings); and (c) origination fees on what the Manager refers to as "high-yield debt" investments for the arrangement of the origination and/or exit of mortgage debt that one or more third-party lenders invests in or finances the senior portion of a loan (e.g., the A Note) and the Fund also invests in or finances a portion of such loan (e.g., the B Note); (3) development: (a) management and supervision of the development process including oversight and coordination of architect, general contractor, design, and other components; (b) procurement of furniture, fixtures, and equipment; and (c) representation of the owner's interest with respect to the coordination, review, and approval of various decisions in the development process when a Rockbridge affiliate is not providing development/renovation management services; (4) media and advertising services, such as interior and exterior advertising, digital out-of-home media, signage and other creative content solutions and branded advertisements, including: (a) lease arrangements whereby a project receives rent payments from a sign owner (which may be RBX Media); (b) project management for the design, development, and installation of the sign / ad board; (c) display management for the management of day-to-day activities of the sign / ad board; and (d) advertising sales fees for the sale of advertising on the sign / ad board; (5) additional services including: (a) legal services to the General Partner on behalf of a Fund or a portfolio investment, including services related to the formation, operation, dissolution or termination of a General Partner, a Fund and its related entities, legal due diligence, compliance with applicable laws (including the preparation and submission of necessary regulatory filings of a Fund, its General Partner, or the Manager and the response to inquiries from regulatory bodies), negotiation and completion of transactions related to the acquisition, holding and disposition of projects, and services related to litigation, settlement or defense of claims or potential claims; legal services includes those performed by attorneys, paralegals, transaction specialists, and other similar functions; and (b) accounting, audit, and tax related services, including administration, investor reporting, and treasury such as preparation and distribution of financial statements, tax filings and Schedule K-1s, and representation of a Fund or the partners by a "partnership representative" for purposes of Section 6223(a) of the Code and similar statutes; (6) complementary companies that create, develop, own and/or operate related food and beverage, retail or other outlets that enhance or expand the products, offerings or amenities at hotels, and design and concept development services and related consulting services; (7) use of the Manager's or its affiliates' intellectual property; and (8) additional services not identified in a partnership agreement provided such services are performed at approved rates. All services or arrangements may be performed by the Manager or its affiliate in its entirety or through a co-service or sub-service arrangement. All approved rates are indexed to Consumer Price Index. For purposes

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of clarity, approved rates shall include certain agreed upon amounts plus reimbursement of expenses to include the cost of project-specific personnel and other customarily reimbursed expenses, as determined by the Manager. For example, such project-specific personnel include: all property-level or dedicated project personnel, including shared resources, such as project managers or coordinators, FF&E or design managers, area directors and managers of revenue or marketing. Customarily reimbursed expenses include: travel and out-of-pocket expenses, shared services, shared costs, recruiting, training, market data and research costs. For the avoidance of doubt, no payment by a Fund for any of the services or other business arrangements described in (1)-(8) in the preceding shall offset the Management Fee. The rates payable for professional services described above will be paid to the Manager or its affiliates by a Fund or a project (as the case may be) regardless of the level of experience, expertise or the actual fair value of services rendered by any particular professional who provides such services to a Fund or a project. Although approved rates for these professional services are intended to reflect an average or blended rate (i.e., one that takes into account variable hourly rates, and attempts to anticipate time allocated to a Fund and/or Projects by professionals of various experience and expertise), these approved rates are based on assumptions and thus have inherent limitations. Therefore, while in some instances a Fund or a project may benefit from approved rates, in other instances, a Fund or a project may pay more for these services than if a rate tied to experience level had been used. It is common industry practice to estimate remaining amounts to be billed for these professional services prior to a transaction closing. Rockbridge or its affiliates may employ such practice as a Fund nears the close of a transaction. In some cases, the use of such practice may result in a Fund benefiting, in other instances, a Fund or a project may pay more for these services than if such practice did not occur. In either case the impact on a Fund is expected be minimal, especially when taken over the life of a Fund.

Although the Manager and its affiliates are active participants in the markets in which a Fund will invest, they do not necessarily have access to, and are not undertaking, continuing detailed studies of the actual prevailing market rates charged for services or business arrangements in each jurisdiction where they provide such services or arrangements and it is possible that the approved rates charged by the Manager or its affiliates for such services or arrangements may be lower or higher than the actual prevailing market rates charged in any such jurisdiction. A Fund may bear certain costs and expenses directly or indirectly incurred in connection with a Fund's business or a portfolio investment in accordance with the Manager's expense reimbursement policies, as may be amended from time to time by the Manager. Such policies and any amendments thereto are available to any limited partner upon request. The manager has no affirmative duty to deliver copies of amendments to such policies.

In addition, the General Partner expects certain affiliated entities or owners/employees of the Manager's affiliates to receive compensation from projects. Such compensation may take multiple forms, including profits interests, promote, equity, options or similar incentive equity with respect to a project that such affiliated entities or owners/employees source or otherwise provide services to, which may be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the employee, a percentage of the value of the project, the invested capital exposed to such project, amounts charged by other providers for comparable services and/or a percentage of cash flows from such project. To the extent a Fund or its projects incur these compensation amounts, they would ultimately be borne by the Fund's

Partners, but would not offset the Management Fees payable by Limited Partners, even if such amounts would otherwise reduce the Management Fee if paid to an employee of the Manager. The close business or personal relationships that such entities or owners/employees have with the Manager could create a conflict of interest by, for example, providing an incentive to offer or direct such employee to have a lower base pay in exchange for incentive compensation. The appropriate level of compensation may be difficult to determine, especially if the expertise and services he or she provides are unique and/or tailored to the specific engagement. For the avoidance of doubt, the foregoing amounts do not form part of and are not subject to the approved rates.

The Limited Partners will bear expenses of a Fund that they (i) may not have borne had they been able to directly make investments of the type made by a Fund or (ii) may not be charged by other funds or investment vehicles. These expenses may include expenses (including legal and accounting, which such fees shall be charged at the Approved Rate) associated with organizing, operating, dissolving and terminating a Fund, a General Partner, a pooled investor vehicle, and accounting expenses incurred in preparing the periodic financial statements of a Fund. A Fund may bear some or all of the costs of limited partner diligence, reporting or transfer costs and expenses that may or may not benefit the other Limited Partners or a Fund equally or at all. It is possible that the amount of these expenses incurred by a Fund could exceed the amount of these expenses incurred by another investor or investment vehicle or fund. For example, in conducting a Fund's business such as due diligence on a potential investment or visiting a portfolio investment, personnel of the General Partner and the Manager or any of their respective agents or affiliates, as well as a Fund's borrowers, lenders, joint venture partners, consultants, Senior Advisors, and other service providers or any of their respective agents and affiliates, may travel by the most expedient means available, including by private aircraft in accordance with the Manager's expense reimbursement policies, as may be amended from time to time and may be available upon request. The Manager also has no affirmative duty to deliver copies of amendments to such policies. In conducting a Fund's business, personnel of the Manager or others retained by or on behalf of a Fund or a project, including any of the persons set forth above, may incur travel and entertainment costs and expenses directly or indirectly related to a Fund, a project or a portfolio investment, including last-minute flight fares, first class travel, cancellation fees, fine dining, high-end or luxury hotels, and other similar expenses. In addition, in circumstances where a Fund invests or is considering investing with a partner, certain costs and expenses incurred by such joint venture partner may be capitalized into the deal (or a Fund will bear the joint venture partner's share of deal expenses). Such costs and expenses may: exceed the amount or be different than what the General Partner or Manager would charge a Fund, be charged in accordance with such partner's policies or no policies at all, and the General Partner or Manager may not have visibility to the methodology used to calculate such amounts or the type or the amount of certain specific expenses. To the extent that a Fund incurs expenses of a type or degree that would not be incurred by a direct investor or other funds or investment vehicles, the returns experienced by a limited partner will be lower than those experienced by an investor that directly invested in the same assets as those of a Fund or invested in other vehicles. A Fund or a subsidiary may make charitable contributions or donations in furtherance of a Fund's or a project's business, which also may provide a benefit to the Manager and/or its affiliates, including other funds and/or projects managed by the Manager or its affiliates.

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*Limited Access to Information.* The rights of Limited Partners to information regarding a Fund and its projects will be specified, and strictly limited, in the partnership agreement. In particular, a General Partner anticipates that it will obtain certain types of material, non-public information that may be relevant to an investment decision to be made by a Fund that will not be disclosed to Limited Partners. For example, the General Partner may obtain information regarding projects that is material to determining the value of a Fund's investments in such projects. Such information may be withheld from Limited Partners in order to comply with duties to such projects or otherwise to protect the interests of such projects or a Fund. Decisions by the General Partner to withhold information may have adverse consequences for Limited Partners in a variety of circumstances. For example, a limited partner that seeks to sell its Interest may have difficulty in determining an appropriate price for such Interest. Decisions to withhold information may also make it difficult for Limited Partners to subject the General Partner to rigorous oversight.

*Side Letters.* In accordance with common industry practice, a General Partner may enter into one or more side letters or similar agreements with certain Limited Partners pursuant to which the General Partner grants to such Limited Partners specific rights, benefits or privileges that are not made available to Limited Partners generally. Such agreements will be disclosed to those actual or potential Limited Partners that have separately negotiated with the General Partner for the right to review such agreements.

*Fund Not a Registered Investment Company.* The Funds are not registered under the Investment Company Act of 1940. The Investment Company Act provides certain protection to investors and imposes certain restrictions on registered investment companies (including, for example, limitations on the ability of registered investment companies to incur leverage), none of which will apply to a Fund.

*General Partner Not a Registered Investment Broker.* While certain members of a Fund's Manager, and perhaps also a member of a Fund's General Partner, are registered representatives of a registered broker-dealer, no General Partner is registered as a third-party broker-dealer under the Exchange Act of 1934, or with the Financial Industry Regulatory Authority, Inc. ("FINRA"), and is consequently not subject to the record-keeping and specific business practice provisions of the Exchange Act or the rules of FINRA.

*Dilution.* Following a Fund's initial closing, a General Partner will be authorized to admit additional Limited Partners (or accept increased commitments from existing Limited Partners) during a specified period. Although Limited Partners admitted after a Fund's initial closing may be subject to interest charges on certain items, for purposes of allocating Fund profit and loss, all commitments made during such period generally will be treated as if made at a Fund's initial closing. The charges of such interest may be conducted at the final close of a Fund. In consequence, additional Limited Partners (or existing Limited Partners that increase their commitments) may effectively "buy in" to a Fund at a price that does not necessarily reflect changes in the fair value of a Fund's existing assets at the time of such contributions subsequent to the initial closing.

*Special Caution for Investors in Second or Later Closings.* It is expected that, following the a Fund's initial closing, a Fund will engage in a variety of investment and investment-related activities. In connection with such activities, a Fund and its General Partner likely will obtain confidential or

material non-public information regarding actual or potential Projects. A General Partner and a Fund generally will not disclose such information to prospective Fund investors in connection with their consideration of an investment in a Fund. As a more general matter, any person considering an investment in a Fund (including an existing limited partner that is considering an increase to its commitment) subsequent to a Fund's initial closing should assume that the General Partner and the Fund will be in possession of information (such as information relating to actual or prospective Projects, to actual or prospective Limited Partners, or to other matters arising subsequent to such initial closing) which information both: (x) would be material to such person's evaluation of an investment in a Fund; and (y) will not be disclosed to such person by the General Partner or the Fund in connection with such evaluation. A General Partner and a Fund explicitly disclaim any obligation to inform prospective investors of any such information.

Under some circumstances, a person considering an investment in a Fund may be provided with copies of a Fund's financial statements for periods following the initial closing. Each such person is cautioned that it will be inherently difficult to determine the value of securities held by a Fund and that, accordingly, it would be inappropriate to interpret any information set forth in such statements as a representation or warranty regarding the true fair market value of any such securities.

*Removal of General Partner.* Investors will not have any ability to remove a General Partner from such role except in certain limited circumstances or with the requisite vote set out in that Fund's partnership agreement. Removal of a General Partner may cause defaults under Fund-level debt instruments, project-level debt instruments, mortgages, deeds of trusts, promissory notes, loan participation agreements, franchise agreements, ground leases, joint-venture agreements, and other agreements and obligations of a Fund, the projects and the portfolio investments. Any such default could reduce the value of a Fund's assets or otherwise result in substantial or complete loss of an investor's investment. As a result, investors may have less control over a General Partner's investment strategies than they may have with other investments.

*Liquidity of Interests and Restrictions on Transfer.* An investment in a Fund requires the financial ability and willingness to accept substantial risk and illiquidity. There will be no public market for the Interests in a Fund, and none is expected to develop. The interests will not be redeemable and generally will not be transferable except with the prior written consent of a General Partner and subject to further restrictions (including the right of first refusal) set forth in the partnership agreement and by applicable United States federal and state securities laws. In the event the right of first refusal is exercised, a General Partner, in its sole discretion may determine the allocation of the participation in the investment of the underlying interest being transferred to the partners (which, without limiting the foregoing, may be limited, in the sole discretion of a General Partner, to partners having a certain minimum commitment). To the extent the interest is transferred to other Limited Partners, the costs of such transfer shall be a Fund expense. As the partnership agreement contains significant restrictions on the transfer of the Interests, Limited Partners may not be able to liquidate their investments prior to the end of a Fund's term.

*Lack of Management Control by Limited Partners.* The Limited Partners generally will not have the right or power to participate in the management, control, or operation of a Fund. A limited partner will not have an opportunity to evaluate for itself the relevant economic, financial, and other information regarding the investments to be made by a Fund and, accordingly, will be dependent on



the business judgment and investment ability of a General Partner in investing and managing the capital of a Fund. No assurance can be given that a Fund will be successful in obtaining suitable investments or that, if such investments are made, the objectives of a Fund will be achieved.

*Economic, Market and Industry Risk.* As a Fund's investments will be concentrated in the hospitality sector, the value of a Fund's assets may be sensitive to swings in the overall economy which have an impact on hotel revenues, swings in the capital markets which impede the availability of equity and debt financing, recessions which reduce overall business travel and tourism, a shortage of available credit due to declining property valuations, deteriorating economic fundamentals, fluctuating interest rates, borrower defaults or bankruptcies, terrorism, acts of war, acts of God, changes in land use and zoning, environmental protection and safety, tax or regulatory requirements, fraud or other adverse developments that could have a detrimental impact on the value of a Fund's assets and an investor's interest in a Fund. A General Partner may rely upon projections made by others concerning the performance of an underlying asset and such projections may be uncertain and subject to factors beyond the control of the party making those representations.

*Economic Conditions.* The real estate industry generally and the success of a Fund's 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 a Fund's investments, which could impair a Fund's profitability and result in losses. Further, any material change 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. A Fund's 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 a Fund's 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 a Fund's investment opportunities and the value of a Fund's investments.

*Risks Related to the Lodging Industry.* A number of factors common to the lodging industry could affect a project's business, including (1) increased competition from new or existing hotel properties in a project's market, which could adversely affect occupancy and revenues in respect of a project, (2) dependence on business, commercial and leisure travelers and tourism, (3) dependence on group and meeting/conference business, (4) increases in energy costs, airline strikes or other factors that may affect travel patterns and reduce the number of business and commercial travelers and tourists, and (5) other risks generally associated with ownership of hotel properties and other real estate.

*Risks Related to the Restaurant Industry.* A number of factors common to the restaurant industry could affect a project's business, as applicable, including (1) changes in consumer preferences away from the type of cuisine served by the relevant restaurant in respect of such project, (2) competition in the restaurant industry, including from well-established food service companies, chains and independent restaurants, and companies with superior financial and other resources, on the basis of taste, quality, and price of products offered, guest service, atmosphere, location and overall guest

experience, (3) changes in food and supply costs, particularly an increase in the price of seafood and other foods, including changes driven by factors such as weather conditions, food safety concerns, product recalls and government regulations, (4) potential litigation or negative publicity related to the consumption of food products and any potential health or safety risks related thereto, and (5) failure to obtain and maintain any licenses and permits necessary to continue to operate.

*Risks Related to the Retail, Office Space, and Residential Real Estate Industries.* A number of factors common to the retail, office space and/or residential real estate industries could affect a project's business, as applicable, including (1) general economic weakness, which could result in decreased demand for retail products, office space and/or residential rental space, (2) reliance on large tenants and high occupancy rates generally, the loss of which could materially adversely affect revenues, (3) fluctuating market rental rates, (4) the competitive nature of retail, office space and residential leasing businesses, including a potential increase market supply, and (5) structural changes such as an increase in telecommuting and online shopping.

*Market Conditions.* In the past, the capital markets and banking sectors have experienced high volatility, market disruption, and substantial losses. This turmoil (whether regulatory or financial in nature) had an adverse effect on real estate valuations and resulted in a lack of available credit, declining real estate values and higher foreclosure rates for an extended period of time. Disruptions in the capital markets (including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates) can significantly limit the availability of debt and equity for investments in the hospitality sector, resulting in fewer buyers and lower property values. If such economic conditions occur, they could interfere with the successful implementation of the Fund's business strategy, negatively impact fundamentals in the hospitality sector and result in declining values of collateral securing loans made by a Fund. It is not possible to project the date when market conditions will change or the length or severity of such conditions. Prospective investors should be aware that these types of conditions could present significant challenges to a Fund and its profitability.

*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, elections 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 businesses, 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 projects to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by a Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon a Fund's projects.

*Outbreaks of Infectious or Contagious diseases; COVID and Hospitality-Specific Risks.* Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, ebola and COVID, have and are resulting in market volatility and



disruption, and future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to a Fund.

Currently, there is an ongoing outbreak of COVID, which has caused a worldwide public health emergency, straining healthcare resources and resulting in extensive and growing numbers of infections, hospitalizations and deaths. A Fund invests in hospitality and/or other types of hospitality-related investments that are uniquely susceptible to the impact of a public health emergency, such as COVID. Decreased demand and confidence as well as increased governmental measures, particularly with respect to the entertainment, travel and tourism industries, are likely to have an outsized impact on the market for hospitality and lodging. Business and recreational travel is likely to be adversely impacted due to delays or cancellations of conferences, retreats, sporting events, concerts and other large organized gatherings, and the growing accessibility to and migration towards alternatives for in-person meetings, including virtual meetings hosted online or via private teleconferencing networks. In an effort to contain COVID, national, regional and local governments, as well as private businesses and other organizations, have taken severely restrictive measures, including instituting local and regional quarantines, restricting travel (including closing certain international borders), business shutdowns (including hospitality, food and beverage) prohibiting public activity (including "stay-at-home" and similar orders), and ordering the closure of large numbers of offices, businesses, schools, and other public venues. As a result, COVID has significantly diminished global economic production and activity of all kinds and has contributed to both volatility and declines in all financial markets. Among other things, these unprecedented developments have resulted in material reductions in demand across most categories of consumers and businesses, dislocation (or in some cases a complete halt) in the credit and capital markets, labor force and operational disruptions, slowing or complete idling of certain supply chains and manufacturing activity, steep increases in unemployment levels in the United States and several other countries, and strain and uncertainty for businesses and households, with a particularly acute impact on industries dependent on travel and public accessibility, such as transportation, hospitality, tourism and retail, sports and entertainment.

The ultimate impact of COVID — and the resulting precipitous decline in economic and commercial activity across almost all of the world's largest economies — on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict, although ongoing and potential additional materially adverse effects, including a further global or regional economic downturn (including a recession) of indeterminate duration and severity, are possible. The extent of COVID's impact will depend on many factors, including the ultimate duration and scope of the public health emergency and the restrictive countermeasures being undertaken, as well as the effectiveness of other governmental, legislative and financial and monetary policy interventions designed to mitigate the crisis and address its negative externalities, all of which are evolving rapidly and may have unpredictable results. Even if and as the spread of the COVID virus itself is substantially contained and economies are able to "re-open," it will be difficult to assess what the longer-term impacts of an extended period of unprecedented economic dislocation and disruption will be on future macro- and micro-economic developments, the health and fundamental business models of certain industries and businesses such

as hospitality, and commercial and consumer behavior. The hospitality industry has been severely impacted.

The ongoing COVID crisis and any other public health emergency could have a significant adverse impact and result in significant losses to a Fund. The extent of the impact of any such emergency depends on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include a General Partner's ability to source, diligence and execute new investments and to manage, finance and exit investments in the future or cause significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. Likewise, social or governmental mitigation actions (among a wide variety of other potential effects) have constrained or altered existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy a Fund intends to pursue, all of which could adversely affect a Fund's ability to fulfill its investment objectives. They also have the potential to impair the ability of Fund investments or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences, including the potential for defaults by borrowers under debt instruments held by the Fund, restructurings and bankruptcy. Due to the often discretionary nature of the demand for hospitality products, and to the extent that the overall consumer income-level decreases as a result of any of the above, a Fund's investments are likely to be materially and adversely affected. In addition, the operations of a Fund, its investments, a General Partner and the Manager may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, restrictions on travel and meetings, remote-working requirements and other social, political, financial, legal, regulatory and other factors related to an actual or threatened public health emergency (such as COVID), including its potential adverse impact on the health of any such entity's personnel. These measures may also hinder such entities' ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

*Risks Associated with U.S. Regulatory Policy.* As a result of highly publicized financial scandals, investors have exhibited concerns over the integrity of the U.S. financial markets. There has been an active debate both nationally and internationally over the appropriate extent of government scrutiny and/or regulation and oversight of private investment funds and their managers. Any changes in the regulatory framework applicable to a Fund may impose additional expenses, require the attention of senior management, or result in limitations in the manner in which the Fund's business is conducted.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") is comprehensive and far-reaching financial services legislation that has imposed significant new regulations on almost every aspect of the U.S. financial services industry. Among other things, subject to certain limited exemptions, the Dodd-Frank Act generally requires private equity and hedge fund advisors to register with the Securities and Exchange Commission (the "SEC"), under the Advisers Act to maintain extensive records and to file reports if deemed necessary for purposes

of systemic risk assessment by certain governmental bodies. Importantly, certain provisions of the Dodd-Frank Act are subject to the discretion of regulatory bodies, such as the SEC, CFTC, Financial Stability Oversight Council. In addition, numerous non-U.S. governments, including many based in Europe, have implemented (or are in the process of implementing) new financial and other regulations (including the AIFMD) that have increased (or may increase) regulation of and disclosure with respect to, and the registration of, private equity and hedge funds.

This enhanced oversight and regulation, and the need for additional rule-making by various governmental bodies, has created uncertainty in the financial markets and, in particular, the private funds industry. Many of the regulators to which a Fund, its General Partner, the Manager or their respective affiliates are expected to be subject globally, including governmental agencies and self-regulatory organizations, are empowered to conduct investigations and administrative proceedings that can result in fines, suspensions of personnel or other sanctions, including censure, the issuance of cease-and-desist orders or the suspension or expulsion of applicable licenses or members. Even if an investigation or proceeding did not result in a sanction or the sanction imposed against a Fund, its General Partner, the Manager or their respective affiliates were small in monetary amount, the adverse publicity relating to the investigation, proceeding or imposition of these sanctions could harm a Fund, its General Partner, the Manager or their respective affiliates' reputations which may adversely affect a Fund's investment performance by hindering its ability to obtain favorable financing or consummate a potentially profitable investment. There is also a material risk that regulatory agencies in the United States and beyond will continue to adopt burdensome new laws or regulations (including tax laws or regulations), or change existing laws or regulations, or enhance the interpretation or enforcement of existing laws and regulations. Any such events or changes could occur during a Fund's term and may adversely affect a Fund and its ability to operate or pursue its investment strategies. Such risks are often difficult or impossible to predict, avoid, or mitigate in advance.

Regulation generally, as well as regulation more specifically addressed to the private funds industry, including tax laws and regulation, could increase the cost of acquiring, holding or divesting of investments, the profitability of enterprises and the cost of operating a Fund. There can be no assurance that any such enhanced scrutiny will not have an adverse impact on a Fund or not otherwise impede a Fund's activities.

*Enhanced Scrutiny and Regulations of the Private Equity Industry.* As private equity firms and other alternative asset managers have become more influential participants in the U.S. and global financial markets and economy generally, and as the private funds industry and the reach of transactions consummated by its participants has continued to grow, the private funds industry has become subject to enhanced political, governmental, and regulatory scrutiny around the globe. This increased scrutiny was particularly acute during the recent GFC, over the course of which the business practices and economic incentives of private equity industry participants were viewed by certain political, governmental, and regulatory commentators as contributing to the market and economic volatility that ultimately resulted in the crisis. This enhanced scrutiny has prompted governmental and public action with respect to the private funds industry and its practices. As a result, a Fund may invest in fewer transactions or incur greater expenses or delays in completing or exiting investments than it otherwise would have.

Alternative Investment Fund Managers Directive. The EU Alternative Investment Fund Managers Directive (the "AIFMD") regulates the activities of certain private fund managers undertaking fund management activities or marketing fund interests to investors within the European Economic Area ("EEA"). If a Fund is actively marketed to investors domiciled or having their registered office in the EEA in circumstances where no transitional relief is available: (i) a Fund may be subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which may result in a Fund incurring additional costs and expenses; (ii) a Fund and/or its General Partner may become subject to additional regulatory or compliance obligations arising under national law in certain EEA jurisdictions, which may result in a Fund incurring additional costs and expenses or otherwise affect the management and operation of a Fund; and (iii) a General Partner may be required to make detailed information relating to a Fund and its investments available to regulators and third parties. In addition, it is possible that some EEA jurisdictions will elect to restrict or prohibit the marketing of non-EEA funds to investors based in those jurisdictions, which may make it more difficult for a Fund to raise its targeted amount of commitments.

Disclosure of Information. A Fund, its General Partner, the Manager or their respective affiliates and investors may be subject to public records or similar laws that may compel public disclosure of confidential information regarding a Fund, its investments or one or more Limited Partners. There can be no assurance that such information will not be disclosed either publicly or to regulators, law enforcement or otherwise, including to comply with regulations or policies to which these entities may be or become subject.

Anti-Pay-to-Play Laws, Regulations, and Policies. In light of recent scandals involving money managers, a number of states and municipal pension plans have adopted so-called "pay-to-play" laws, regulations or policies which prohibit, restrict or require disclosure of payments to (and/or certain contracts with) state officials by individuals and entities seeking to do business with state entities, including investments by public retirement funds. The SEC has also adopted rules that, among other things, prohibit an investment adviser from providing advisory services for compensation to a government client for two years after the adviser or certain of its executives or employees make a contribution to certain elected officials or candidates. If the Manager, a General Partner, their employees or affiliates or any service providers acting on their behalf, including, without limitation, a placement agent, fails to comply with such pay-to-play laws, regulations or policies, such noncompliance could have an adverse effect on a Fund by, for example, providing the basis for the withdrawal of the affected public pension fund investor.

Liquidation During Down Cycle. Because of the fixed term of a Fund, liquidation of a Fund may commence at a time when the real estate market generally, or the value of given investments, have entered a down cycle. Such adverse effects may include the requirement of a Fund to pay breakup, termination or other fees and expenses in the event a Fund is not able to close a transaction (whether due to the lenders' unwillingness to provide previously committed financing or otherwise) and/or the inability of a Fund to dispose of investments at prices that its General Partner believes reflect the fair value of such investments. Accordingly, a Fund may not be able to minimize losses or to realize gains to the same extent it might have been able to if a Fund were to wait indefinitely until the real estate market or the value of the given investments had rebounded from the down cycle. Even though a General Partner may take this factor into consideration when determining how quickly to liquidate a particular investment following commencement of the winding up process

(which process may take up to a year or longer), there can be no assurance that the real estate market or the value of any given investment will improve prior to disposition.

*Fraud by Borrowers.* While a Fund will conduct extensive due diligence on potential borrowers and issuers and the underlying collateral, it may not always be possible to uncover fraud. If a Fund is defrauded with respect to any investment, a Fund may lose the full amount of such investment.

*Possibility of Fraud or Other Misconduct of Employees and Service Providers.* Misconduct by employees of a General Partner, the Manager, Senior Advisors, service providers to a Fund and/or their respective affiliates could cause significant losses to a Fund. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, unauthorized misappropriation of funds, the improper use or disclosure of confidential information, and other matters which could result in litigation or serious financial harm, including limiting a Fund's business prospects or future marketing activities, and non-compliance with applicable laws or regulations and the concealing of any of the foregoing. Such activities may result in reputational damage, litigation, business disruption, and/or financial losses to a Fund. No assurances can be given that a General Partner or the Manager will be able to identify or prevent such misconduct.

*Use of Projections.* A General Partner will generally establish the capital structure of companies in which a Fund invests on the basis of financial projections for such companies. Projected operating results for a Fund's investments will normally be based primarily on management judgments. In all cases, projections are only estimates of future results which are based upon information relating to investments and third parties and assumptions made at the time that the projections are developed and are subject to risks and uncertainties. There can be no assurance that the projected results will be obtained and actual results may vary significantly from the projections. General economic conditions, which are not predictable, can have a material adverse impact on the reliability of projections. Transactions in which a Fund may invest will be evaluated, in part, on the basis of financial projections for such transactions. Projected operating results will normally be based primarily on management judgments. In all cases, projections are only estimates of future results which are based upon assumptions made at the time that the projections are developed and are subject to risks and uncertainties. There can be no assurance that the projected results will be obtained and actual results may vary significantly from the projections. General economic conditions, which are not predictable, can have a material adverse impact on the reliability of projections.

*Tax Information Exchange Regimes; FATCA Withholding Tax on Certain Non-U.S. Entities.* The United States, pursuant to FATCA has entered into numerous intergovernmental agreements with various jurisdictions concerning the exchange of information as a means to combat tax evasion. The United Kingdom has entered into similar agreements with various jurisdictions. Other countries are also considering such agreements, and the OECD has proposed a worldwide tax information exchange standard that is likely to be adopted by many countries for years after 2015. One or more of these information exchange regimes are likely to apply to a Fund and/or alternative investment vehicles, and may require a General Partner to collect and share with applicable taxing authorities information concerning Limited Partners (including identifying information and amounts of certain income allocable or distributable to them). In addition, FATCA generally imposes a withholding tax of 30% on a non-U.S. entity's share of most payments attributable to investments in the United



States, including dividends and interest. The IRS has issued proposed regulations (on which taxpayers may rely until final regulations are issued) that would generally not apply these withholding requirements to gross proceeds from asset dispositions. A Fund may be required to withhold such taxes from certain non-U.S. Limited Partners, unless an exception applies.

*New Rules Regarding U.S. Federal Income Tax Liability Resulting from IRS Audits.* Recently enacted legislation significantly changes the rules for U.S. federal income tax audits of partnerships. Unless a partnership qualifies for and affirmatively elects an alternative procedure, any adjustments to the amount of tax due (including interest and penalties) generally will be payable by the partnership. Under the alternative procedure, if elected, a partnership would issue information returns to persons who were partners in the audited year, who would then be required to take the adjustments into account in calculating their own tax liability. There can be no assurance that a Fund will be eligible to, or will decide to, make such an election for any given adjustment. If a Fund does not (or cannot) make such an election, then a limited partner may indirectly bear taxes attributable to income allocable to other Limited Partners or former Limited Partners, including taxes (as well as interest and penalties) with respect to periods prior to such limited partner's ownership of interests in a Fund.

The "partnership representative" of a Fund will have authority to act on behalf of a Fund with respect to audits and certain other tax matters and may decide not to elect (or may be unable to elect) the alternative procedure for any particular adjustment. In addition, a Fund and each limited partner will be bound by the actions taken by the partnership representative on behalf of a Fund during any audit or litigation proceeding concerning U.S. federal income taxes.

Many issues and the overall effect of this new legislation on a Fund are uncertain, and investors should consult their own tax advisors regarding all aspects of this legislation as it affects their particular circumstances.

*Delayed Schedule K-1s.* A Fund likely will not be able to provide final Schedule K-1s (or equivalent reports) to Limited Partners for any given fiscal year until after the initial tax filings deadlines for Limited Partners' tax returns. Accordingly, Limited Partners should plan to obtain extensions of the filing dates for their income tax returns. Each prospective investor should consult with its own adviser as to the advisability and tax consequences of an investment in a Fund.

*Failure to Maintain REIT Qualification.* A General Partner may organize one or more entities treated as a REIT for U.S. federal income tax purposes through which a Fund may make investments. Qualification as a REIT involves the application of highly technical and complex provisions of the Code, for which there are only limited judicial or administrative interpretations, and the determination of various factual matters and circumstances not entirely within the REIT's control. If any REIT fails to maintain its qualification as a REIT in any taxable year, and certain relief provisions do not apply, the REIT would be subject to tax on its taxable income at regular corporate rates. In such an event, distributions by the REIT to a Fund or the Limited Partners would, to the extent of earnings and profits, be taxable to the Limited Partners as ordinary dividends.

*REIT Tax and Legislative Risks Associated with REITs.* There can be no assurance that any potential REIT's expected election to be taxed as a REIT for U.S. federal income tax purposes can be made, or, if made, can be continued. If a REIT fails to so qualify or fails to maintain its qualifications, it will be subject to tax, including applicable alternative minimum tax, on its taxable income at regular



corporate rates. Although a Fund or a parallel vehicle may, but is not obligated to, hold certain REIT qualifying assets through one or more REITs, there can be no assurance that U.S. federal laws and regulations pertaining to REITs will not change before any REIT can be established and qualify, or, once established and qualified, that such laws and regulations would not have a retroactive effect on any or all such REITs. As a result of any such changes, it may be impracticable for a Fund and/or any such parallel vehicle to hold assets through a REIT.

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

*Board of Advisors.* Where applicable, a General Partner may appoint one or more Limited Partner representatives to a "Board of Advisors", which will have the authority to provide consent to various matters, including matters involving conflicts of interest, on behalf of a Fund. The partnership agreement will provide that to the fullest extent permitted by applicable law, none of the Board of Advisors members shall owe any fiduciary duties to a Fund or any other partner. In addition, representatives of the Board of Advisors may have various business and other relationships with Rockbridge and its partners, employees and affiliates. These relationships may influence their decisions as members of the Board of Advisors.

*Factual Statements.* Certain of the factual statements made in a private placement memorandum are based upon information from various sources believed by a General Partner to be reliable. A General Partner and a Fund have not independently verified any of such information and shall have no liability for any inaccuracy or inadequacy thereof. Except to the extent that legal counsel has been engaged solely to advise as to matters of law, no other party has been engaged to verify the accuracy or adequacy of any of the factual statements contained therein. In particular, neither legal counsel nor any other party has been engaged to verify any statements relating to the experience, track record, skills, contacts, or other attributes of the members of a General Partner or to the anticipated future performance of a Fund. During the term of a Fund, its General Partner will provide to the Limited Partners reports and other information regarding the condition and prospects of a Fund and its investments. A General Partner's duties, obligations, and liability to the Limited Partners with respect to the content, completeness, and accuracy of such information will be determined solely under the partnership agreement.

*Definitive Terms and Conditions.* Portions of a Fund's private placement memorandum may describe specific terms and conditions expected to be set forth in its partnership agreement. The actual terms and conditions set forth in a partnership agreement may vary materially from those described in a private placement memorandum for a variety of reasons, including negotiations between a General Partner and certain prospective Limited Partners prior to a Fund's initial closing as well as formal amendments to the partnership agreement following such closing. Moreover, a partnership agreement will contain highly detailed terms and conditions, many of which are not

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described fully (or at all) in a private placement memorandum. In all cases, a partnership agreement will supersede a private placement memorandum. Prospective investors are urged to review the Partnership Agreement carefully, and must also be aware that, pursuant to the rules governing amendments set forth in the partnership agreement, certain types of amendments to the partnership agreement may be adopted with the consent of less than all Limited Partners.

*Industry Specific Terminology.* Investors are cautioned that certain terms and phrases of common usage within the private equity or real estate industries may be misleading to those unfamiliar with such usage. In particular, individuals who participate in the management of a fund often are referred to, in a colloquial sense, as "general partners" even though they are not actually general partners of any partnership. Investors are reminded that a Fund will be a Limited Partnership, that the general partner of a Fund will be a limited liability company, and that the individuals participating in the management of a Fund through a General Partner will be members of such limited liability company. It is not intended that a Fund will have any general partner other than its General Partner or that any actual general partnership will in any manner be associated with the formation, operation, dissolution, or termination of a Fund. Prospective investors must not presume or rely upon the existence of any actual legal entities other than a Fund and its General Partner. With respect to all matters involving industry-specific terminology, prospective investors are urged to consult with their own legal and other advisors.

*Development and Construction or Renovation Risks.* A Fund's investments may include acquisition of direct or indirect interests in undeveloped land or underdeveloped real property (which may often be non-income producing), real estate developments, redevelopments or renovations and/or businesses that engage in real estate development, redevelopment or renovation. 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 development activities, including the possibility of development 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 acquisition. Any unanticipated delays or expenses could have an adverse effect on the results of operations and financial condition of a Fund. Properties under development or properties acquired for development may receive little or no cash flow from the date of acquisition through the date of completion of development and may continue to experience operating deficits after the date of completion. In addition, market conditions may change during the course of development that make such development less attractive than at the time it was commenced.

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

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airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose a Fund to liability from its tenants, employees of its tenants and others if property damage or health concerns arise.

*Forward-looking Statements.* A private placement memorandum may contain targeted or projected returns and forward-looking statements. These targeted or projected returns and forward-looking statements reflect a General Partner's views with respect to future events. Actual returns and results could differ materially from those in the targeted or projected returns and forward-looking statements as a result of factors beyond a Fund's control. Investors are cautioned not to place undue reliance on such returns and statements.

## **Conflicts of Interest**

RBC seeks to put the best interest of investors and clients first, consistent with its fiduciary duty as a registered investment adviser. As such, we take steps to address these situations, and make investors aware of the potential conflict inherent in each. More information or a description of applicable conflicts of interests is set forth in a Funds' applicable PPM or governing and offering documents.

*Conflicts of Interest.* Key persons and Rockbridge, through various affiliated entities, are currently engaged in the management of the Funds or other investment vehicles and intend to continue to act in the capacity of investment manager for the Funds and other investment vehicles, including Co-Investment Vehicles (as defined below). Subject to the terms of a Fund's partnership agreement, the key persons, the General Partner, the Manager or any affiliate is likely to, under certain circumstances, to form a new Fund in the future for which the Manager or any affiliate is likely to serve as the General Partner or Manager. Additionally, the key persons and Rockbridge or its affiliates have formed, and in the future, intend to form, one or more other funds or investment vehicles which are likely to invest in real estate transactions through investments which are likely to be similar to or distinct from the investment philosophy of the Fund. Certain affiliates of the key persons or employees of affiliates are also likely to form one or more other funds or investment vehicles which are likely to invest in real estate transactions (e.g., a sliver equity investment by a hotel manager or certain employees or affiliates thereof) in amounts greater than (and in addition to) those invested by the key persons or their affiliates as limited by a partnership agreement. It is anticipated that the key persons or affiliates thereof will make minority investments in certain investment vehicles, in which the key persons have limited or no control, such investment vehicles will not be considered affiliates of the key persons. Subject to agreed restrictions described in a partnership agreement, conflicts may arise among the general partner, the Manager and their affiliates in connection with investment decisions being made for or on behalf of a Fund and the other affiliated funds or investment vehicles. The key persons intend to devote all business time to the Manager or General Partner as is necessary to manage the affairs of the Fund but are not prohibited from engaging in other activities for or on behalf of the Rockbridge Hospitality Funds, any new Fund, or other investment vehicle which may own real estate (including hotels) and/or operate a management company or any other similar or related fund or business opportunity.

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Because the key persons will not devote their full professional time exclusively to the business and affairs of a Fund, conflicts may arise in allocating their services and those of the other employees and affiliates among a Fund, other Rockbridge Hospitality Funds, any new Fund and other activities. The Manager attempts to resolve such conflicts of interest in light of its obligations to investors in its Fund and the obligations owed by the Manager's advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among a Fund, other funds, and such investments vehicles in a fair and equitable manner; however, there can be no assurance that conflicts will be resolved in a manner that is beneficial to all parties, including a Fund.

The General Partner's allocation of investment opportunities among a Fund and any of the other investment funds sponsored by the General Partner, or an affiliate, may not always, and often will not, be proportional. Therefore, such allocations may be more advantageous to the Fund relative to one or all of the other investment funds, or vice versa. While the General Partner will allocate investment opportunities in a way that it believes in good faith is fair and equitable to a Fund, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or terms on which the allocation is made, will be as favorable as they would be if the conflicts of interest to which the General Partner, or an affiliate, may be subject did not exist.

Additionally, conflicts of interest can arise if a Fund makes an investment in a portfolio investment in conjunction with an investment made by another investment fund sponsored by the General Partner or an affiliate (including Co-Investment Vehicles (as defined below)). For instance, a Fund may not invest through the same investment vehicles, have the same access to credit, or employ the same investment strategies as such other investment fund. This may result in differences in price, investment terms, leverage, and associated costs between a Fund and any other investing fund sponsored by the General Partner or an affiliate. There can be no assurance that the Fund and the other investing fund(s) will exit the investment at the same time or on the same terms, and there can be no assurance that a Fund's return on such an investment will be the same as the returns achieved by any other investment fund participating in the transactions. In addition, the General Partner and the Manager may enter into cross-transactions on behalf of the Fund and/or any other investment funds sponsored by the Manager or its affiliates, or co-investors or Co-Investment Vehicles, in which a Fund buys securities from, or sells securities to, such other persons. In some cases, a portfolio investment of a Fund may be merged with or into a portfolio investment owned by another fund sponsored by the Manager or its affiliate. Any such transactions raise potential conflicts, including where the assets of a Fund support positions taken by other funds sponsored by the Manager or its affiliates. These conflicts are heightened to the extent the relevant securities are illiquid or do not have a readily ascertainable value, and there generally can be no assurance that the price at which such transactions are entered into represent what would ultimately be the underlying investment's fair value. To the extent required by a Fund's and the relevant investment vehicle's Limited Partnership agreements (or similar governing documents) or otherwise in the sole discretion of the Manager and the applicable investment vehicle's manager, such manager may seek to mitigate such conflicts by seeking the opinion of an unaffiliated third party (including the use of a consultant or investment banker to opine as to the fairness of a purchase or sale price) or by obtaining the consent of the Fund and the relevant investment vehicle (including, where authorized, the consent of each investment vehicle's advisory committee) to such transactions. In certain circumstances, the

General Partner may not obtain such an opinion or consent and may determine that the willingness of a thirdparty to make an investment on the same terms demonstrates the fairness of the relevant transaction to a Fund under then-current market conditions. Whether or not such consent is obtained or there is a fairness opinion or a third-party investor, the General Partner intends to conduct such transactions in a manner that the General Partner believes in good faith to be fair and equitable to each fund under the circumstances, including a consideration of the potential present and future benefits with respect to each fund. Given the nature of these conflicts, there can be no assurance that the resolution of these conflicts will be beneficial to the Fund.

Where a Fund and other funds sponsored or advised by the General Partner or its affiliates (including Co-Investment Vehicles) invest at the same, different, or overlapping levels of a Portfolio Investment's capital structure, there is a potential for conflicts of interest in determining the terms of each such investment. Questions may arise subsequently as to whether payment obligations and covenants should be enforced, modified, or waived, or whether debt should be refinanced or restructured. In troubled situations, decisions including whether to enforce claims, or whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring may raise conflicts of interest, particularly with respect to funds that have invested in different securities within the same portfolio investment. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, other investment vehicles sponsored by the Manager may or may not provide such additional capital, and if provided, each such investment vehicle generally will supply such additional capital in such amounts, if any, as determined by such investment vehicle's manager in its sole discretion. Because of the different legal rights associated with debt and equity of the same portfolio investment, the General Partner and its affiliates may face a conflict of interest in respect of the advice given to, and the actions taken on behalf of, a Fund versus another investment vehicle (e.g., the terms of debt instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies).

The General Partner and the Manager will consider the investment objectives of a Fund as a whole, not the investment objectives of any Limited Partner individually. Consequently, certain decisions made by the General Partner or the Manager may be more beneficial to one type of Limited Partner than another type of Limited Partner. Although the Fund expects that it will have disposed of its investments prior to the termination of a Fund, a Fund may have to sell, distribute or otherwise dispose of certain of its investments at a disadvantageous time as a result of termination. Rather than dispose of its investments at a disadvantageous time, the General Partner may seek to provide the Limited Partners with a liquidity solution through the recapitalization of the Fund and, in connection therewith, extend the term of the Fund.

The General Partner may be faced with a variety of potential conflicts of interest when it determines allocations of various fees and expenses to a Fund. The General Partner, in its sole discretion, will allocate fees and expenses in accordance with the partnership agreement and in a manner that it believes in good faith is fair and equitable to a Fund under the circumstances and considering such factors as it deems relevant. 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-investors receiving related benefits or proportionately in accordance with asset size.



Additionally, a portfolio investment typically will reimburse the General Partner for service providers retained at the General Partner's discretion for expenses (including, without limitation, travel expenses) incurred by the General Partner or such service providers in connection with the performance of services for such portfolio investment. This subjects the General Partner to conflicts of interest because the Fund generally does not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. Subject to the partnership agreement and its internal reimbursement policies and practices, the General Partner determines the amount of these reimbursements for such services in its own discretion.

The General Partner may also, from time to time, employ personnel with pre-existing ownership interests in or who were employed by projects (or managers or affiliates thereof) owned by a Fund or other funds or investment vehicles advised by the General Partner; conversely, former personnel or executives of the General Partner may serve in significant management roles at projects (or managers or affiliates thereof) or service providers recommended by the General Partner. Similarly, the General Partner and/or its personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including managers of private funds, banks and brokers. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, the General Partner, and/or a Fund, other funds or other investment vehicles the General Partner advises. The General Partner may have a conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to the Fund or a Portfolio Investment owned by the Fund 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 the Manager advises, will provide the General Partner information about markets and industries in which the General Partner operates (or is contemplating operations) or will provide other services that are beneficial to the General Partner. The General Partner may have a conflict of interest in making such recommendations, in that the General Partner has an incentive to maintain goodwill between itself and the existing and prospective Portfolio Investments for a Fund and other funds and investment vehicles that the General Partner advises, while the products or services recommended may not necessarily be the best available to the portfolio investments held by a Fund.

As indicated above, over the life of a Fund, its General Partner generally expects to exercise its discretion to recommend to the Fund or to a portfolio investment thereof that it contract for services with various service providers, potentially including, among others: (i) the General Partner (or an affiliate, which may include other portfolio investments of the Fund or other investment funds sponsored by the General Partner) and at rates determined or substantively influenced by the General Partner; (ii) an entity with which the General Partner or its affiliates or current or former members of their personnel has a relationship or from which such person derive a financial or other benefit; or (iii) a Limited Partner (or a limited partner of another fund) or its affiliates. For example, the General Partner may engage certain Limited Partners or their affiliates that are engaged in lending or offer businesses to provide financing or other services in conduction with a Fund's investments. This subjects the General Partner to potential conflicts of interest, because although it intends to select service providers that it believes are aligned with its operational strategies and that will enhance project performance, the General Partner may have an incentive to recommend the related or other person because of its financial or business interest. Additionally, there is a possibility that



the General Partner, because of such incentive or for other reasons (including whether the use of such persons could establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to the General Partner, a Fund or other investment funds sponsored by the General Partner or its affiliates), may favor such retention or continuation even if a better price and/or quality of service provider could be obtained from another person. Whether or not the General Partner has a relationship with 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 fact that the General Partner's carried interest is based on a percentage of net profits may create an incentive for the General Partner to cause a Fund to make riskier or more speculative investments or to hold an investment longer than otherwise would be the case. In addition, because a Fund has a fixed commitment period after which capital from Limited Partners generally may only be drawn down in limited circumstances, and because the Management Fee is, at certain times during the life of a Fund, calculated based upon the invested capital the Fund, the Management Fee structure may create an incentive for the General Partner to deploy capital when it might not otherwise have done so.

The Manager or its affiliates, its personnel and family members, investors, and other associates of the Manager or its affiliates are likely to stay at projects for discounted rates or at no cost, receive gifts or donate rooms for charitable use, which generally reduces the revenue of such projects and affects project returns. It is a common industry practice to offer such discounts or complimentary stays to customers other than the Manager as part of their standard commercial practices in an effort to expand their respective customer bases or otherwise further their interests. The Manager believes that the likelihood of such discounted or complimentary stays resulting in a material negative impact on project returns is remote. The Manager founded RTRX (Rock the Road), a leadership and innovation conference. All profits from the conference are donated to Pelotonia, a 501(c)(3) charity that provides funds for high-risk, high-reward cancer research at The James Cancer Hospital at The Ohio State University. To date, profits from the conference and Rockbridge's other related efforts have resulted in over \$5 million of donations to Pelotonia. The Fund may provide discounted or donated rooms, amenities, meals or other benefits to support Pelotonia or the conference (directly or indirectly).

*Co-Investments and Conflicts Associated With Co-Investments.* The General Partner may, in its sole discretion, from time to time offer to one or more Limited Partners and/or strategic investors, third parties, Senior Advisors, lenders, consultants and other service providers, and/or the Manager's personnel and/or certain other persons associated with the Manager and its affiliates, the opportunity to co-invest alongside the Fund in particular investments (a "Co-Investment") through a Co-Investment vehicle. The General Partner retains discretion as to how and to whom Co-Investment opportunities are allocated and such Co-Investment opportunities will not necessarily be shared by all partners. From time to time, the General Partner may commit to provide Co-Investment opportunities to one or more Limited Partners and/or other Persons, in each case on terms to be determined by the General Partner in its sole discretion. No Limited Partner will have the right to participate in or be offered an opportunity to participate in any such Co-Investment opportunities unless agreed to by the General Partner. In determining the allocation of co-investment opportunities, the General Partner may consider some or all of a wide range of factors, which may

include factors that benefit the General Partner, such as: whether the prospective co-investor has expressed an interest in evaluating Co-Investment opportunities, including the perceived degree of that interest; the expertise, knowledge and sophistication of the prospective co-investor with respect to the issuer, segment, industry, geographic region or other characteristics that are relevant to the investment; the prospective co-investor's perceived ability to approve the investment pursuant to any applicable internal approval processes (including the predictability of the prospective co-investor's investment process), and to otherwise execute the transaction, in a timely manner with respect to the timeframe in which the General Partner believes favorable transaction terms may be achieved; any tax, regulatory, securities laws and/or other legal considerations with respect to the prospective co-investor (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 General Partner'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 General Partner's ability to execute the relevant transaction in the desired time or on desired terms; the size of the investment allocation available to the General Partner (and not being allocated to a Fund or any other Rockbridge Hospitality Fund), and the practicality of splitting the allocation into smaller tranches; 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) and the maximum number or the General Partner's preferred number of investors that can realistically participate in the transaction; any requirements of any third-party lenders as to the identity of any investors participating as co-investors, or as to the creditworthiness of any coinvestors, or as to the number of co-investors, or as to other matters with respect to the investors in the transaction, whether the prospective co-investor is considered "strategic" to the investment because it is able to offer a Rockbridge-managed investment vehicle or the General Partner or any of their respective affiliates certain services or benefits, including, but not limited to, the ability to help consummate the investment, the ability to aid in operating or monitoring the investment, or whether the General Partner 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 any of the relevant Rockbridge-managed investment vehicles, the General Partner or their respective affiliates; whether the prospective co-investor has a history of consummating Co-Investment opportunities with the General Partner or its affiliates; whether the prospective co-investor has the financial and operational resources and other relevant wherewithal to evaluate and participate in a Co-Investment opportunity (including the financial resources to fund its pro rata share of any future follow-on investments); the likelihood that the prospective co-investor would require governance rights (including, but not limited to, board or observer rights, access to the management team of the underlying portfolio investment, or material informational rights) that would complicate or jeopardize the transaction (or, alternatively, where the investor would be willing to defer to the General Partner and assume a more passive role in governing the investment); whether the prospective co-investor has any interests in any competitor of the underlying investment; the expected investment holding period; the 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); the size of the prospective co-investor's interest to be held in the underlying portfolio investment as a result of a Rockbridge-managed investment vehicle's investment (which is likely to be based on the size of the prospective co-investor's capital commitment and/or investment in such Rockbridge Hospitality Fund); the size of the prospective co-investor's commitment to a Fund or any other Rockbridge-managed investment vehicle; whether the prospective co-investor has any known investment policies and restrictions, guideline limitations or investment objectives that are relevant to the transaction, including the need for early or recurring distributions; the extent to which the prospective co-investor has previously been provided a greater amount of Co-investment opportunities relative to other prospective co-investors; the likelihood that the prospective coinvestor may invest in a Fund and/or a future fund sponsored by the General Partner or its affiliates and other factors that the General Partner considers important in connection with the specific transaction or investment. It is anticipated that a co-investor or a Co-Investment vehicle will (i) pay asset management fees to the General Partner or its affiliates and (ii) make carried interest distributions to the General Partner or its affiliates, which do not offset the Management Fee. Depending on the nature of a co-investment (x) a Fund may bear 100% of the expenses and liabilities associated with potential investments involving a Co-Investment vehicle or co-investors that are not consummated, such as breakup fees or broken deal expenses, and may provide any guaranties made in connection with a project or its affiliates, and (y) any other investment-related fees, costs and expenses related to the discovery, investigation, development, acquisition or consummation, ownership, maintenance, monitoring and disposition of consummated co-investments will typically be allocated between a Fund and the Co-Investment vehicle or co-investors on a pro rata basis.

The allocation of such Co-Investment opportunities could create conflicts of interests among a Fund, Senior Advisors, the Partners, and/or any co-investor. In the event that a Co-Investment is made through a Co-Investment vehicle that includes other investment funds, ventures, managed accounts, investment vehicles and/or similar arrangements that are advised, managed or operated by the General Partner or its affiliates or in which the General Partner, its affiliates or Manager's personnel receive economic benefits therefrom (e.g., carried interest distributions or asset management fees), conflicts of interest are more likely to arise among the interests of the Limited Partners, the General Partner and/or its affiliates, the Manager (or its personnel), the Fund and/or other investors in such Co-Investment vehicle.

Conflicts may arise in determining the amount of an investment, if any, to be allocated among a Fund and any Co-Investment vehicle and the respective terms thereof. Although a Fund generally expects to have control in such Co-Investment arrangements, it is possible a Fund will not always have complete control over such investments or all aspects thereof. For example, certain co-investors may negotiate rights that are typical in real estate partnerships, joint ventures (i.e., rights similar to what a Fund would enter into with its third-party joint venture partners) or other entities or arrangement. Therefore, a Fund may have a limited ability to protect its position. Such investments may involve risks in connection with the co-investors' involvement, including the possibility that a third party or co-investor may (i) develop economic or business interests or goals that are inconsistent with those of a Fund, (ii) negotiate governance rights which may result in an impasse because neither party has full control over the Co-Investment vehicle (or a subsidiary thereof), (iii) have financial difficulties resulting in a negative impact on such investment, or (iv) seek to cause or block the sale of a Fund's interest in any Co-Investment vehicle (or a subsidiary

thereof) or otherwise take actions that are contrary to a Fund's interests or investment objectives. In addition, disputes between a Fund and co-investors may result in litigation or arbitration that would increase a Fund's expenses and distract the General Partner and its affiliates from focusing their time and effort on a Fund's business and investments. In certain circumstances, a Fund may be liable for the actions of its third-party co-investors or partners.

A Fund may initially consummate a portfolio investment and then transfer any or all of its interests to certain Co-Investment vehicles or other persons in accordance with a partnership agreement at a price equal to a Fund's acquisition cost for the transferred portion of such Co-Investment, including any allocable expenses relating thereto (based on the amount transferred relative to the amount retained by a Fund) plus an additional amount at 9% *per annum*, a higher price as may be established by the General Partner in its reasonable discretion on or before the transfer date, or with prior approval of the Board of Advisors, a lower price.

Additional conflicts of interest may arise even if a Fund and a Co-Investment vehicle invests in the same securities at the same time. For example, it is possible that as a result of legal, tax, regulatory, accounting or other considerations, the terms of such investment (including with respect to price and timing) for the Fund and/or such Co-Investment Vehicle may not be the same. Additionally, the Fund and such Co-Investment Vehicle may have different termination dates and/or investment objectives (including return profiles) and the General Partner and its affiliates, as a result, may have conflicting goals with respect to the price and timing of disposition opportunities.

To the extent that a Fund holds interests that are different (or more senior or junior) than those held by such Co-investment vehicles, the General Partner and the Manager may be presented with decisions involving circumstances where the interests of such Co-Investment vehicles are in conflict with those of a Fund. The Fund's interest may be subordinated or otherwise adversely affected by virtue of such Co-Investment vehicle's involvement and actions relating to its investment. While the General Partner may attempt to avoid cross-guarantees and other similar arrangements, a counterparty, lender or other unaffiliated participant in such transaction may seek to contract with only one entity or group of entities which may result in (i) a Fund being solely liable with respect to its own and a Co-investment vehicle's share of the applicable obligation and/or (ii) any of a Fund and/or such Co-investment vehicles being jointly and severally liable for the full amount of such applicable obligation, in each case which may (or may not) result in a Fund and/or such Co-Investment vehicles entering into a back-to-back or other similar reimbursement agreements. In such situations, a Fund or the Co-investment vehicle generally will not be compensated (or provide compensation to the other) for being primarily liable vis-à-vis such third-party counterparty and actions may be taken for the Co-investment vehicles that are adverse to a Fund or vice-versa.

Affiliates of a Fund's General Partner or the Manager may provide services to or on behalf of and/or transact with a Co-Investment vehicle (or a subsidiary thereof) at the same rates as provided to a Fund or as otherwise agreed upon with the Co-Investment vehicle. While the General Partner believes that: (i) the responsiveness and synergies of doing business with such related parties provide a potential benefits to a Fund, a portfolio investment, a project or the applicable affiliate and (ii) it is intended that such service or transaction will be structured in a manner that aligns the interests of a Fund, a portfolio investment or a project and the applicable affiliate, as applicable, it is possible for conflicts to arise between the interests of the affiliate providing such service or

activity and a Fund, its Partners, a portfolio investment, the project, and/or the Manager or its affiliates and there can be no assurance that a superior result will be achieved.

*Conflicts Attributable to Portfolio Sales.* While commercial real estate may be valued through a variety of methods (e.g., replacement cost approach, income approach, comparable sales approach), hotel properties are often valued based the going concern value of the hotel as a business as well as the value of tangible real property and personal property. A hotel's going concern value may include start-up costs, an assembled workforce, business organization, non-realty leases and contracts, hotel franchise agreements, a web presence, reservation system and residual intangible assets. A hotel's tangible personal property is usually subject to a faster depreciation schedule than its real property. Allocating proceeds from the purchase and sale of any hotel property among its component parts may result in different financial results depending on the differential in tax rates between real and personal property, title insurance rates, the allocation of basis for income tax purposes, and the segregation of readily depreciable assets from non-depreciable assets. Where multiple hotel properties are acquired or sold in the same bulk sale or portfolio transaction, buyers and sellers may also realize different returns by allocating value to different jurisdictions where properties are located. Conflicts may arise among the parties to a transaction regarding the manner in which the purchase price is allocated among different properties and assets based on income, property, and transfer tax savings for different parties to any purchase and sale agreement.

If any hotel property or portfolio is purchased or sold by a Fund and one or more Co-Investment vehicles or affiliated entities, conflicts of interest may arise in determining the extent to which the value realized in connection with such transaction should be allocated among assets or properties. While purchase agreements in larger transactions often seek to allocate the purchase price through express allocation provisions, agreements regarding allocation methodologies, agreements to finalize allocations at a future date, and/or dispute resolution mechanisms to resolve allocation issues postclosing, there can be no assurance that such allocation mechanisms will alleviate all such conflicts. Moreover, states take different positions regarding the enforceability of these provisions and may rely instead on affidavits or tax returns to determine the extent to which state, local, or county transfer taxes may be collected as a pre-condition to recording one or more deeds in any transaction. In all such cases, the General Partner will seek to establish consistent policies and procedures to allocate value among different assets or portfolios, however, it is not necessarily the case that such policies and procedures will be approved by other parties to a transaction or tax or regulatory authorities.

The Manager may include certain of a Fund's portfolio investments in a portfolio sale with investments from different capital sources, including other investment vehicles sponsored or managed by the Manager or its affiliates in accordance with the Manager's Portfolio Sales Allocation Policy, which may be amended from time to time by the Manager. A copy of such policy is available upon request. Because a portfolio sale may involve the allocation by the Manager or its affiliate of a purchase price amongst assets with different capital sources, certain conflicts may arise a result of the application of the Manager's Portfolio Sales Allocation Policy. If the Manager includes certain of a Fund's portfolio investments in a portfolio sale, it will do so because the aggregate value of the portfolio sale is expected to realize greater value than would be realized if such Portfolio



Investment(s) were sold individually. However, there can be no assurance a portfolio sale will result in a higher realized sale price for each portfolio investment for a Fund.

*Conflicts Attributable to Certain Affiliates of a General Partner.* Under some circumstances, affiliates of a General Partner, the Manager or affiliates thereof may be in competition with a Fund in connection with the acquisition, sale, or operation of properties in which a Fund may invest. Affiliates of a General Partner or the Manager also perform services or other business arrangements for other clients and real estate investment vehicles similar to the services or arrangements to be performed for a Fund, and a General Partner, the Manager, and certain of the key persons are likely to serve similar roles with respect to these other clients and real estate investment vehicles. Subject to the restrictions described in a partnership agreement, the Manager and its affiliates, key persons and employees also invest in real estate (including hotels) for their own accounts or for the accounts of their family members, friends, or other clients, including investing in other real estate investment funds (and may have investment objectives and policies comparable to those of a Fund and may be in competition with a Fund), and the Manager and its affiliates, key persons and employees may give advice and recommend securities to investment vehicles which may differ from advice given to, or securities recommended or bought for, a Fund, even though their investment objectives may be the same or similar, which may pose conflicts of interest in the allocation of the time of the affiliates of a General Partner and the allocation of investments. Such investments may also be (directly or indirectly through investment vehicles sponsored by potential competitors) in the same industry as a Fund invests, and may compete with a Fund for investment opportunities, and/or compete with projects of a Fund. In addition, subject to the restrictions described in the partnership agreement, a General Partner, the Manager, or their respective affiliates may cause a Fund to make an investment in any project with respect to which other third-party clients of the Manager or its affiliates have or formerly had an investment. Further, subject to the restrictions described in the partnership agreement, under some circumstances, affiliates of the Manager is likely to provide services to or enter into transactions (including leases, which may survive the disposition of a project) with or on behalf of a Fund, a portfolio investment, a project or an affiliate thereof and a Fund, a portfolio investment, a project or affiliate thereof may waive certain contractual rights with such affiliates of the Manager in the General Partner's sole discretion. Affiliates of a General Partner or the Manager intend to provide services to or on behalf of and/or transact with a Fund, a portfolio investment, a project, or an affiliate at approved rates. While a General Partner believes that: (i) the responsiveness and synergies of doing business with such related parties provide a potential benefits to a Fund, portfolio investment, project or the applicable affiliate and (ii) it is intended that such service or transaction will be structured in a manner that aligns the interests of a Fund, the portfolio investment or the project and the applicable affiliate, as applicable, it is possible for conflicts to arise between the interests of the affiliate providing such service or activity and a Fund, its Partners, a portfolio investment, a project, and/or the Manager or its affiliates and there can be no assurance that a superior result will be achieved. For example, the termination of an affiliate performing related-party work may trigger a termination or cancellation fee. In addition, while a General Partner intends to structure such transactions in a manner that reduces the potential for a divergence of interests, it is possible that the disposition of certain portfolio investments could be impacted by such activity. For instance, in situations where the Manager or its affiliates owns intellectual property being used by a project, it will work to negotiate a use agreement (e.g., a lease



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or license agreement) with a potential buyer whereby such buyer would be entitled to use such intellectual property. If the Manager or its affiliates are unable to reach agreement with such potential buyer, the value of the portfolio investment could be impacted. Moreover, such affiliates of the Manager may provide such services or enter into transactions with unaffiliated third parties some of whom may be in competition with a Fund. It is likely that cash belonging to a Fund, a project or a portfolio investment will be used to satisfy depository requirements of other vehicles at various banking institutions and cash belonging to other vehicles will be used to satisfy depository requirements of a Fund, a project or a portfolio investment so long as there is no right of offset (however, there may be a right of offset for a Fund's own cash on loan related to a Fund, project or portfolio investment). A General Partner, the Manager and their respective affiliates shall each acquire, hold, and/or retain ownership of, and all rights, title, and interests in and to, all intellectual property created during the term of a Fund notwithstanding the fact that a Fund (directly or indirectly) may have paid for the acquisition or development of some or all such intellectual property; provided that a Fund will have a non-exclusive, non-assignable, non-sublicensable, royalty free license to use such intellectual property of its General Partner, the Manager, and their respective affiliates acquired or created for a Project for the purposes contemplated by of a partnership agreement. For example, the Manager and/or its affiliates are expected to create hotel branding related intellectual property in connection with a Fund's acquisition and development of hotels without making separate payment therefor, and may use such intellectual property in connection with other investments owned by the Manager and/or its affiliates, which poses potential benefits to the Manager and/or the investment vehicles that own such other investments.

The General Partner may institute a program under which portfolio investments are given the option to participate in purchasing, vendor or similar arrangements with the General Partner, its affiliates and other portfolio investments of other Rockbridge-managed investment vehicles. Program participants expect to receive discounts negotiated with various vendors and service providers on a groupwide basis. Participants may voluntarily participate in the program without cost or the General Partner may allocate fees and third-party administration costs for the program among the relevant Rockbridge-managed investment vehicles or projects. The General Partner and its affiliates may also participate in the program in exchange for an allocable portion of such fees and costs, 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 General Partner 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 a Fund) that will result if the negotiated discounts rates for goods and services are discounted relative to those widely available in the market. Rockbridge expects a Fund or its projects to participate in a master insurance program (the "Insurance Program"), whereby a Fund or each project is insured under a single insurance policy along with other Rockbridge investment vehicles or projects of other Rockbridge investment vehicles. The Insurance Program presents certain risks and conflicts of interest. Claims made under the Insurance Program with respect to one project may limit or impact the coverage available to other projects covered under the Insurance Program even though all projects pay Insurance Program premiums (which are generally allocated based on Rockbridge's policies in Rockbridge's sole discretion). There also may be conflicts of interest among the owners of a project with respect to coverage of such project under the Insurance Program. Further, because each project is subject to

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different risks, the underwriting properties will vary within the Insurance Program and there can be no guarantee that the Insurance Program will provide adequate coverage for all projects or that the premiums applicable to a Fund will not be higher than they otherwise would if projects of other Rockbridge investment vehicles had not been included within the Insurance Program. Further, the availability of coverage for, or the premiums incurred by, a Fund or a project could be negatively impacted by insurance claims by other projects or investment vehicles.

*Conflicts related to Fund Leverage.* In borrowing on behalf of a Fund, the General Partner is subject to conflicts of interest between repaying a Fund's obligations and retaining such borrowed amounts for the benefit of a 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 a Fund borrows, makes the relevant investment, or pays expenses) and ceases to accrue upon return of these capital contributions, the use of borrowing to shorten the period between calling and returning capital limits the amount of time the preferred return will accrue. In circumstances where there is not a preferred return on funds borrowed in advance or in lieu of calling capital, Fund-level borrowing typically will reduce the amount of preferred return to which the Limited Partners would otherwise be entitled had the General Partner called capital, and thus could result in the relevant General Partner receiving carried interest sooner than it would without borrowing. In addition, when the Management Fee is calculated as a percentage of invested capital, a limited partner may pay Management Fees on borrowed amounts used to fund investments that have not yet been realized even though such amounts would not accrue preferred return as described above. It is expected that the costs relating to the establishment and/or maintenance of a subscription line of credit will be significant, and there can be no assurance that the benefits to Limited Partners will be commensurate with such costs.

*Conflicts related to Activities of Certain Other RBC Affiliates.* Under some circumstances, personnel or affiliates of RBC may be in competition with one or more Fund. This competition may include, without limitation, (i) competition amongst Funds managed by RBC and (ii) competition between a Fund managed by RBC and a real estate investment managed or under the control of an RBC affiliate, subject to the restrictions described in the governing and offering documents of each Fund.

Furthermore, RBC personnel or affiliates may also invest in real estate for their own accounts or for the accounts of their affiliates, including investing in other real estate investment funds (and such affiliates and other clients may have investment objectives and policies comparable to those of the Funds and may be in competition with the Funds). In addition, subject to the restrictions described in the applicable governing and offering documents, the Manager of each Fund, RBC or their respective affiliates may cause a Fund to make an investment in any project with respect to which other third-party clients of RBC or its affiliates had an investment. Subject to agreed restrictions described in the offering and governing documents, conflicts may arise among RBC, the Manager and their affiliates in connection with investment decisions being made for or on behalf of a Fund and the other affiliated funds or investment vehicles.

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RBC, its principals, or their respective affiliates have acquired or developed, and may acquire or develop in the future, direct or indirect interests in one or more companies that create, design, develop, own, provide and/or operate retail, food and beverage and other spaces/outlets (each a, "Complementary Company") that complement, enhance or expand the products, offerings or amenities at hotels or other real estate projects. To the extent permitted under a Fund's applicable governing and offering documents, a Complementary Company may provide services to, or enter into business arrangements with, a Fund or its portfolio investments at rates approved by the Board of Advisors for the applicable Fund. Moreover, certain affiliates of RBC may provide services or enter into transactions with unaffiliated third parties some of whom may be in competition with a Fund. RBC, the Manager, and their respective affiliates may each retain ownership of, and all rights, title, and interests in and to, all intellectual property created or acquired during the term of a Fund notwithstanding the fact that a Fund (directly or indirectly) may have paid for the development of some or all such intellectual property; provided that such Fund will have a non-exclusive, non-assignable, non-sublicensable, royalty free license to use such intellectual property of the RBC, the Manager, and their respective affiliates created for an for the purposes of such Fund.

*Conflicts related to Hotel/Hospitality Discounts.* In certain instances, RBC or its affiliates, its personnel and family members, investors, and other associates of RBC or its affiliates stay at Rockbridge hotels for discounted rates or at no cost. Because Rockbridge hotels offer such discounts to customers other than RBC and such persons as part of their standard commercial practices in an effort to expand their respective customer bases, RBC believes that the potential for conflicts of interest relating to such discounts is mitigated. RBC, 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 Rockbridge hotel to RBC, any other portfolio investment or third parties have the potential to affect the returns of such hotel. We believe this arrangement has no material adverse impact to a Funds or a Funds' performance. In addition, we monitor these arrangements with our associates to ensure compliance with our applicable policies.

In addition to the above, we take the following steps to mitigate other identified conflicts:

- Require that employees of RBC and certain affiliates, seek prior approval of outside business activity so that we may ensure that any conflicts of interest in such activities are properly addressed.
- Legal approval of all entry into all side letters or other supplemental agreements with Limited Partners and/or investors which may provide for unique rights and obligations. These arrangements are made on a case by case basis and in limited circumstances.
- Pre-approval of certain political contributions.
- Pre-approval of gifts over a certain limit.
- Pre-approval of personal trades in private investments

## Item 9 - Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of RBC and the Funds. RBC has no information applicable to this item.

## Item 10 - Other Financial Industry Activities and Affiliations

Rockbridge has the following affiliated activities and affiliated entities:

BridgePoint Hospitality Holdings, LLC and other RBC affiliates, have acquired or may acquire in the future a direct or indirect interest in one or more hospitality management companies, including and without limitation, Makeready, LLC ("Makeready"), as detailed below, or other hospitality goods or services providers that may provide services (including hotel management services) to projects in which the Rockbridge Funds may invest, provided that such services are at market rates or at rates approved by the Board of Advisors of the applicable Fund.

RB Investment Services LLC, an affiliate of RBC ("RB Investment Services"), is in the business of providing servicing, special servicing, and asset management services to real estate lenders. In the event a Fund makes a portfolio investment, for example, in a mezzanine loan, subordinated tranche of a mortgage loan (e.g., a "B Note"), or other participation interest in a mortgage loan, RB Investment Services may provide these services for the senior note held by a third party-lender or for any other portion of such loan held by third-party lenders and be paid fees from such third party-lenders for these services at rates negotiated with such third-party lenders. RB Investment Services provides these services with respect to the Funds' portfolio investments in mezzanine loans, B Notes, or other participation interests in the mortgage loans at no charge to the Funds. RB Investment Services may also provide certain loan servicing services on behalf of third-party lenders with respect to loans made to projects in which a Fund has an equity investment and be paid a fee from such third-party lenders for these services at rates negotiated with such third-party lenders.

Makeready, an affiliate of RBC, provides management services, design, concepting, branding, development management, procurement, pre-opening, and other management-related services for boutique, independent, and soft-branded hotels, including services in connection with hotel operations, restaurant operations, retail operations and related amenities. Makeready may provide such services to one or more of the Funds and their respective portfolio investments at market rates or those that are further described in the Funds' applicable governing and offering documents.

RB Hotel Development, LLC, an affiliate of RBC ("RBHD"), is in the business of providing development, construction management, and related services for real estate projects. RBHD may provide such services to one or more of the Funds and their respective portfolio investments at market rates or those that are approved by a Fund's Board of Advisors, as further described in the Funds' applicable governing and offering documents.

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RBX Media, LLC, an affiliate of RBC ("RBX"), is in the business of providing interior and exterior advertising, digital out-of-home media, signage, and other creative content solutions and branded advertisement opportunities for its sign owner clients. As is described in greater detail in each Funds' applicable governing or offering documents (i) RBX may provide services to a Fund portfolio investment or such Fund portfolio investment may enter into a lease arrangement with a sign owner client of RBX (which in certain instances may be an affiliate of RBX) and (ii) generally the portfolio investments of a Fund do not pay any fees to RBX, but rather receive rental / lease payments from RBX's sign owner clients (such arrangement is generally tantamount to a cell tower lease, a common practice in the hospitality industry).

Certain investors in the Funds and/or strategic investors, third parties, lenders, consultants and other service providers, and/or RBC's personnel and/or certain other persons associated with RBC and its affiliates, are expected to be given the opportunity to invest in RBX Media and/or certain other current and/or potential property management companies or similar service providers to the Funds and/or their portfolio investments ("service providers"). Such opportunity is not expected to be shared with all Limited Partners, and may be determined based on a number of factors including: the expertise, knowledge and sophistication of the prospective investor with respect to the service provider or other characteristics that are relevant to the investment; the prospective investor's perceived ability to approve the investment pursuant to any applicable internal approval processes (including the predictability of the prospective investor's investment process), and to otherwise execute the transaction, in a timely manner; the ability of the prospective 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 and the maximum number or the service provider's preferred number of investors that can realistically participate in the transaction; whether the prospective investor is considered "strategic" to the investment because it is able to offer the service provider certain services or benefits, or whether offering 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 service provider, RBC or its affiliates; whether the prospective investor has a history of expressing interest in and/or consummating investments with RBC or its affiliates; whether the prospective investor has any interests in any competitor of such service providers[; the amount of an investor's commitments to the Funds], and other factors that RBX Media considers important in connection with the specific transaction.

RB Hospitality Advisors, LLC, an affiliate of RBC ("RBHA"), is in the business of providing certain consulting and asset management services to developers, operators and owners of hospitality and other real estate projects. RBHA provides its services to such developers, operators and owners (including, without limitation, certain co-investors that invest alongside a Fund in a portfolio investment) at negotiated rates. To the extent RBHA provides any services to any Funds or any of their respective portfolio investments, any fees paid to RBHA by such Fund or any of its respective portfolio investments are applied as a management fee offset in accordance with the Funds' applicable governing and offering documents.



## Item 11 - Code of Ethics

RBC has adopted and maintains a Code of Ethics. RBC's Code of Ethics describes the firm's fiduciary duties and responsibility to investors, requiring employees to put client interests ahead of our own and disclose actual and potential meaningful conflicts of interest. The Code of Ethics incorporates our insider trading policies, personal trading policies, gifts and entertainment, outside business and charitable contributions which are described in greater detail below. All officers and employees of RBC are deemed "Access Persons" and are subject to the Code of Ethics. At the discretion of the Chief Compliance Officer, other individuals may be deemed Access Persons, including, but not limited to, on-site consultants or other temporary and/or short-term personnel. Access Persons are required to report any violation of the Code of Ethics promptly to our Chief Compliance Officer.

RBC will provide a copy of its Code of Ethics to any investor of a Fund or prospective investor of a Fund upon request.

RBC 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, RBC 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 RBC. Pursuant to RBC policy, RBC employees are to promptly report the possession of material non-public information to the Chief Compliance Officer

Accordingly, should RBC 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, RBC generally would be prohibited from communicating such information to clients, and RBC 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 RBC personnel serving as directors of public companies and may restrict trading on behalf of clients, including a Fund.

Access Persons of RBC may personally invest in securities identical to or different than those recommended to investors. It is the express policy of RBC that no person employed by RBC shall prefer his or own interests to that of any investor or make personal investment decisions based on the investment decisions of investors. Given the typically private nature of a Fund's transactions in real estate, the risk of a RBC employee investing in an identical security is almost zero.

RBC requires all Access Persons to provide initial and annual securities holdings and quarterly transaction reports to Compliance. Additionally, Access Persons are required to obtain approval

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from the Chief Compliance Officer prior to investing in any IPOs and Private Placements (limited offerings).

RBC requires that all employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. RBC's Chief Compliance Officer shall determine whether or not the Code of Ethics has been violated and recommend disciplinary action where appropriate.

All RBC associates are required to report gifts and entertainment, given or received, to Compliance, and must obtain pre-approval for gifts over a preset amount.

All RBC associates must report any charitable contributions given on behalf of RBC, and in addition, the firm adheres to a Political Contributions Policy (Pay to Play), and follows the restrictions outlined in Rule 206(4)-5 of the Investment Advisers Act of 1940. Our Political Contributions policy is available to any investor upon request to the Chief Compliance Officer at the Adviser's principal address.

RBC utilizes Schwab Compliance Technologies for all reporting related to our Code of Ethics, Political Contributions policy, and other required compliance obligations.

## Item 12 - Brokerage Practices

Due to the nature of our business, RBC does not expect to utilize traditional securities brokers for any purchases. As such, RBC does not participate or engage in any soft dollar arrangements. In the event that RBC buys or sells publicly-traded securities for a client, Rockbridge will consider a number of factors in selecting a broker-dealer pursuant to its Best Execution policy.

RBC, through the Advisory Agreements, has the authority to (i) originate and recommend to the General Partner's investment opportunities that are consistent with the purposes of a Fund, (ii) evaluate, provide investment management services with respect to, and dispose of, investments, and (iii) provide such other services related thereto as a Fund and the General Partner's reasonably request. In executing the investment strategy on behalf of a Fund, RBC may select brokers (such as commercial real estate brokers or commercial mortgage bankers) for various functions in the acquisition or disposition of an investment. RBC selects brokers on behalf of a Fund on the basis of expertise, experience, cost, location, and other factors that RBC determines are appropriate. RBC typically negotiates the commission rates and expenses associated with the engagement of such brokers.

RBC generally does not advise more than one Fund to invest in a given project. In limited circumstances, as provided in each Fund's applicable governing and offering documents, or as otherwise approved by the applicable Funds' Boards of Advisors, two or more Funds may invest in the same project. Because a Fund's investment by nature is not readily divisible, when RBC advises Funds invested in a project to hire a real estate broker to assist in the sale of that project,

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the benefit and the cost of hiring such a broker is naturally shared by those Funds in proportion to their interests in that project.

RBC utilizes Foreside Financial Services ("Foreside") to carry certain of our associates FINRA registered representative brokerage licenses in order to comply with certain regulations pertaining to private fund offerings. RBC is not affiliated with Foreside in any capacity.

## Item 13 - Review of Accounts

### *Review of Accounts*

RBC maintains direct supervision of a Fund's accounts and each of those accounts and the Fund's investments are monitored on an ongoing basis. RBC's Asset Management team ("Asset Management") generally assigns an Asset Manager and support to oversee each investment of a Rockbridge Hospitality Fund. Asset Management will generally maintain regular and on-going oversight of the investment. Asset Management generally meets periodically as needed to review the status of the Funds' investment portfolios and address any issues related to a particular investment. Asset Management provides the senior management of RBC with regular updates with respect to an investment as needed. RBC's senior management regularly discusses the status of the Funds' investment portfolios and disposition strategies. Members of RBC's senior management team monitor the activities of BridgePoint on an ongoing basis. RBC maintains regular communication with BridgePoint's portfolio company to review its performance. RBC's senior management regularly discusses the status of BridgePoint's performance and management related issues.

### *Reports to Clients*

RBC generally provides investors in each Fund with quarterly and/or annual written reports which generally provide an assessment of the market and a review of such Fund's: (i) investment portfolio including realized and projected returns, (ii) investment and disposition activities, (iii) capitalization (including fund-level leverage), and (iv) other significant activity. Investors also receive an annual report for each Fund in which they have invested which includes audited financial statements prepared in accordance with generally accepted accounting principles (GAAP) along with a review of the market, a report of the portfolio activities, and a schedule of investments and performance. Certain Fund investors may have specific reporting requirements or request information related to such Fund, and to the extent such information may be obtained without unreasonable effort or cost, RBC will generally provide such information. As a result, such investors may possess information that is not known to other investors and may be able to make decisions based on such information.

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

RBC may utilize a third-party placement agent to assist in raising capital for certain Rockbridge Funds. RBC previously paid placement agent fees, and may pay placement agent fees in the future. This is the only arrangement by which a third party receives an economic benefit for Fund investor referrals related to RBC's investment advisory business.

## **Item 15 - Custody**

RBC is deemed to have custody because the Manager's affiliates serve as a General Partner(s) of its pooled investment vehicles. RBC strongly encourages investors to carefully review their quarterly investment statements from their custodians to ensure all values are correct and current.

The Funds are subject to an annual audit, and distributes audited financial statements to all investors within 120 days of the end of its fiscal year.

## **Item 16 - Investment Discretion**

RBC, through its affiliation with a Fund's General Partner's, maintains the authority to manage the assets of a Fund on a discretionary basis, subject to the limitations contained in the Advisory Agreements and the Funds' applicable governing and offering documents.

## **Item 17 - Voting Client Securities**

### **Proxy Voting Policy**

As a fiduciary, an investment adviser with proxy voting authority has a duty to monitor corporate events and to vote proxies on behalf of its clients, as well as a duty to cast such votes in the best interests of its clients and to not subrogate client interests to its own. Rule 206(4)-6 under the Advisers Act of 1940 (the "Proxy Voting Rule") places specific requirements on RIAs with proxy voting authority. Due to the nature of the investment strategies deployed by RBC, equity securities will generally not be a portion of the investments of RBC. The Funds invest, directly or indirectly, substantially all of their assets in real estate, or similar structures, which are private partnerships, limited liability companies, or similar entities. These types of securities do not typically convey traditional voting rights to the holder, and the occurrence of corporate governance or other notices for this type of investment is substantially less than that encountered in connection with registered equity securities.

Nevertheless, because RBC generally has discretionary authority over these investments held by the clients, RBC is viewed as having proxy voting authority over such interests. To the extent that we, or our clients receive notices or proxies, proxy statements, or similar notices in connection

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with our investments, RBC has proxy voting responsibilities. Accordingly, RBC is subject to the Proxy Voting Rule. To meet its obligations under this rule, RBC has adopted written Proxy Voting Policies and Procedures, which are available upon request. These policies and procedures are reasonably designed to ensure that RBC votes proxies in the best interests of its clients, and to address how RBC will resolve any conflict of interest that may arise when voting proxies.

The Chief Compliance Officer is responsible for ensuring that we provide our clients with (i) a description of our proxy voting policies and procedures and how clients may, upon request, obtain a copy of our Proxy Voting Policies and Procedures; and (ii) instructions about how clients may obtain information on how RBC voted with respect to the Funds' securities. The Chief Compliance Officer is responsible for responding to requests from Fund investors regarding how we voted proxies.

Investors may request a copy of RBC's Proxy Voting Policies and Procedures and the voting records relating to proxies as provided by the Rule by contacting RBC's Chief Compliance Officer, Eric B. Phipps, at (614) 750-1138 or [ebphipps@rockbridgecapital.com](mailto:ebphipps@rockbridgecapital.com).

## Item 18 - Financial Information

RBC is required to provide you with certain financial information or disclosures about RBC's financial condition. Under no circumstances do we require or solicit payment in excess of \$1,200 per client more than 6 months in advance of services rendered, therefore we are not required to include a financial statement with this brochure. RBC does not have any financial condition that is reasonably likely to impair its ability to meet its contractual obligations to its clients, and has not been the subject of a bankruptcy proceeding.