

# **MCR FUND MANAGEMENT LLC**

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Dallas, TX 75019**

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This “**Brochure**” provides information about the qualifications and business practices of MCR Fund Management LLC (hereinafter “**MCR**”, “**we**”, “**us**”, “**our**” or the “**Firm**”). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer (“**CCO**”), Nathan Logan by email at [nlogan@mcrinvestors.com](mailto:nlogan@mcrinvestors.com). Information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

Registration as an investment adviser does not imply that MCR or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

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

**Item 2: Material Changes**

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This Brochure is MCR's Annual Amendment to the Form ADV Part 2A which has been submitted with our application for registration with the SEC on February 2<sup>nd</sup>, 2023. MCR updated its office address and other certain routine updates and clarifying changes to this brochure.

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**Item 4: Advisory Business**

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MCR Fund Management LLC (hereinafter “**MCR**”, the “**Manager**”, the “**Management Company**” or the “**Firm**” and depending on the context, combined with the relevant general partner, or managing member of one or more of our affiliates or Funds, “**we**”, “**us**”, or “**our**”) is organized as a Delaware limited liability company with a principal place of business in Dallas, Texas.

MCR provides discretionary investment management services to qualified investors through its private funds:

- MCR Hospitality Fund LP, a Delaware limited partnership;
- MCR Hospitality Fund II LP, a Delaware limited partnership;
- MCR Opportunity Fund I LP, a Delaware limited partnership;
- MCR Hospitality Fund IV LP, a Delaware limited partnership;
- MCR Hospitality Fund IV QP LP, a Delaware limited partnership;
- MCROPP SNYTS Coinvest LP, a Delaware limited partnership;
- MCR High Line LLC, a Delaware limited liability company;
- MCR Texas LLC, a Delaware limited liability company;
- MCR Texas 2 LLC, a Delaware limited liability company;
- MCR Texas 3 LLC, a Delaware limited liability company;
- TWA Flight Center Owner LLC, a Delaware limited liability company;
- MCR FLL LLC, a Delaware limited liability company;
- MCR Newark Airport Partners LLC, a Delaware limited liability company;
- MCROpp Coinvest LP, a Delaware limited partnership;
- MCR SNT Holdings LP, a Delaware limited partnership;
- MCR Gramercy Park Hotel Coinvest LP, a Delaware limited partnership;

The above-mentioned funds are herein each referred to as a “**Fund**” or “**Client**”, and collectively referred to as the “**Funds**” or the “**Clients**”. MCR Hospitality Fund GP LLC, MCR Hospitality Fund II GP LLC, MCR Opportunity Fund I GP LLC, MCR Hospitality Fund IV GP LLC, MCR SNT Holdings GP LLC, and Tyler Morse, Managing Member, serve as the general partners or managing members, as applicable, to the Funds, collectively referred to as the “**General Partner**”

The limited partners in our Funds structured as limited partnerships are herein referred to as “**Limited Partners**”; the members of our Funds structured as limited liability companies are herein referred to as “**Members**”; and the shareholders in our Funds structured as exempted limited companies are herein referred to as “**Shareholders**”; and collectively are hereafter collectively referred to as the “**Investors**” where appropriate.

We serve as the investment adviser, with discretionary trading authority, to private, pooled investment vehicles. We do not tailor our advisory services to the individual needs of any particular Investor.

Our investment decisions and advice with respect to the Funds are subject to each Fund’s investment objectives and guidelines, as set forth in its respective offering documents which may include (depending on the specific Fund) the Fund’s organizational documents, subscription agreements, and a private placement memorandum (the “**Offering Documents**”).

As of December 31, 2023, MCR manages approximately \$4,270,994,526 in regulatory assets under management on a fully discretionary basis. MCR does not manage any of its clients' assets on a non-discretionary basis nor does it participate in a wrap fee program.

## Item 5: Fees and Compensation

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Investors should refer to the specific Fund's Offering Documents in which they are prospective investors of for a complete understanding of each Fund's applicable fees and expenses.

A brief summary of such fees is provided below.

### ***Investment Management Fee***

During the commitment period (as defined in applicable Fund Offering Documents), each Limited Partner will pay to the Manager an annual investment management fee (the "**Investment Management Fee**") of up to 1.5% of each Limited Partner's aggregate Capital Commitment. After the expiration of the commitment period, the Investment Management Fee will be up to 1.5% of the net equity invested, less capital contributions allocable to investments that have been completely sold, written off or otherwise disposed of, in each case calculated as of the last day of the period prior to the period for which the Investment Management Fee is payable. The Investment Management Fee will be a Fund expense and will be paid quarterly in advance and prorated for any period less than a calendar quarter. MCR represents the purchase of Limited Partner interests (the "**Interests**") as the aggregate capital commitments (the "**Capital Commitments**") to the Fund.

The Investment Management Fee may be offset by the General Partner against any distributions to the Limited Partners or may be requested from the Limited Partners as a capital contribution to the extent amounts remain undrawn under such Limited Partners' original Capital Commitments, as defined in the Offering Documents

The Investment Management Fee (or a portion thereof) may be payable by the Fund or any of its subsidiaries. The General Partner may waive, reduce, or otherwise alter the Investment Management Fees and/or carried interest distributions payable by certain Limited Partners, including, but not limited to, Limited Partners who are affiliates of the General Partner.

### ***Other Types of Fees or Expenses***

#### ***Expenses***

Expenses borne by Funds are set forth in relevant Offering Documents, and generally include the following:

all fees, costs, expenses, liabilities, and obligations relating to the Fund and/or its subsidiaries' activities, business or actual or potential investments (to the extent not borne or reimbursed by a subsidiary or an investment or potential investment), including all fees, costs, expenses, liabilities, and obligations relating or attributable to:

(i) the Investment Management Fee, if any; (ii) activities with respect to the investigation, origination, identifying and sourcing of investment opportunities for the Fund, including meeting with consultants, broker-dealers, investment banks and other sources of investments and developing an investment pipeline, whether or not consummated, and whether incurred before or after the formation of the Fund; (iii) activities with respect to the structuring, organizing, negotiating, consummating, diligencing (including any subscriptions to any periodicals, databases and/or research services), acquisition (including legal, regulatory, tax

and/or compliance costs incurred in connection with structuring such acquisition), bidding on, ownership, management, monitoring, operation, development (including hard and soft costs), holding, improvement, servicing, financing, refinancing, restructuring, trading, taking public or private, currency hedging costs, hedging of interest rates on financings, selling, valuing, winding up, liquidating, dissolving or otherwise disposing of (including costs relating to property operations and services), as applicable, the Fund's investments and its actual and potential investments (including follow-on investments) (including any associated legal, financing, commitment, transaction or other fees and expenses payable to attorneys, accountants, tax professionals, investment bankers, lenders, expert networks, third-party diligence providers, consultants and similar professionals in connection therewith (excluding consulting services that are not related to an investment or prospective investment and are not performed as part of an investment or investment strategy initiative) and any fees, expenses and/or compensation related to transactions that were or may have been offered to co-investors or pursued with joint venture partners), whether or not any contemplated transaction or project is consummated and whether or not such activities are successful (it being understood that the General Partner shall use commercially reasonable efforts to procure that any co-investors or joint venture partners participating in such a transaction or project that is consummated and/or successful shall bear a proportionate share of any fees, costs or expenses incurred in connection therewith); (iv) in connection the organization and documentation of any Fund subsidiaries (including any fees, costs and expenses attributable to qualifying any REIT Subsidiary as a REIT and maintaining such qualification), or an ERISA operating company (including fees, costs and expenses attributable to structuring the Fund to qualify or preserve the ability to qualify, or structuring any acquisition financing or other transaction with respect to such person to qualify or preserve the ability to qualify, as an ERISA operating company and maintain such qualification), or in seeking to do any of the foregoing; (v) meetings with or reporting to the Limited Partners (including any reports prepared upon the request of a Limited Partner), any other conference, meeting or webcast with the Limited Partners and any periodic executive forum of investment management and other persons; (vi) subject to clause (vii) below, fees, costs and expenses for the following, whether, in each case as applicable, such fees, costs and expenses are charged for services performed by third parties or sponsor affiliates (e.g., accounting and tax and compliance professionals), (A) accounting, bookkeeping, auditing, research, consulting, and legal services, (B) any information, reports, studies, appraisal, advisory, valuation (including third-party valuations, appraisals or pricing services as well as costs related to the establishment or maintenance of such other services), real estate title, survey, tax and other professional services or other materials prepared by such third parties (including, for example, consulting and retainer fees, salary and other compensation paid and benefits provided to consultants performing investment initiatives or providing services related to environmental, social and governance investment considerations and policies and other consultants), (C) maintaining the Fund's and its subsidiaries' bank accounts or of any banks, custodians, depositories or administrators appointed for the monitoring and/or safekeeping of the investments or other property of the Fund or any subsidiary and (D) preparing and distributing financial statements, tax returns and reports and audits (including reports prepared upon the request of a Limited Partner) to the Partners; (vii) legal services performed by in-house legal counsel employed by sponsor affiliates (other than the general counsel), so long as the Fund is charged the rates set forth in the sponsor affiliate fee schedule as defined in the Offering Documents, or such other rates as approved by the established advisory committee (the "**Advisory Committee**") for the Funds which will be comprised of representatives of certain Limited Partners and will provide such advice and counsel as is requested by the General Partner in connection with the Fund's potential conflicts of interest and other fund matters; (viii) activities, proceedings, meetings of or reporting to the Advisory Committee (including any costs and expenses incurred by

representatives of the General Partner, the Advisory Committee members, permitted observers and other persons in attending or otherwise participating in meetings of the Advisory Committee) as set forth in the Partnership Agreement; (ix) risk management services and insurance for the Fund, including insurance directors and officers liability, fidelity bond, cyber-security, investment management liability, errors and omissions liability, crime coverage property and casualty and general partnership liability premiums and other insurance and regulatory expenses to protect the Fund, the General Partner, the Manager, the respective officers, directors, employees, partners, managers, and members of any of the foregoing, the Limited Partners and the members of the Advisory Committee or the Limited Partners that have appointed such members of the Advisory Committee in connection with the performance of activities related to the Fund (including, including any costs and expenses related to any retention or deductibles and broker fees, costs and commissions) and the costs of any consultants or other advisors utilized in the procurement, review and analysis of insurance policies; (x) indemnification obligations (including legal and any other fees, costs and expenses incurred in connection with indemnification of the Indemnified Parties pursuant to the Partnership Agreement and advancing fees, costs and expenses incurred by any such person in defense or settlement of any claim that may be subject to a right of indemnification pursuant to the Partnership Agreement), except as otherwise set forth in the Partnership Agreement; (xi) litigation expenses, including actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including the costs and expenses of any discovery related thereto and any judgment, other award or settlement entered into in connection therewith, except as otherwise set forth in the Partnership Agreement; (xii) borrowings of, indebtedness of, or guarantees made by, the Fund, its subsidiaries, the Manager, the General Partner or any affiliate on behalf of the Fund (including any credit facility, letter of credit or similar credit support), including the repayment of principal and interest with respect thereto, or seeking to put in place any such indebtedness or guarantee; (xiii) terminating, liquidating, winding up or dissolving the Fund and any legal entities owned directly or indirectly by the Fund, including subsidiaries and related entities; (xiv) any taxes, fees or other governmental charges levied against the Fund, its subsidiaries and/or any alternative investment vehicle, as defined in the Offering Documents and all expenses incurred in connection with any tax audit, inquiry, investigation, settlement or review of the Fund, its subsidiaries and/or any alternative investment vehicle (except to the extent that the Fund is reimbursed therefor by a Partner or such tax, fee or charge is treated as having been distributed to the Partners pursuant to the Partnership Agreement) and any costs and expenses of or related to the “partnership representative” of the Fund; (xv) travel, car or ride sharing services or other modes of transportation, lodging, meals or entertainment (provided that all entertainment expenses shall not exceed an annual amount of \$75,000) relating to any of the foregoing associated with investigating and evaluating investment opportunities (whether or not consummated), or making, monitoring, managing or disposing of investments; (xvi) all unreimbursed costs and expenses incurred by or on behalf of the Fund, including reasonable attorneys’ fees and disbursements, in connection with any transfer or proposed transfer by a Limited Partner of its limited partnership interest in the Fund or any Limited Partner’s name change, internal restructuring or change in registered agent or custodian; (xvii) government and regulatory filings, including (A) compliance with any law, rule, regulation, policy directive or special measure (including in relation to privacy, data protection, know-your-customer, anti-money laundering, sanctions or anti-terrorism considerations), including any legal, administrator, consulting or other third-party service provider fees, costs and expenses related thereto, any regulatory expenses of the General Partner incurred in connection with the operation of the Fund (provided that any such government and regulatory filings of the General Partner relate to the affairs of the Fund) and any costs and expenses related to compliance with any environmental, social or governance



investment considerations and policies of the General Partner and/or the Fund and/or (B) any costs and expenses related to the validation of any payments made to the Fund or the General Partner in connection with any voluntary or compulsory review (including any anti-money laundering laws, rules or regulations); (xviii) brokerage, sale, custodial, depositary (including any depositary appointed pursuant to the AIFMD or any law, rule or regulation relating to the implementation thereof in any relevant jurisdiction), Swiss representative and paying agent appointed pursuant to the Swiss Collective Investment Schemes Act (as amended), including any law, rule or regulation relating to the implementation thereof, administrator services (including fees and expenses associated with compliance with any anti-money laundering laws and regulations and any third-party administrator and administration, tracking or reporting software, if any), trustee, record keeping, account, and similar services; (xix) the costs of any third parties and, subject to restrictions on retaining sponsor affiliates as set forth herein and in the Partnership Agreement, any sponsor affiliates retained to provide services to the Fund or its subsidiaries, including; (xx) financing, commitment, origination and similar fees and expenses; (xxi) broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker, finder and similar services; (xxii) property management, leasing, construction management, development, environmental, brokerage, sales agents and other services; (xxiii) reverse breakup, termination and other similar fees; (xxiv) filing, title, transfer, survey, registration and other similar fees and expenses; (xxv) printing, communications, mailing, courier, marketing and publicity; (xxvi) the preparation, distribution or filing of financial statements or other reports, tax returns, tax estimates, Schedule K-1s or similar forms or other communications with Partners, any other administrative, compliance or regulatory filings or reports (including Form PF) or other information, including fees, costs and expenses of any third-party service providers and professionals related to the foregoing (provided that any such government and regulatory filings of the General Partner relate to the affairs of the Fund); (xxvii) expenses associated with the reporting, filings or other ongoing compliance requirements contemplated by the AIFMD (excluding, for clarity, the initial and/or preliminary registrations, filings and compliance related thereto) or any law, rule or regulation relating to the implementation thereof in any relevant jurisdiction, or any similar law, rule or regulation and including any secondary legislation, regulations, rules and/or associated guidance, and any related requirements; (xxviii) compliance with any financial account reporting regime applicable to the Fund, any alternative investment vehicle and/or the General Partner, including the "Foreign Account Tax Compliance Act" or "FATCA" and the OECD Standard for Automatic Exchange of Financial Account Information - Common Reporting Standard, and any fees, costs and expenses of any third-party services providers and professionals related to the foregoing; (xxix) developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software (including accounting, investor reporting and ledger systems) or other administrative or reporting tools (including subscription-based services); (xxx) any activities with respect to protecting the confidential or non-public nature of any information or data (including any costs and expenses incurred in connection with compliance with the General Data Protection Regulation (EU 2016/679) (as amended) and the Freedom of Information Act, 5 U.S.C. § 552); (xxxi) except as otherwise determined by the General Partner in its sole discretion, any fee, cost, expense, liability or obligation relating to any alternative investment vehicle or its activities, business, subsidiaries or actual or potential investments (to the extent not borne or reimbursed by a subsidiary or investment of such alternative investment vehicle) that would be a Fund expense or organizational expense if it were incurred in connection with the Fund, and any expenses incurred in connection with the formation, management, operation, termination, winding up and dissolution of any feeder vehicles related to the Fund to the extent not paid by the investors investing in such entities and any other costs and expenses related to any structuring or restructuring of the Fund

and/or its affiliated entities; (xxxii) defaults by Partners in the payment of any capital contributions; (xxxiii) amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the Fund, the General Partner and related entities, any entities owned directly or indirectly by the Fund (including subsidiaries) and any alternative investment vehicle, including the preparation, distribution and implementation thereof; provided that, with respect to amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the General Partner or the Manager, such amendments, waivers, consents or approvals relate to the affairs of the Fund or any alternative investment vehicle thereof; (xxxiv) any litigation or governmental inquiry, investigation or proceeding, including any costs and expenses of discovery related thereto and the amount of any judgments, settlements or fines paid in connection therewith, except as set forth in the Partnership Agreement; (xxxv) any third party experts, including independent appraisers, engaged by the General Partner in connection with the Fund considering, making, holding or disposing of, directly or indirectly, an investment in the same entity as one or more investment vehicles (other than the Fund) managed or controlled by the General Partner or any of its affiliates; (xxxvi) distributions to the Partners and other expenses associated with the acquisition, holding and disposition of investments, including extraordinary expenses; (xxxvii) all costs and expenses associated with operating a feeder fund which invests all or substantially all of its assets in the Fund to the extent not paid by the investors investing in such entities, including all expenses associated with its formation, management, operation, winding-up, liquidating and dissolution and with preparing and distributing such feeder fund's financial statements, tax returns and feeder fund limited partner reports, but not including any income based or similar taxes, fees or other governmental charges levied against such feeder fund; (xxxviii) compliance or regulatory matters, except as otherwise set forth in the Partnership Agreement, including compliance with the Partnership Agreement and/or any letter agreement; (xxxix) amendments to, and waivers, consents or approvals pursuant to, side letters and similar agreements with Limited Partners and "most-favored-nations" election processes in connection therewith; (xl) attendance of any member, manager, shareholder, partner, director, officer, employee or affiliate of the General Partner or the Manager at any trade conference, including any applicable registration fees and exhibition, sponsorship or other presentation fees, costs and expenses; (xli) any Formation Expenses; (xlii) any Placement Fees; (xliii) any other fees, costs, expenses, liabilities or obligations approved by the Advisory Committee; and (xliv) all other costs and expenses not specifically provided for above that are incurred by sponsor affiliates in connection with forming or organizing any investment-specific subsidiary, operating or conducting the business of the Fund or its subsidiaries, or performing the duties of the General Partner under the Partnership Agreement; provided, however, that in no event will the Fund or any subsidiary be responsible for any of the following (collectively, the "Sponsor Expenses"): (A) office overhead of the Fund or any sponsor affiliate (i.e., technology, research, rent, furniture, fixtures and office equipment of any sponsor affiliate) other than as permitted by the terms of the Partnership Agreement, including as set forth in the sponsor affiliate fee schedule, (B) compensation of the employees of any sponsor affiliate other than as permitted by the terms of the Partnership Agreement, including as set forth in the sponsor affiliate fee schedule, (C) compliance and regulatory costs of any sponsor affiliate to the extent not directly incurred as a consequence of forming, operating and managing the Fund or its subsidiaries, (D) any other overhead expenses not attributable to the formation, operation, ownership, operation and management of the Fund, its subsidiaries and/or its investments other than as permitted by the terms of the Partnership Agreement, including as set forth in the sponsor affiliate fee schedule and (E) fees, costs or expenses incurred by MCR's affiliated property management companies or any employee thereof. The General Partner will pay, or cause a sponsor affiliate

to pay, the Sponsor Expenses, at its sole cost and expense, without any right of reimbursement or credit as a contribution.

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**Item 6: Performance-Based Fees and Side-By-Side Management**

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We and our affiliates are entitled to a performance-based compensation with respect to certain Funds. As a result, we and our affiliates do not face certain conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients.

Performance-based allocation arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which we would recommend under a different arrangement.

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**Item 7: Types of Clients**

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Our clients are the Funds, as described in Item 4 above, and their Investors are generally, among others, financial institutions, funds of funds, pension plans, endowments, high net-worth individuals, financially sophisticated individuals, and other sophisticated investors.

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**Item 8: Method of Analysis, Investment Strategies, and Risk of Loss**

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The descriptions set forth in this Brochure of specific advisory services that we offer to Clients, and investment strategies pursued, and investments made by us on behalf of our Clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each Client's investment objectives and guidelines as set forth in its fund offering documents. The investment strategies we pursue are speculative and entail substantial risks. Investors should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client will be achieved.

***Investment Objectives***

Subject in each case to the restrictions set forth in each Fund's respective offering and governing documents, the Funds we advise have as their objective to make investments in branded and unbranded hotels and hotel-related real estate and real estate related assets, including but not limited to, airport/on-airport hotels, independent/unbranded hotels, full-service hotels, hotel casinos, hotel resorts and condominium hotels, and in hotel and hospitality related software and other services.

***Risk of Loss Factors***

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by us. These risk factors include only those risks we believe to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by us.

An investment in the Funds involves a high degree of risk, and is suitable only for investors of substantial means who have no immediate need for liquidity of the amount invested and who can afford a risk of loss of all or a substantial part of such investment. There can be no

assurance that the Funds' investment objectives will be achieved or that the limited partners that invest in the Fund (the "Limited Partners") will receive a return of their capital. Investors may be subject to a number of risks, only some of which are set forth below. Such risks include, but are not limited to, those discussed below. In addition to the other information contained in this document, each prospective investor should consult with his, her or its personal legal, tax and financial advisers and carefully consider and evaluate the risks before executing any subscription documents or signature pages with respect to an investment in the Funds.

### General Risks

Investors should refer to the specific Fund's Offering Documents in which they are prospective investors of for a complete understanding of each Fund's applicable risks.

### ***Risks Associated with the Fund's Management and Operations***

**Reliance on General Partner.** The Fund is managed exclusively by the General Partner and the Manager and, except with respect to certain limited approval rights of the Advisory Committee and the Limited Partners, the Limited Partners will not have any right to participate in the management or business of the Fund. Even in situations where the Limited Partners vote on Fund matters, a small group of Limited Partners with relatively large Capital Commitments could have the requisite percentage of votes to determine the outcome of such decisions (although the concentration of voting power will not be known until the final closing date and could change if a Limited Partner withdraws or transfers its Interest). Such concentration of voting power, if it occurs, could have the effect of limiting the ability of the Limited Partner with relatively smaller Capital Commitments to have a meaningful vote on matters requiring a vote of the Limited Partners.

**Lack of Complete Control Over Investments.** Under certain circumstances the investment recommendations and decisions of the General Partner may be subject to the approval of the investment team, the Advisory Committee or the Limited Partners. Consequently, the General Partner may not be solely in control of the acquisition, financing and disposition of all investments in the Fund's portfolio and the portfolio's construction may be negatively impacted as the Fund's investment strategy and targeted returns are premised upon the opportunity to assemble, manage, finance, retain and harvest a complete and balanced portfolio.

**Involvement of Affiliates.** In order to implement and facilitate the Fund's investment strategy, certain affiliates of the General Partner provide the Fund with certain services, including property management, construction/project management, development management, renovation management, technical services and leasing arrangements. In the event such affiliates are not involved or their involvement is terminated early, the Fund's investment results and prospects may be negatively impacted. Affiliates of the General Partner have no obligation to provide services. To the extent any affiliates are involved, certain risks apply, including those described in "*– Risks Associated with Potential Conflicts of Interest*" below.

**Limitation of Liability of General Partner and Affiliates.** The Partnership Agreement limits the circumstances under which the General Partner or certain related parties and affiliates will be liable to the Fund. As a result, Limited Partners may have a more limited right of action in certain cases than they would have in the absence of such limitations. The Partnership Agreement also provides that no Indemnified Party, member of the Advisory Committee or a Limited Partner which has appointed such member of the Advisory Committee will be liable to the Fund or any Limited Partner for any losses from their actions or inactions absent certain

exclusions included therein. Such indemnification obligations could materially adversely affect the return to the investors.

**Reliance on Professionals.** The Fund's future success depends, to a significant extent, upon the continued services of MCR's investment professionals (individuals who are material to the Fund's success are not limited to Key Persons). Any of these individuals could be difficult to replace, and the loss of any of them could have a material adverse effect on the Fund's investment results and prospects.

**Early Termination.** Under the terms of the Partnership Agreement, in the event of a Cause Event (as defined in the Partnership Agreement), the General Partner may be removed upon the vote of Two-Thirds-In-Interest of the Partners. In addition, at any time prior to expiration of the term of the Fund, Limited Partners representing two-thirds of the Capital Commitments may elect to remove the General Partner without cause. The Fund's investment strategy and targeted returns are premised upon the opportunity to assemble, manage, retain and harvest a complete and balanced portfolio, and an early termination would prevent the General Partner from so doing.

#### ***Risks Associated With Partnership Issues***

**Lockup of Partnership Capital.** Under the terms of the Partnership Agreement, Limited Partners are not permitted to withdraw profits, gains or capital prior to the liquidation of the Fund.

**No Market for Limited Partner Interests.** Under the terms of the Partnership Agreement and applicable securities laws, no Limited Partner may assign, pledge or grant a security interest in all or any portion of its Interests in the Fund, or permit the transfer of direct or indirect ownership interests in itself which would have such effect without the prior written consent of the General Partner and exemption from registration under the securities laws. There is no public market for the Interests, and none is expected to develop.

**Failure to Make Capital Contributions.** If a Limited Partner defaults on a capital call, then it may be difficult for the Fund and its non-defaulting Limited Partners to make up the shortfall from other sources. Notwithstanding the contractual remedies provided in the Partnership Agreement, any default by one or more Limited Partners could have a material adverse effect on the Fund. In addition, it may be difficult, or impossible, to obtain or enforce a judgment against certain Limited Partners such as, for example, those affiliated with foreign governments or international organizations established by treaty or other parties that enjoy certain immunities, including immunities from taxation and service of process, for the amount of their capital calls, if the Fund were to have such investors as Limited Partners. The inability of the Fund to enforce obligations to contribute capital to the Fund could impair the Fund's ability to take advantage of investment opportunities. Further, to the extent that the Fund is composed of parallel investment entities, in the event of a default by a Limited Partner, it is possible that such default will be borne solely by the parallel investment entity in which such Limited Partner has invested and not by the Fund as a whole.

**Liability for Return of Distributions.** If the Fund is otherwise unable to meet its obligations, then the Limited Partners may, under applicable law, be obligated to return cash distributions with interest previously received by them if such distributions are deemed a return of their capital contributions or a wrongful payment to them. In addition, a Limited Partner may be liable under applicable federal bankruptcy or state insolvency laws to return distributions made during or prior to any period of insolvency.

**Dilution from Subsequent Closings.** Each Limited Partner subscribing for an Interest in the Fund, or additional Interests in the case of existing Limiting Partners, at any subsequent closing of the Fund will pay interest which will inure to the benefit of the then existing Limited Partners, but will then participate in existing investments of the Fund as if it had become a Limited Partner on the initial closing date, thereby diluting the Interests of existing Limited Partners. Although each such additional Limited Partner will contribute its *pro rata* share of previous capital calls plus interest, there can be no assurance that the amounts contributed by the additional Limited Partners and distributed to the existing Limited Partners will reflect the fair value of the Fund's existing investments at the time of such subsequent closing. In addition, existing Limited Partners may recognize tax gains or losses as a result of such true-ups.

**No Assurance of Profitability.** There is no assurance that the Fund will be operated on a profitable basis. The Investment Management Fee will constitute an expense of the Fund that is payable without regard to the profits or profitability of the Fund. Neither the Manager, the General Partner, nor any of their affiliates, members, directors or officers will be liable for the return to the Limited Partners of their capital contributions to the Fund. Such distributions and returns, if any, will be made solely from the Fund's assets.

**Risk in Effecting Operating Improvements.** In some cases, the success of the General Partner's investment strategy will depend, in part, on the ability of the General Partner to effect improvements in the operations of certain funds. The activity of identifying and implementing operating improvements of certain funds entails a high degree of uncertainty. In addition, executing operational improvements may divert the attention of the General Partner's key personnel and disrupt normal business operations of such company. There can be no assurance that the General Partner will be able to successfully identify and implement such improvements or that any such successfully implemented improvements will result in a return on invested capital with respect to certain funds.

#### ***Risks Associated with Real Estate Investments***

**General Real Estate Investment Risks.** Real estate investments, like many other types of long-term investments, have historically experienced significant fluctuations in value, and specific market conditions and cycles may result in occasional or permanent reductions in the value of the Fund's investments. Property cash flows and the marketability and value of real property, in general, and hospitality-related real estate assets, in particular, will depend on many factors beyond the control of the Fund, including, without limitation:

- Changes in local or national economic conditions;
- Government taking and condemnation risks;
- Changes in the supply of, or demand for, hotel and hospitality services in a particular geographic area;
- Changes in interest rates;
- Changes in, or promulgation and enforcement of, governmental regulations relating to land use and zoning, environmental, occupational and safety matters;
- Changes in real estate tax rates and other operating expenses;
- The existence of uninsured or uninsurable risks;
- Natural disasters, acts of war or terrorism; and
- Pandemic disease/outbreak.

Investments of the Fund are subject to the risks incident to a passive investment in income-producing real estate properties in the particular markets in which the Fund operates. Generally, there are no readily available markets for a substantial amount of the Fund's investments. Market illiquidity could prevent the Fund from effecting dispositions of its properties at desired times or require the Fund to accept "in kind consideration" and consequently result in distributions "in kind" to the Limited Partners, all of which could negatively impact the return achieved on such investments.

**Acquisitions of Real-Estate Related Businesses.** The Fund may acquire real estate companies or other operating companies in order to acquire the underlying real property held by such companies. The Fund may affect such acquisitions through corporate transactions in which the Fund assumes known and unknown liabilities of the acquired company, including potential environmental liabilities, liabilities associated with employee claims and liabilities associated with claims by tenants, hotel guests, vendors and other persons. In addition, the Fund may be unable to integrate such new acquisitions quickly and efficiently into its existing operations or to otherwise affect its business strategy with respect to such new acquisitions and, as a result, the Fund's financial condition could be adversely affected.

**Joint Venture Investments.** The Fund may invest in joint ventures with other firms involved in the construction, development, property management and leasing of real estate. Such joint ventures often involve delegating or sharing significant discretion with regard to operational issues to the joint venture partner or its affiliates, and often require concurrence of the joint venture partner for major capital transactions, such as refinancing or sale. The General Partner only intends to enter into relationships with joint venture partners that it believes will add value through their knowledge of local markets or skills in constructing, developing, managing or leasing. There can be no assurance that these goals will be accomplished. Joint venture partners may be highly dependent upon one or a limited number of individuals, the unavailability of whom may adversely affect the value of a joint venture investment. While the Fund plans to structure joint ventures to align the incentives of its joint venture partners with the Fund's objectives, joint venture partners may have tax and financial goals that are different from those of the Fund, which could cause them to act in a manner not consistent with the Fund's objectives.

**Environmental Risks.** The Fund's operating costs and performance may be affected by the obligation to pay for the cost of complying with existing environmental laws, ordinances and regulations, as well as the cost of complying with future legislation, applicable to assets, or loans secured by assets, with environmental problems that materially impair the value of the Fund's assets. Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in such property and may be liable to a governmental entity or to third-parties for property or personal injury damages and for investigation and remediation costs incurred by these parties as a result of the contamination. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. In addition, the presence of hazardous or toxic substances, or the failure to remediate such property properly, may adversely affect the owner's ability to borrow using such real property as collateral or to sell the property. In addition, some environmental laws create a lien on contaminated property in favor of the government for damages and costs the government incurs in connection with the contamination.

Persons who arrange for the disposal or treatment of hazardous or toxic substances may also be liable for the costs of removal or remediation of such substances at the disposal or

treatment facility, whether or not such facility is or ever was owned or operated by such person. Certain environmental laws and common law principles could be used to impose liability for the release of asbestos-containing materials (“ACMs”) into the air and third parties may seek recovery from owners or operators of real properties for personal injury associated with exposure to released ACMs or other hazardous materials. Environmental laws may also impose restrictions on the manner in which a property may be used or transferred or in which businesses may be operated, and these restrictions may require substantial expenditures. In connection with the ownership and operation of hotel properties, the Fund may be liable for any such costs. The costs of defending against claims of liability or remediating contaminated property and the cost of complying with such environmental laws could materially adversely affect the Fund’s results of operations and its ability to achieve target returns.

**Air Quality at the Fund’s Properties.** Complaints about poor indoor air quality at properties owned by the Fund could necessitate costly investigation and remediation activities. Indoor air quality issues can stem from inadequate ventilation, chemical contaminants from indoor or outdoor sources, and biological contaminants such as bacteria, molds, pollen and viruses. Chemical contaminants, including volatile organic compounds, naturally emanate from common indoor sources such as adhesives, carpeting, upholstery, manufactured wood products, copy machines, pesticides and cleaning agents. Outdoor contaminants such as pollutants from motor vehicle exhaust, plumbing exhaust and building exhausts can also enter buildings through air intake vents, windows and other openings. In addition, bacteria, molds, pollen and viruses may grow in moisture that accumulates in buildings or on building materials, particularly if the moisture problem remains undiscovered. Indoor exposure to chemical or biological contaminants above certain levels can cause a variety of health effects and symptoms in susceptible individuals, which the popular press sometimes dubs “sick building syndrome” or “building related illnesses.” If these conditions were to occur at one of the Fund’s properties, then it may need to undertake a targeted remediation program, including steps to increase indoor ventilation rates and the installation of high performance air filters and/or absorbent beds. Such remediation programs could be costly, necessitate the temporary closure of the property or in extreme cases require extensive rehabilitation of the affected property.

**Competitive Market.** The business of identifying, acquiring and realizing suitable investments is highly competitive and involves a high degree of uncertainty. The Fund will be competing for investments with many other real estate investment vehicles, as well as publicly-traded real estate investment trusts, hotel operating companies, private investment funds, advisers managing pension fund separate accounts, foreign investors, institutional investors, family groups and wealthy individuals, some or all of which may have more capital and resources than the Fund. These organizations and individuals may be able to accept more risk than the Fund can prudently accept and may invest in promising opportunities before the Fund is able to do so, or, their competitive offers to invest may drive up prices of prospective investments thereby lowering potential returns. Further this competition may generally limit the number of suitable investment opportunities offered to the Fund or the number of properties that it is able to acquire, and may also increase the bargaining power of property owners seeking to sell to the Fund, making it more difficult for it to acquire new properties on attractive terms.

While the General Partner believes that attractive investments of the type in which the Fund may invest are currently available, there can be no assurance that such investments will be available when the Fund commences investment operations, or that available investments will meet the Fund’s investment criteria. In addition, competition for investments may have the effect of increasing costs, thereby reducing the Fund’s investment returns. Likewise, other investment companies with similar investment objectives to the Fund may be formed in the



future by unrelated parties and compete with the Fund for suitable investment opportunities. There is no assurance that the Fund will be able to locate and complete investments that satisfy its investment objective.

**Expenses, Reserves for Expenses and Contingencies.** The Fund pays all expenses directly or indirectly incurred in the acquisition, management and realization of investments made by the Fund. Such expenses, which may include engineering and environmental reviews and the costs of workouts and restructurings, are generally higher for real estate investments than for many other non-real estate investments. Further, the General Partner may, from time to time, establish reserves for estimated or accrued expenses, liabilities or contingencies, including general reserves for unspecified contingencies, which need not be taken in accordance with generally accepted accounting principles. The establishment and existence of such reserves could substantially reduce the amount of the distributions to Limited Partners.

**Development, Redevelopment and Construction Risks.** The Fund may invest in undeveloped land or to be developed property. The development and construction of such property is subject to timing, budgeting and other risks that may adversely affect the Fund's operating results. Any renovation, redevelopment, development and related construction activities could subject the Fund to a number of risks, including risks associated with:

- Construction delays or cost overruns that may increase project costs;
- Availability and timely receipt of zoning, occupancy and other required governmental permits, authorizations and regulatory approvals;
- Development costs incurred for projects that are not pursued to completion;
- Acts of God such as earthquakes, hurricanes, floods or fires that could adversely impact a project;
- Labor conditions or material shortages that may adversely impact the cost and timing of construction;
- Inability to obtain construction and permanent financing on favorable terms, or at all; and
- Governmental restrictions on the nature or size of a project.

These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of construction or development activities once undertaken, any of which could have an adverse effect on the financial condition and results of operations of the Fund and on the amount of funds available for distribution to the Limited Partners. The Fund may commence construction, development or redevelopment activities prior to obtaining financing for such activities and there is no guarantee that financing will be available on favorable terms, or at all.

**Economic Conditions and Reduced Demand for Hotel Properties.** The performance of the lodging industry has historically been closely linked to the performance of the general economy and, specifically, growth in U.S. gross domestic product ("GDP"). It is also sensitive to business and personal discretionary spending levels. Declines in corporate travel budgets and consumer demand due to adverse general economic conditions, such as declines in GDP, risks affecting or reducing travel patterns, lower consumer confidence or adverse political conditions can lower the revenues and profitability of hotel properties and, therefore, net operating profits. The recent global economic downturn led to significant declines in demand for products and services provided by the lodging industry, lower occupancy levels and significantly reduced room rates. Although the U.S. economy may be slowly emerging from the recent recession, high levels of unemployment have persisted and the recovery of demand

for products and services provided by the lodging industry may lag improvement in the economic conditions and may not fully recover to pre-recession levels for a number of years. A further extended period of economic weakness or a slowing or stalling of the economic recovery would likely have an adverse impact on the Fund's revenues and would negatively affect the Fund's financial condition, results of operations and the value of the Fund's investments.

**Cyclical and Seasonal Nature of the Hotel Industry.** The hotel industry is highly cyclical in nature. Fluctuations in hotel demand and, therefore, hotel operating performance, are caused largely by general economic and local market conditions, which subsequently affect levels of business and leisure travel. In addition to general economic conditions, new hotel room supply is an important factor that can affect the hotel industry's performance and fundamentals, and overbuilding has the potential to further exacerbate the negative impact of an economic recession. The hotel industry also is seasonal in nature. Generally, hotel revenues are greater in the second and third calendar quarters than in the first and fourth calendar quarters. This seasonality can be expected to cause quarterly fluctuations in the Fund's revenues.

**Hotels Operated under Franchise Agreements.** Most of the Fund's hotel properties will likely be operated under franchise agreements, and the Fund will be subject to the risks associated with concentrating hotel investments in a limited number of franchise brands. These risks include reductions in business following negative publicity related to one of the brands or the general decline of a brand. The maintenance of the franchise licenses for branded hotel properties will be subject to the franchisors' operating standards and other terms and conditions. Franchisors will periodically inspect hotel properties to ensure that the Fund and its lessees, if any, and management companies follow their standards. Failure by the Fund, one of its lessees, if any, or one of its third-party management companies, if any, to maintain these standards or other terms and conditions could result in a franchise license being cancelled. If a franchise license is cancelled due to the Fund's failure to make required improvements or to otherwise comply with its terms, then the Fund also may be liable to the franchisor for a termination payment, which varies by franchisor and by hotel property. As a condition of maintaining a franchise license, a franchisor could require the Fund to make capital expenditures, even if it does not believe the capital improvements are necessary or desirable or will result in an acceptable return on the Fund's investment. The Fund may risk losing a franchise license if it does not make franchisor-required capital expenditures.

If a franchisor terminates the franchise license or the license expires, then the Fund may try either to obtain a suitable replacement franchise or to operate the hotel without a franchise license. The loss of a franchise license could materially and adversely affect the operations and the underlying value of the hotel property because of the loss of associated name recognition, marketing support and the centralized reservation system provided by the franchisor and could adversely affect the Fund's revenues. This loss of revenue could in turn adversely affect the Fund's financial condition, results of operations and the value of its investment.

**Increased Use of Internet Travel Intermediaries.** Some of the Fund's future hotel rooms will be booked through internet travel intermediaries. As these internet bookings increase, these intermediaries may be able to obtain higher commissions, reduced room rates or other significant contract concessions from the management companies that will operate the hotels that may be acquired by the Fund. Moreover, some of these internet travel intermediaries are attempting to offer hotel rooms as a commodity, by increasing the importance of price and general indicators of quality (such as, for example, "three-star downtown hotel"), at the expense of brand identification or quality of product or service. These intermediaries hope

that consumers will eventually develop brand loyalties to their reservations system rather than to lodging brands or properties. If the amount of bookings made through internet travel intermediaries proves to be more significant than the Fund expects, then room revenues may be lower than expected, and the Fund's financial condition, results of operations and the value of the Fund's investments may be adversely affected.

**Employee Unions at Hotels.** Employees at some or all of the Fund's hotel investments may be unionized and this could impact the profitability of the Fund's investments. Generally, unionized hotel employees are subject to a number of work rules which could increase expenses and decrease operating margins at unionized hotels. If that is the case, then the unionization of hotel employees at hotels that may be acquired by the Fund may result in a significant decline in hotel profitability and value, which could adversely affect the Fund's financial condition, results of operations and the value of the Fund's investments.

**Increased Use of Business Related Technology.** The increased use of teleconference and video- conference technology by businesses could result in decreased business travel as companies increase the use of technologies that allow multiple parties from different locations to participate at meetings without traveling to a centralized meeting location. To the extent that such technologies play an increased role in day-to-day business and the necessity for business related travel decreases, hotel room demand may decrease and the Fund's financial condition, results of operations and the value of its investments may be adversely affected.

**Terrorist Attacks or Changes in Terror Alert Levels.** Previous terrorist attacks and the after-effects, and subsequent terrorist alerts, have adversely affected the U.S. travel and hospitality industries over the past several years, often disproportionately to the effect on the overall economy. Terrorist attacks and alerts, and the after-effects of each, combined with the recent economic recession and trends, can substantially reduce business and leisure travel and the hotel industry's revenue per available room generally. The impact that terrorist attacks in the United States or elsewhere could have on domestic and international travel, generally, and the Fund's business, in particular, cannot be determined, but any such attacks or the threat of such attacks could have a material adverse effect on the Fund's business, ability to finance its business, ability to insure its properties and its results of operations and financial condition.

**Risks Relating to Debt Investments.** The Fund may invest in mortgage loans, mezzanine debt or other indebtedness secured by real property. Such debt investments are subject to, among other risks, (i) the risk of borrower default, (ii) the risks attendant to foreclosure, (iii) the risk of delays and expenses due to interposed defenses or counterclaims, and the possibility that a foreclosure sale may be challenged as a fraudulent conveyance, regardless of the parties' intent, (iv) the risk that the Fund may be limited in its ability to collect certain funds due to it from a borrower that is a debtor in a case filed under Title 11 of the U.S. Code, 11U.S.C. §§ 101 et seq., as amended, (v) the risk that the Fund's borrowers may not maintain adequate insurance coverage against liability for personal injury and property damage in the event of casualty or accident and (vi) the risk that the servicer may not perform. The structural and legal risks of debt investments include the possibility that, in a bankruptcy or similar proceeding involving the originator or the servicer (often the same entity or affiliates), the assets of the issuer of the securities could be treated as never having been truly sold by the originator to the issuer of the securities and could be substantively consolidated with those of the originator, or the transfer of such assets to the issuer of the securities could be voided as a fraudulent transfer. Challenges based on such doctrines could result also in cash flow delays and reductions.

**High Risk Investments.** The Fund may acquire assets secured by real property interests, including distressed mortgages, liens on high-risk collateral, or notes or pledges made by high-risk borrowers, including non-performing loans. Such assets generally carry below-investment grade credit ratings, or lack credit ratings altogether. These assets and/or the loans underlying these types of assets may be in default or may have a greater than normal risk of future defaults, delinquencies, bankruptcies or fraud losses, which may require the Fund to undertake expensive and lengthy litigation. There can be no assurance that the assets will perform, the borrowers will pay as expected, or, if defaulted, that the underlying assets will be able to be foreclosed upon and liquidated in a cost effective manner. In addition to the risks of borrower default, the Fund will be subject to a variety of risks in connection with such debt instruments, including risks arising from mismanagement or a decline in the value of collateral, contested foreclosures, bankruptcy of the debtor, claims for lender liability, violations of usury laws and the imposition of common law or statutory restrictions on the Fund's exercise of contractual remedies for defaults on such investments.

**Subordination of Investments.** The Fund's investments may include many types of subordinated loans, including structurally subordinated mezzanine loans, second mortgages, commercial mortgage backed securities and other real estate-related securities, and preferred equity interests of entities which directly or indirectly have investments in property. These investments will be subordinated to the senior obligations of the property or issuer, either contractually or inherently due to the structure of the financing. Greater credit risks are usually attached to these subordinated investments than to a borrower's first mortgage or other senior obligations. In addition, these securities may not be protected by financial or other covenants and may have limited liquidity. Adverse changes in the borrower's financial condition and/or in general economic conditions may impair the ability of the borrower to make payments on the subordinated securities and cause it to default more quickly with respect to such securities than with respect to the borrower's senior obligations. In many cases, the Fund's management of its investments and its remedies in connection with defaults on its investments, including the ability to foreclose on any collateral securing such investments, are likely to be subject to the rights of the senior lenders and contractual inter-creditor provisions.

#### ***Risks Associated with Markets and the Economy***

**Changes in Market Circumstances.** The Fund faces risks attendant to changes in economic environments, changes in interest rates, instability in certain securities markets, changes in the relative valuations of its investments and changes in the availability of, and/or the general terms and conditions for, investment financing, among other factors – any one of which could adversely affect investment returns. In addition, major market disruptions could occur which could significantly impair the value of the portfolio.

**Political and Social Risks.** The United States has been the target for terrorist attacks and been involved in a variety of military actions. Some of these terrorist attacks have resulted in, among other things, a disruption in financial markets and the economy generally as well as volatility in the international economic market. Future terrorist attacks and/or the anticipation of any such actions or response to them may have a further adverse impact on economic stability. It is not possible to predict the severity of the effect that any further terrorist activity or military response will have on the market. Any resulting economic instability or downturn could adversely affect the returns sought by the Fund.

**Adverse Real Estate Market Conditions.** The Fund's business and the value of the Fund's investments may be adversely affected by the present continued period of slow economic

recovery following the recent recession, which continues to be accompanied by stagnant or declining real estate values. The Fund's investment strategy for certain assets may rely, in part, upon local market recoveries during the term of the Fund. The Fund is unable to predict whether, or to what extent and for how long, these adverse market and economic conditions will persist. No assurance can be given that any such markets will recover since this will depend upon events and factors outside of the control of the Fund, and no assurance can be given that any recovery will not be short-lived.

**Real Estate Capital Markets.** Real estate capital markets are dynamic, continually evolving and impacted by many variables, including those highlighted herein in this *"Risks Associated with Markets and the Economy"* section. The Fund's strategy, targeted investments, targeted portfolio composition and targeted returns were formulated based on the current environment at the launch of the Fund. The real estate capital markets, financing techniques and products are likely to materially change over the term of the Fund, and adapting to such changes and/or the General Partner's inability to successfully adapt the Fund to some or all of such changes may negatively impact the performance of the Fund.

**Government Intervention.** In light of the relatively recent economic turmoil, the U.S. government, including the Federal Reserve, took a number of measures in an effort to stabilize the U.S. economy and to inject liquidity into the U.S. capital markets. The Federal Reserve, in an attempt to stimulate the overall economy, has, among other things, kept interest rates low through its targeted federal funds rate and purchased mortgage-backed securities. As the economy has started to recover, it is expected that the U.S. government and Federal Reserve will play a less active role and will phase-out certain programs or policies; the effects of such a phase-out could negatively affect the manner in which the Fund operates and the Fund's prospects. Additional intervention by the U.S. government could provide banks with advantages as compared to the Fund in terms of competitiveness in providing first mortgage loans to potential borrowers. There can be no assurance that programs and proposals initiated and announced by the U.S. Treasury or the Federal Reserve will have a beneficial impact on the financial and real estate markets. Additionally, further government intervention could include legislation or regulations which would require the Fund to modify or waive certain terms of previously made investments or to otherwise cause the Fund to not receive the full benefit of its contractual relationship with a borrower. Any of these scenarios may unfavorably impact the Fund's returns.

**Refinancing Market.** The Fund may utilize the refinancing of loans as an exit strategy. The ability of the Fund to successfully utilize loan refinancings as an exit strategy will depend on a number of factors beyond the control of the Fund, such as market interest rates, mortgage spreads, underwriting standards and investor appetite for residential mortgage securitizations. Should it become more difficult to facilitate mortgage refinancings as a result of increased mortgage rates, tightening underwriting and lending standards, such an event could have an adverse effect on the ability of the Fund to realize its return and liquidity objectives.

**Non-U.S. Market Conditions.** The Fund will focus its investments in the United States, and therefore will principally be vulnerable to events affecting assets in the United States. The economy of the United States is influenced by the economic and market conditions in other countries and events in other regions can have adverse effects on the values of assets in the United States. The Fund's performance may be worse than the performance of other funds that invest more broadly. For example, on June 23, 2016, the United Kingdom held an "in/out" referendum the result of which was that the citizens of the United Kingdom voted that the United Kingdom should no longer be a member of the European Union. The exit of the United

Kingdom from the European Union may pose significant unforeseen risks to worldwide capital flows, asset values, and markets, which could impact the Fund's investments in the United States.

**Confidential Information.** The Partnership Agreement contains confidentiality provisions intended to protect proprietary and other information relating to the Fund and its investments. To the extent that such information is publicly disclosed, competitors of the Fund and/or competitors of its investments, and others, may benefit from such information, thereby adversely affecting the Fund, its investments, the General Partner, the Manager and the economic interests of the Limited Partners. The governing documents of other Fund entities through which Limited Partners will invest will have analogous provisions.

**Side Letters.** In accordance with common industry practice, the 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 (including with respect to economic terms) that are not made available to Limited Partners generally. For example, a side letter may provide a Limited Partner with the right to receive additional reports or information about the Fund, a reduction or rebate in management fees or carried interest or other rights that may be negotiated between such Limited Partner and the General Partner. Side letters will be disclosed only to those Limited Partners that have separately negotiated with the General Partner for the right to review such agreements. Side letters could create preferences or priorities for such Limited Partners.

#### ***Risks Associated With Potential Conflicts Of Interest***

**Fees to Sponsor Affiliates.** Affiliates of MCR are engaged in a number of businesses related to the investments, including sourcing, evaluating, underwriting, originating, acquiring, disposing, managing and servicing real estate investments. With the approval of the Advisory Committee, the Fund may engage and pay a fee to sponsor affiliates in connection with Fund investments, and the interests of such engaged affiliates may conflict with the interests of the Fund and its Limited Partners.

**Performance Allocation and Profit Participation.** The existence of the General Partner's right to receive carried interest distributions may create an incentive for the General Partner to make more speculative investments on behalf of the Fund or use more leverage than it would otherwise make in the absence of such performance-based compensation. The General Partner reserves the right to establish one or more incentive vehicles that give profit participation to the Manager's investment professionals based on the profits of the Fund.

**Allocation of Personnel.** The General Partner and the Manager's investment professionals will allocate such time and attention as is deemed appropriate and necessary to carry out the operations of the Fund effectively. Subject to the obligation of each key person to devote a majority of their business time and attention to the affairs of the Fund, MCR's personnel will work on other projects and on behalf of clients other than the Fund; conflicts may, therefore, arise in the allocation of certain personnel and other resources.

**Potential Conflicting Duties.** The Manager's affiliates provide real estate investment management services to the Manager's clients and reserve the right to continue to form similar clients. Therefore, it is possible that a particular investment opportunity would be suitable for both the Fund and other clients of the Manager. While the General Partner intends to allocate the investments between the Fund and any other clients that is not investing alongside the Fund in accordance with its allocation policy, conflicts may arise and the

interests of the Fund may suffer. In addition, certain of the Manager's investment professionals contemplate serving in similar roles for existing and future clients of the Manager, some of which may also invest in the investments. The Manager's investment professionals may experience diversions of their attention and potential conflicts of interest in the event that the interests of the Fund run counter to the interests of the Manager's other clients.

**Differing Limited Partner Group.** The Limited Partners may have conflicting investment, tax and other interests with respect to their investments in the Fund. The conflicting interests of Limited Partners may relate to or arise from, among other matters, the acquisition or structuring of investments and the timing and disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by the General Partner that may be more beneficial for one investor than for another investor, for example, with respect to Limited Partners' individual tax situations. In addition, the Fund may make investments which may have a negative impact on related or unrelated investments made by Limited Partners in transactions outside of the Fund. In selecting and structuring investments appropriate for the Fund, the General Partner will consider the investment and tax objectives of the Fund and the Limited Partners as a group, not the investment, tax or other objectives of any Limited Partner individually.

**Co-investment Opportunities.** From time to time pursuant to the terms of the Partnership Agreement, at the discretion of the General Partner, electing Limited Partners may be presented with opportunities to co- invest in investments alongside the Fund. In such an event, the Fund may not be in a position to unilaterally control such investments or exercise certain rights associated with such investments. In addition, if a co- investing party removes its general partner or manager or terminates prior to the Fund, then the ability of the Fund to exercise certain rights associated with its investments may require the co-operation of a successor general partner/manager or other persons. Potential conflicts may be inherent in, or arise from, the General Partner's discretion in determining when to make such opportunities available to Limited Partners. In addition, once such co-investments are made, the Fund's interests and those of co-investing Limited Partners may subsequently diverge as market conditions shift or other opportunities become available.

**No Independent Counsel.** Kirkland & Ellis LLP is representing the General Partner and its affiliates in connection with the offering of Interests. It is not anticipated that, in connection with the organization or operation of the Fund, the Fund will engage counsel separate from counsel to the General Partner. In connection with the offering of Interests and subsequent advice to the Fund, the General Partner and its affiliates, Kirkland & Ellis LLP will not be representing any Limited Partners unrelated to the General Partner. Prospective investors should seek individual counsel.

### ***Risks Associated with Fund's Investments and Investment Structure***

**Future Investments are Unspecified.** The capital contributions of the Limited Partners are intended to be invested in investments that have not yet been selected. Limited Partners will not have the opportunity to evaluate for themselves the investments in which the Fund's capital will be invested or the terms of these investments. As of the date of this Memorandum, none of the Fund's capital has been invested. The Fund reserves the right to identify possible pre-specified investments as investments, and to the extent any are identified before the Initial Closing, this Memorandum will be supplemented. Limited Partners will be relying upon the ability of the General Partner with respect to selection, pricing and management of the investments made using the proceeds from this offering. investments will be made over a

substantial period of time, and accordingly, the real estate and debt markets, including interest rates, may change over time.

**Investment Performance.** The Fund will make investments based upon analyses of current returns and estimates and projections of future returns which may be available in potential investments. Limited Partners have no assurance that the Fund's investments will yield the returns estimated or projected, or that the General Partner will be able to construct a portfolio which will allow it to attain the projections which are premised on an entire portfolio. The Fund may not be successful in identifying suitable assets that meet its investment criteria or in consummating acquisitions of investments on satisfactory terms. Failures in identifying or consummating investments on satisfactory terms could reduce the number of investments that are completed and slow the Fund's growth. In addition, subsequent to the Fund's acquisition of a particular investment, management may adjust targeted returns to reflect changes in market conditions. There can be no assurance that the Fund will make a profit on its investments or even be able to recover its invested capital during any anticipated period of time.

The Fund intends to evaluate its potential investments, keeping in mind its target return objectives, based on a number of relevant factors as determined by the General Partner. The General Partner believes that the Fund's gross and net target returns reflect in part a measure of risk that the Fund will be taking with respect to the investments it makes. Past performance is no guarantee of future results, and there can be no assurance that target returns on Fund's investments will be met. Gross and net target returns are included herein for the sole purpose of illustration. No inference should be drawn as to whether the Fund may, in the future, achieve the targets stated.

**Uncertain Asset Valuation.** Certain actions by the General Partner, such as the redemption of Interests of defaulting Limited Partners and sale of investments, may be based on the General Partner's estimate of the value of the Fund's Investments. Accordingly, Limited Partners will need to rely on the judgment of the General Partner for valuing the Fund's Investments. A valuation is only an estimate of value and is not a precise measure of realizable value. Ultimate realization of the value of an asset depends to a great extent on economic and other conditions beyond the control of the Fund. Further, valuations do not necessarily represent the price at which an investment would sell since market prices of investments can only be determined by negotiation between a willing buyer and seller. If the Fund were to liquidate a particular investment, the realized value may be more than or less than the General Partner's valuation of such asset.

**Possible Lack of Diversification.** While the General Partner intends to employ some degree of portfolio diversification as one of its risk management strategies, the Fund is expected to participate in a limited number of Investments and, except for the investment limitations set forth in the Partnership Agreement, there can be no assurances concerning the diversification of the Fund's Investments by geographic region or otherwise. If the Fund makes an investment in a single transaction with the intent of financing, refinancing or selling a portion of the investment, then there is a risk that the Fund will be unable to successfully complete such a financing, refinancing or sale. This could lead to increased risk as a result of the Fund having an unintended long-term investment and reduced diversification. A limited degree of diversification increases risk because, as a consequence, the aggregate return of the Fund may be substantially adversely affected by the unfavorable performance of even a single Investment. In addition, Limited Partners have no assurance that as the Fund continues to invest the degree of diversification in the Fund's Investments will increase. Portfolio diversification will decrease as the Fund's Investments are divested following the commitment



period.

**Follow-on Investments.** The Fund may make Follow-on Investments in its investments, provided, after the expiration of the commitment period, the aggregate amount of Follow-on Investments that the Fund may make is limited to 10% of aggregate Capital Commitments. The decision of the Fund not to make a Follow-on Investments, because of the 10% limitation or otherwise, or the inability to complete any Follow-on Investments may have a material adverse effect on the particular asset in need of such investment and, in certain instances, may diminish the Fund's ability to influence an asset's future development through the reduction in equity ownership or the loss of contractual control rights, or may reduce the value of the underlying collateral.

**Nature of Anticipated Transactions.** Because of the objectives of the Fund, special considerations are presented by the nature of its anticipated activities. Investment analyses and decisions by the General Partner or one of its affiliates may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the General Partner or its affiliates at the time of making an Investment decision may be limited, and they may not have access to detailed information, such as physical characteristics, environmental matters, planning regulations or other local conditions affecting an investment. Therefore, no assurance can be given that the General Partner and its affiliates will have knowledge of all circumstances that may adversely affect an Investment.

**Parallel Investment Entities.** In order to facilitate Investments by Limited Partners with specific compliance, tax or regulatory requirements, the General Partner may create parallel investment entities, the structure and terms of which may differ from that of the Fund.

**Long-Term Investment Horizon; Uncertain Timing for Asset Sales and Refinancings.** The Fund has a Commitment Period commencing on the Initial Closing Date and expiring at the earlier to occur of: (a) the withdrawal or removal of the General Partner; (b) the 4th anniversary of the Initial Closing; (c) such time as 100% of the Capital Commitments to the Fund have been drawn down, committed or reserved for investment; (d) the termination of the Commitment Period pursuant to a Key Person Event; and (e) upon the determination of the General Partner under certain circumstances. The term of the Fund ends on the 10th anniversary of the Initial Closing, subject to two one-year extensions, which may be exercised at the discretion of the General Partner, and further extensions upon approval of a majority in interest of the Limited Partners. Although the Fund expects investments to generate current cash flow, it is possible that any cash flow distributions to Limited Partners will occur only after the partial or complete sale of an investment, thereby delaying the return to the investors. It is further possible that, at the Fund's termination, it may not be able to sell assets that it has purchased and, consequently, would make "in-kind" distributions in accordance with the terms of the Partnership Agreement.

**Illiquidity of Investments.** It is unlikely that there will be a public market for any of the Fund's investments. The Fund generally will not be able to sell its investments held in the form of securities publicly unless their sale is registered under applicable federal and state securities laws, or unless an exemption from such registration requirements is available. In some cases, the Fund may be prohibited by contract from selling investments for a period of time. In addition, the types of investments held by the Fund may be such that they require a substantial length of time to liquidate. In particular, no assurances can be given that all Fund investments will be able to be liquidated prior to the scheduled expiration of the term of the Fund.

**Undiscovered Liabilities.** The General Partner intends the Fund to structure investments through privately negotiated transactions where a level of protection is typically afforded by covenants and due diligence. However, there can be no guarantee that an investment by the Fund does not carry with it a significant undisclosed liability which could have a material adverse effect on the value of the Fund's investments.

**Possibility of Fraud or Other Misconduct of Employees and Service Providers.** Misconduct by (i) MCR employees, (ii) Target Investment directors, officers or employees, and (iii) service providers to the foregoing and/or their respective affiliates could undermine the due diligence efforts of the Fund and/or the General Partner and cause significant losses to the Funds. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by the General Partner, the improper use or disclosure of confidential or material non-public information, which could result in litigation or serious financial harm, including limiting the General Partner'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, market or industry segment volatility and/or financial losses to the Fund. The Manager has controls and procedures through which it seeks to minimize the risk of such misconduct occurring; however, no assurances can be given that such misconduct will be able to be identified or prevented.

**Hedging Transactions.** The Fund may, but is not obligated to, utilize financial instruments to hedge its investments and any interest rate risk associated therewith. There can be no assurance that the Fund will hedge when appropriate or choose the correct hedge if it does hedge. Although the Fund expects to engage in hedging transactions to hedge against risks and not for speculation, the use of hedging transactions involves certain risks. These risks include: (i) the possibility that the market will move in a manner or direction that would have resulted in gain for the Fund had a particular hedging transaction not been utilized, in which case the Fund's performance would have been better had the Fund not engaged in the hedging transaction; (ii) the risk of imperfect correlation between the risk sought to be hedged and the hedging instrument used; and (iii) potential illiquidity for the hedging instrument used, which may make it difficult or costly for the Fund to close-out or unwind a hedging transaction.

The Fund's ability to hedge may be constrained by the requirements of U.S. Commodity Futures Trading Commission ("CFTC") Rule 4.13(a)(3) (which imposes certain limitations on an investment vehicle's ability to utilize commodities, including currency hedging strategies) if the General Partner determines that it will rely on the exemption from registration with the CFTC set forth in such rule. To the extent that the Fund so elects to employ hedging strategies (and it will be under no obligation to do so), the use of hedging instruments carries certain risks, including the risk that losses on a hedge position will reduce earnings and funds available for distribution to the investors. There is no perfect hedge for any investment, and a hedge may not perform its intended purpose of offsetting losses on an investment and, in certain circumstances, could increase such losses. There can be no assurance that techniques used in hedging strategies will always be available, that the Fund will engage in these techniques when available, or that the hedging strategies will be successful in limiting any applicable risks.

**Insurance.** The Fund intends to maintain comprehensive insurance on each of its assets in amounts sufficient to permit the replacement of the assets in the event of a total loss, subject

to applicable deductibles, and will endeavor to obtain coverage of the types and in the amounts customarily obtained by owners of real estate. However, there can be no assurance that insurance will be available or sufficient to cover any such risks. Additionally, there are certain types of losses, generally of a catastrophic nature, including, without limitation, losses sustained from terrorist strikes, earthquakes, floods and hurricanes, which may be uninsurable, not economically insurable or for which insurance may only be available in amounts that are less than the full market value or replacement cost of the insured properties. Also, there can be no assurance that any risks currently insurable will continue to be insurable on an economic basis. Inflation, changes in building or zoning codes and ordinances, environmental considerations, and other factors may also make it infeasible to use insurance proceeds to replace an asset if it is damaged or destroyed. Under such circumstances, the insurance proceeds received by the Fund might not be adequate to restore its economic position with respect to a particular property. Further, because the Fund is a pooled investment fund, all Fund assets may be at risk in the event of an uninsured or under-insured liability to third-parties.

**Contingent Liabilities on Disposition of Investments.** In connection with the disposition of an investment, the Fund may be required to make certain representations and warranties about such investment. The Fund may also be required to indemnify the purchasers of such investment in case any such representations and warranties are inaccurate. These arrangements may create contingent liabilities of the Fund, for which the General Partner may establish reserves or escrow accounts.

**Control Position.** The Fund will generally seek investment opportunities that allow the Fund to have significant influence on the management, operations and strategic direction of companies in which it invests. The exercise of control and/or significant influence over a company imposes additional risks of liability for environmental damage, failure to supervise management and other types of liability in which the limited liability characteristic of business operations may generally be ignored. The exercise of control and/or significant influence over a company could expose the assets of the Fund to claims by such company, its security holders and its creditors. While the General Partner intends to manage the Fund in a way that will minimize exposure to these risks, the possibility of successful claims cannot be precluded.

**Minority Position and Toehold Investments.** The Fund may also make minority equity or debt investments in companies where the Fund may have limited influence. Such companies may have economic or business interests or goals that are inconsistent with those of the Fund and the Fund may not be in a position to limit or otherwise protect the value of its investment in such companies. The Fund's control over the investment policies of such companies may also be limited. This could result in the Fund's investments being frozen in minority positions that incur substantial loss. If the Fund takes a minority position in publicly traded securities as a "toe-hold" investment, then such publicly traded securities may fluctuate in value over the limited duration of the Fund's investment in such publicly traded securities, which could potentially reduce returns to Limited Partners. While the General Partner may seek to accumulate larger positions through open market purchases, registered tender offers, negotiated transactions or private placements, the General Partner may be unable to accumulate a sufficiently large position in a company to execute its strategy. In such circumstances, the Fund may dispose of its position in a company within a short time of acquiring it; there can be no assurance that the price at which the Fund can sell such securities will not have declined since the time of acquisition. Moreover, this may be exacerbated by the fact that securities of the companies that the Fund may target may be thinly traded and that the Fund's position may nevertheless have been substantial, although not controlling, and its disposal may depress the market price for such securities.

**No Market for Interests; Restrictions on Transfer; No Right of Withdrawal.** Limited Partner interests in the Funds generally may not be transferred, sold, assigned, pledged or otherwise encumbered without the prior written consent of the General Partner, which may be withheld pursuant to the agreements of certain funds, and the volume of transfers permitted in any calendar year may be restricted in order to comply with certain safe harbors under certain tax regulations. Voluntary withdrawals from the Fund will not be permitted except in very limited circumstances generally involving situations where retaining an interest in the Fund would violate certain laws or regulations. In addition, interests in the Fund are not redeemable. There will be no public market for interest in the Fund, and none is expected to develop. Interests in the Fund have not been registered under the Securities Act, the securities laws of any U.S. state or the securities laws of any non-U.S. jurisdiction and therefore cannot be transferred unless they are subsequently registered under the Securities Act and any other applicable securities laws, or unless an exemption from such registration is available. It is not contemplated that registration of the interests in the Fund will ever be effected. Limited Partners may not be able to liquidate their investments prior to the end of the Fund's term and must be prepared to bear the risks of an investment in the Fund for an extended period of time.

**Risks Relating to Due Diligence of and Conduct at the Target Investment; Expedited Transactions.** Before making investments, the General Partner will typically conduct such due diligence as it deems reasonable and appropriate based on the facts and circumstances applicable to the Fund's investments. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, technical, environmental, regulatory and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment and the facts and circumstances related thereto and the General Partner may rely on the advice received from such third parties. Investment analyses and decisions by the General Partner may, at times, be undertaken on an expedited basis. In such cases, the information available to the General Partner at the time of investment may be limited, and the General Partner may not have access to the detailed information necessary for a full evaluation of the investment opportunity. The due diligence investigation carried out with respect to any investment opportunity will not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily be indicative that an investment will be successful or that the Fund will realize a return on its invested capital.

### ***Leverage Risk***

**Risks of Leverage.** The amount of borrowings which the Fund may have outstanding and/or to which its investments may be subject at any time may be large in relation to its capital, the current value of its investments, and/or its available Capital Commitments. Although the use of leverage may enhance returns, it will also substantially increase the Fund's risk of loss. For example, under declining market conditions, a decline in the value of the collateral securing a mortgage loan could result in covenant breaches and defaults by the Fund. Because borrowings may be cross-collateralized, it is likely that the Fund could experience concurrent foreclosures of multiple financed assets, accompanied by attendant losses upon lender liquidations. For purposes of this section, "cross-collateralization" shall refer to any debt that is recourse to the Fund or which is secured by more than one asset. Non-recourse loans may have "bad boy" carveouts that, if breached, may subject the Fund to liability. Borrowings may also require the Fund to provide environmental indemnities on the underlying real estate assets, which may include unknown or latent environmental liabilities.

In addition, fluctuations in market values may significantly decrease the availability, and increase the costs, of real estate mortgage loans. The ability to obtain financing quickly and on reasonable terms is important to the success of the Fund. Any dramatic change in the real estate and hotel acquisition business may substantially increase the risks that the Fund will not be able to obtain such financing. Furthermore, the use of leverage will subject the Fund to risks normally associated with debt financing, including the risk that the Fund's cash flow will be insufficient to meet required payments of principal and interest, the risk that the indebtedness on the investments will not be able to be refinanced and the risk that the terms of any refinancing will not be as favorable as the terms of the existing indebtedness. The Fund may, under some circumstances, be required to liquidate assets to service interest and principal obligations on leveraged assets. If the Fund defaults on indebtedness secured by a particular property, then the lender may foreclose and the Fund could lose its entire investment in the property. Moreover, if the Fund is required to deleverage as a result of changing market conditions, to comply with the limitations on its ability to leverage or otherwise, then it may be forced to sell investments at inopportune times or at disadvantageous prices.

**Credit Facility Leverage.** The Fund may obtain one or more credit facilities secured directly or indirectly by pledges of the Partners' undrawn Capital Commitments. The Fund may, from time to time, obtain additional financing through repurchase agreements, term debt or other secured or unsecured borrowings, as determined by the General Partner, in order to provide additional investment capital and enhance returns and may secure its obligations under such borrowings by pledging the General Partner's right to call the Fund's undrawn Capital Commitments to one or more lenders or granting a security interest in the Fund's investment portfolio. The failure to maintain a debt-to-equity ratio at specified levels may result in additional borrowings being unavailable, cash being diverted to amortize principal of outstanding borrowings, additional equity contributions being required or the liquidation of the Fund's investments in order to satisfy such limitations. In the event the Fund consists of more than one partnership or parallel fund which co-invests alongside the Fund, such entities may be directly or effectively jointly and severally liable for borrowings, and consequently an investor's particular vehicle(s) may bear more than its respective *pro rata* share of any such indebtedness and the attendant risks of such leverage. While it is expected that such vehicles would have reimbursement or other "make whole" arrangements among them, such arrangements may prove unenforceable or otherwise insufficient. In connection with any credit facility borrowings used by the Fund, the Fund may be required to make certain representations and warranties to one or more lenders. The Fund may also be required to indemnify the lenders pursuant to any credit facility in case any such representations and warranties are inaccurate. These arrangements may create contingent liabilities of the Fund, for which the General Partner may establish reserves or escrow accounts. The Fund may also be unable to obtain such credit facilities, which would decrease the likelihood that the Fund will obtain its targeted returns.

**Variable Interest Rates.** Additionally, the Fund or its subsidiaries may incur indebtedness that may bear interest at variable rates. Variable rate debt creates higher debt service requirements if market interest rates increase, which would adversely affect the Fund. The Fund or its subsidiaries may in the future engage in transactions to limit its exposure to rising interest rates as it deems appropriate and cost effective, which transactions could expose the Fund to the risk that counterparties to such transactions may not perform and cause the Fund to lose the anticipated benefits therefrom, which would have the adverse effect of exposing the Fund to increases in interest rates.

**Risk of Bridge Financings.** The Fund may make an investment with the intent of financing or otherwise reducing the Fund's investment shortly after the closing of such investment. There can be no assurance in such instances that the Fund will be successful in completing such financings or other transactions designed to reduce or leverage the Fund's investment, or that terms of such financings will be attractive when closed. If the Fund is unable to complete such an anticipated transaction, then its investments will be less diversified than the Manager may have intended.

***Risks Associated with Regulatory and Compliance Matters***

**Regulation.** The Manager and its affiliates are subject to regulation by various supervisory entities. Such regulators have broad discretion to issue or change regulations, or issue guidance, which can significantly affect the way such entities conduct their businesses. If a regulatory change impacts the Manager or any of its affiliates, then it is possible that the Fund or the value of one or more of the investments could be adversely affected. Compliance with changes in laws increasing the potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions, or other governmental rules and regulations or enforcement policies affecting the use and operation of the Fund's properties, including changes to building codes and fire and life safety codes, may result in significant unanticipated expenditures. If a property is not in compliance with applicable laws, then the Fund may be required to make modifications to such property to bring it into compliance, or face the possibility of an imposition of fines or an award of damages to private litigants.

**Material Non-Public Information.** By reason of their responsibilities in connection with the investment activities and the review of potential investments for the Fund, the General Partner, the Manager's investment professionals and certain of their officers, directors, employees, agents and affiliates may acquire confidential or material non-public information and be restricted from initiating transactions in certain securities. Due to these restrictions, the Fund may not be able to initiate a transaction that it might otherwise have initiated and may not be able to dispose of an investment that it otherwise might have disposed.

**Investors' Restrictions.** Potential investors whose activities are subject to investment laws and regulations, regulatory capital requirements or to review by certain regulatory authorities may be subject to restrictions or prohibitions on making an investment in the Fund. Any such institution should consult its own legal advisors in determining whether and to what extent it is able to invest in the Fund. The General Partner does not make any representation as to the proper characterization of the Interests or the investments to be made by the Fund for legal investment or any other purposes, or as to the ability of particular investors to invest in the Fund.

**The Investment Company Act.** Neither the Fund nor the General Partner will be registered with the U.S. Securities and Exchange Commission as an investment company pursuant to the Investment Company Act of 1940, as amended (the "**Investment Company Act**"), in reliance upon one or more exemptions therefrom. Accordingly, Limited Partners in the Fund will not be accorded the protections of the Investment Company Act.

**Loss of Investment Company Act Exemption.** The Fund at all times intends to conduct its business so as not to become required to register as an investment company under the Investment Company Act. However, there can be no assurance that it will be able to do so. If the Fund fails to qualify for an exemption from such registration, then it might be unable to

conduct its business as described in this Memorandum, and such failure could have a material adverse effect on the Fund.

**Compliance with the Americans with Disabilities Act and Other Changes in Governmental Rules and Regulations.** Under the Americans with Disabilities Act of 1990 (the “ADA”), all public properties are required to meet certain federal requirements related to access and use by disabled persons. In addition, changes in governmental rules and regulations or enforcement policies affecting the use or operation of the properties, including changes to building, fire and life-safety codes, may occur. Properties acquired by the Fund or against which the Fund lends may not be in compliance with the ADA or other governmental requirements. If a property is not in compliance with the ADA or other governmental requirements, then the Fund may be required to make modifications to such property to bring it into compliance, or face the possibility of an imposition of fines or an award of damages to private litigants. In either case, the Fund may suffer losses, which would reduce amounts available for distributions to the Limited Partners.

**Reduction of Voting Rights to Comply with Rule 506.** The Fund is expected to rely on Rule 506 under the Securities Act for an exemption from registration of interests in the Fund pursuant to Section 4(a)(2) of the Securities Act. Compliance with Rule 506 turns upon, among other things, whether any beneficial owner of 20% or more of the Fund’s outstanding voting equity securities (a “**Rule 506(d) Related Party**”) is a subject of certain criminal convictions, SEC disciplinary orders, court injunctions or similar adverse events. To help ensure compliance with Rule 506, the Partnership Agreement will reduce the voting rights of any Limited Partner as necessary to prevent such Limited Partner from being a Rule 506(d) Related Party unless the Limited Partner demonstrates to the reasonable satisfaction of the General Partner that such reduction is unnecessary to avoid causing the Fund to be disqualified from relying on Rule 506.

**ERISA.** Each fiduciary of an employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), should consider carefully whether an investment in the Fund is consistent with its fiduciary responsibilities under ERISA and should ensure that the acquisition of the Interests in the Fund will not constitute a non-exempt prohibited transaction under ERISA or Section 4975 of the Code. In this regard, while it is intended that either less than 25% of the Interests in the Fund will be held by investors subject to ERISA or the Fund will be structured to qualify as a “real estate operating company” or a “venture capital operating company,” fiduciaries of employee benefit plans subject to Title I of ERISA or Section 4975 of the Code should make an independent determination whether such ownership limitation or status can be achieved. In addition, as a “real estate operating company” or a “venture capital operating company” the Fund would be required to structure investments so as to comply with the requirements under applicable ERISA regulations. These requirements may limit the Fund’s flexibility in making and structuring investments.

If the Fund does not qualify as a “venture capital operating company” or a “real estate operating company” and has no other exemption available to prevent the Fund’s assets from being deemed “plan assets” subject to Title I of ERISA and/or Section 4975 of the Code, then ERISA investors will have the right to have their Interests in the Fund redeemed, and the General Partner also will have the right to require such redemption. If investors subject to ERISA hold 25% or more of the Interests in the Fund, then the Fund may not have a sufficient amount of cash on hand necessary to make such redemptions and could be forced to prematurely divest assets or discontinue its operations and liquidate.

**Privacy, Data Protection and Information Security Compliance Risk.** The adoption, interpretation and application of consumer protection, data protection and/or privacy laws and regulations (“Privacy Laws”) in the United States, Europe and elsewhere 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 General Partner, the Fund, and increase compliance 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 the General Partner and/or the Fund 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 European Union (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 private fund managers and their funds and investments. 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, potential liabilities 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, which could include the General Partner and/or the Fund

**Cybersecurity Risks and Identity Theft.** Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject. The General Partner’s information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquake. Although the General Partner intends to implement various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the General Partner may incur significant time or expense to fix or replace them and to seek to remedy the effects of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the General Partner’s and/or the Fund’s operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm the General Partner’s or any such entity and its respective affiliates to legal claims and/or regulatory actions or otherwise adversely affect their business and financial performance. To the extent that the Fund is subject to cyber-attack or other unauthorized access is gained to the General Partner’s systems, the Funds may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer financial information; (iii) Fund software, contact lists or other databases; (iv) Fund proprietary information or trade secrets; or (v) other items. In certain events, the Fund’s failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Any of such circumstances could subject the



General Partner or the Funds to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at the General Partner or one of its affiliates or service providers holding its financial or investor data, the General Partner, its affiliates or the Fund may also be at risk of loss.

***Risk Factors Relating to Tax Considerations***

An investment in the Fund involves complex U.S. federal, state and local, and potentially foreign, tax considerations. Prospective purchasers of Interests should consult their own tax advisors concerning the potential U.S. federal, state, local and foreign tax consequences of an investment in the Fund, with specific reference to their particular tax situations, prior to any investment therein.

Certain Funds may take positions with respect to certain tax issues that depend on legal and other interpretive conclusions. Should any such positions be successfully challenged by a taxing authority, a Limited Partner might be found to have a different tax liability for that year than that reported on its tax returns. In addition, a taxing authority's review of the Funds may result in a review of the returns of some or all of the Limited Partners, which examination could result in adjustments to the tax consequences initially reported by the Fund and affect items not related to a Limited Partner's investment in the Fund. If such adjustments result in an increase in tax liability for any year, the General Partner or one or more of the Limited Partners may also be liable for interest and penalties with respect to the amount due. The legal and accounting costs incurred in connection with any taxing authority's review of the Fund's tax returns will be borne by the Fund. The cost of any review of a Limited Partner's tax return will be borne solely by the Limited Partner. The taxation of partnerships and partners is complex.

**UBTI Limitations and Tax-Exempt U.S. Investors.** Certain Funds may use commercially reasonable efforts to structure its investments to reduce UBTI for Tax-Exempt U.S. Investors to the extent reasonably practicable and consistent with the Fund's objective of maximizing distributions from the Fund and its subsidiaries to all Partners, provided that the Fund is permitted to hold hotel investments in REIT Subsidiaries and lease any such hotels to one or more taxable REIT subsidiaries. Subject to the foregoing sentence, the Fund, however, will not be prohibited from entering into transactions structured in a manner that may result in recognition of UBTI by Tax-Exempt U.S. Investors, and there are certain activities that the Fund is specifically permitted to conduct notwithstanding its undertakings to reduce UBTI. In addition, the Fund's undertaking to reduce UBTI shall be deemed satisfied with respect to any investment held through a Fund subsidiary taxed as a corporation, including a REIT Subsidiary, which, as discussed below, entails certain tax risks.

**Risk of ECI.** Prospective Non-U.S. investors should be aware that certain Funds may generate income that is treated as effectively connected with a U.S. trade or business ("ECI") under the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA") for U.S. federal income tax purposes. As a result, Non-U.S. investors (other than certain Non-U.S. investors that receive special exemptions from FIRPTA ECI, such as "qualified foreign pension funds") should expect to incur ECI as a result of a direct investment in the Fund.

**Conflicting Tax Objectives of Investors.** The General Partner and/or the Manager shall determine the structures through which the Fund shall make its investments and may take into account the tax considerations applicable to one or more groups of investors. This may result in the Fund structuring investments in a manner that is intended to be beneficial for

one or more groups of investors, but that may result in additional costs to the Fund or that may not be the optimal structure from the perspective of other investors with divergent tax interests. For example, certain Funds may be required to use commercially reasonable efforts to structure the Fund's investments so as to reduce UBTI, consistent with the Fund's objective of maximizing distributions to its Partners. As a result, the Fund may structure its investments in a manner that may not be beneficial to taxable investors or other investors, or the Fund may refrain from engaging in activities (*i.e.*, by not making certain investments) that otherwise would be to the benefit of investors that are not Tax-Exempt U.S. Investors.

In particular, certain Funds may hold their investments primarily through one or more REIT Subsidiaries, and lease its hotel investments to a taxable REIT subsidiary ("**TRS**"). The operating income of the hotel business in excess of expenses (including the rent paid to the REIT subsidiary and the management fee paid to the hotel management company) will be subject to U.S. federal corporate income tax in the taxable REIT subsidiary, which will reduce distributions from the Fund to all of the Partners. As a result, this hotel REIT- TRS structure will result in tax at the Fund subsidiary level that will be borne indirectly by all investors, even though the structure primarily benefits Tax-Exempt U.S. Investors. Investors should consult their own tax advisors prior to making an investment in the Fund.

**Legislation Regarding the U.S. Federal Income Tax Audits of Partnerships.** In 2015, Congress revised the rules applicable to U.S. federal income tax audits of partnerships (such as the Fund) and the collection of any tax resulting from any such audits or other tax proceedings, generally for taxable years beginning after December 31, 2017. Under the new rules, the Fund itself may be liable for a hypothetical increase in partner- level taxes (including interest and penalties) resulting from an adjustment of Fund tax items on audit, regardless of changes in the composition of the Partners (or their relative ownership) between the year under audit and the year of the adjustment. The new rules also include an elective alternative method under which the additional taxes resulting from the adjustment are assessed from the affected partners, subject to a higher rate of interest than otherwise would apply. Many questions remain as to how the new rules will apply and it is not clear at this time what effect this new legislation will have on the Fund. However, these changes could increase the U.S. federal income tax, interest, and/or penalties otherwise borne by Limited Partners in the event of a U.S. federal income tax audit of the Fund.

**Complex Tax Considerations.** The tax implications of an investment in the Fund are complex and tax laws change on a frequent and unpredictable basis. Prospective investors should assume that state tax laws may have a significant impact upon the operations and financial performance of the Fund. In addition, although the General Partner intends to cause Schedules K-1 to be mailed to investors, Schedules K-1 may not be available until the Fund has received tax reporting information relating to its investments necessary to prepare final Schedules K-1. Prospective investors in the Fund should not expect to receive tax information (including Schedules K-1, if required) necessary for them to file their U.S. federal income tax returns with respect to Interests in the Fund prior to the March 15th or April 15th, as applicable, tax filing deadline and will most likely need to file extensions for the time in which to file their tax returns.

For additional discussion regarding certain U.S. federal income tax considerations in connection with an investment in the Fund Prospective investors in the Fund should consult their own tax advisors concerning the potential U.S. federal, state, local and non-U.S. tax consequences to such investors, with specific reference to their particular tax situations, prior to any investment therein.

**Special Considerations for Taxable U.S. Investors.** Investments by certain Funds through one or more REIT Subsidiaries may have certain adverse tax consequences for taxable U.S. Investors. Losses incurred by a REIT Subsidiary will not flow through and be allocated to such investors for U.S. federal income tax purposes, and therefore may not be used by such investors to reduce their income from other sources (including other Fund activities). Furthermore, net losses incurred by a REIT Subsidiary in any taxable year may not reduce the amount of distributions in subsequent years that are treated as dividends (including capital gains dividends). As a result, taxable U.S. Investors may be taxed in respect of distributions from a REIT Subsidiary that exceed such investor's economic gain. In such event, upon liquidation of the applicable REIT Subsidiary, taxable U.S. Investors may realize a capital loss, the use of which is limited under the tax rules.

In addition, REIT Subsidiaries will lease hotel investments to TRSs. The TRSs will be subject to U.S. federal corporate income tax on the profit attributable to operating the hotel business in excess of expenses (including the rent paid to the REIT Subsidiary and the hotel management fee paid to the hotel manager). Any such tax will reduce amounts distributable to taxable U.S. Investors, thus resulting in double tax to taxable U.S. Investors on the hotel operating income.

**Failure of a REIT Subsidiary to Qualify as a REIT.** Certain Funds may make investments through subsidiaries, including one or more REIT Subsidiaries. The requirements for qualification as a REIT are extremely complex, and a REIT Subsidiary's compliance with these requirements may depend upon factors outside the control of the Fund and the REIT Subsidiary, including actions taken by joint venture partners.

In addition, a substantial amount of the REIT Subsidiaries' income will be rent received from related TRSs in connection with leases of the REIT Subsidiaries' hotel investments. Generally, rent received by a REIT from a related party (such as a TRS) is non-qualifying REIT income, but there is a special exception for rent received from a TRS in connection with a lease of a "qualified lodging facility" (which includes a hotel) if the qualified lodging facility is operated by an "eligible independent contractor." The General Partner intends to contract the operation of the hotels to a hotel management company that is held in name by a sponsor affiliate, but is owned 100% by the principal owner of the General Partner through tracking interests in the sponsor affiliate. The General Partner believes that the hotel management company is treated as owned directly by the General Partner's principal owner for tax purposes, even though it is held in name by the sponsor affiliate. If the hotel management company is owned by the General Partner's principal owner for tax purposes, the General Partner believes the hotel management company qualifies as an eligible independent contractor with respect to the Fund and its REIT Subsidiaries. However, if the hotel management company is treated as owned by the sponsor affiliate for tax purposes, it is possible that the hotel management company may not qualify as an eligible independent contractor in certain circumstances. If the hotel management company does not qualify as an eligible independent contractor to the REIT Subsidiaries, the REIT subsidiaries likely will not qualify as REITs.

As a result, there can be no assurance that any REIT Subsidiary will in fact qualify for taxation as a REIT. Failure of a REIT Subsidiary in any taxable year to qualify as a REIT will render the REIT Subsidiary subject to tax on its taxable income at regular U.S. corporate income tax rates. In that event, the REIT Subsidiary would be subject to potentially significant tax liabilities and the amount of cash available for distribution to the Fund as its shareholder would be reduced and possibly eliminated.

Moreover, even though qualified as a REIT, a REIT Subsidiary may be subject to certain taxes,

including a 100% tax on profits from assets characterized as held for sale, rather than investment, for tax purposes. In certain circumstances the amount of any such taxes could be substantial. In seeking to comply with the requirements for taxation as a REIT and minimize any potential taxes payable by it, a REIT Subsidiary may be required to limit or alter its activities, including by foregoing or delaying certain opportunities (including potential dispositions) that might otherwise be attractive on a pre-tax basis. Furthermore, future legislation, new regulations, administrative interpretations or court decisions may significantly change the tax laws or the application of the tax laws with respect to qualification as a REIT. Any such change could adversely affect any REIT Subsidiary's ability to qualify as a REIT or the U.S. federal income tax considerations relating to such qualification.

**REIT Preferential Dividends.** The General Partner may agree to reduce the Investment Management Fee with respect to one or more potential investors. It is possible that the Internal Revenue Service (the "IRS") could treat such a reduction as causing one or more REIT Subsidiaries to be treated as making "preferential dividends." If the IRS were successful in making such a challenge, a REIT Subsidiary could be subject to U.S. corporate level income tax, excise taxes, penalties, or even possible loss of REIT status.

**Tax Legislation.** The rules dealing with U.S. federal, state and local income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department. Changes to tax laws (which changes may have retroactive application) could adversely affect the Fund or its investors. In recent years, many such changes have been made and changes are likely to continue to occur in the future. It cannot be predicted whether, when, in what form, or with what effective dates, tax laws, regulations and rulings may be enacted, promulgated or decided, which could result in an increase in the Fund's or its investors' tax liability or require changes in the manner in which the Fund operates in order to minimize increases in its tax liability.

**Delayed Tax Information.** The General Partner may not be able to provide final tax filing information to Limited Partners for any given fiscal year until after the initial tax filing deadlines for Limited Partner 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 the Fund.

**Disparate Investor Base.** As a commingled Fund which expects to close investors over a period of time, the General Partner may accept Capital Commitments from many different types of investors (*e.g.*, U.S., non- U.S., state and local governmental pension plans, sovereign entities, ERISA pension plans, corporate investors, individuals, etc.). Many institutional investors have constitutional, legislative, policy and/or procedural limitations on the investments they may make and/or terms upon which they may agree in making investments. For example, certain U.S. state and local pension plans may insist upon withdrawal rights or rights to stop funding their commitment upon the occurrence of certain events or determinations, which in some cases may be in the judgment of the investor without a requirement for objective third party adjudication or confirmation. Often times, such provisions may be agreed to by the General Partner and Manager in Side Letters, which may not be shared with other investors, but could nonetheless impact the assets and performance of the Fund as a whole. In negotiating and agreeing to investor-specific rights on behalf of the Fund, itself and/or the Manager, the General Partner will consider a variety of factors, including without limitation the potential impact on the Fund of such provisions, its estimate of the likelihood such provisions would be enacted in this Fund, and the benefit to the Fund of a larger capital base and the diversification and investment opportunities a larger Fund presents.

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**Item 9: Disciplinary Information**

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To the best of our knowledge, there are no legal or disciplinary events that are material to an Investor's or prospective investor's evaluation of our advisory business or the integrity of our management.

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

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Neither we nor our management persons are registered as broker-dealers, and neither of us has any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer, respectively.

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

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***Code of Ethics***

MCR has adopted a “**Code of Ethics**” that sets forth the standards of conduct expected of all employees providing services to clients and requires compliance with applicable securities laws.

The Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information MCR or any of its employees. Prospective clients and clients may contact MCR at the telephone number or email listed on the cover of this Brochure to request a copy of its Code of Ethics. MCR appointed Nathan Logan to serve as Chief Compliance Officer who, together with senior management, will be responsible for monitoring and enforcing the Code of Ethics.

The Code of Ethics establishes the high standard of conduct that we expect of our employees and procedures regarding our employees’ personal trading of securities. The foundation of our Code of Ethics is based upon the following underlying fiduciary principles:

- Employees must at all times place the interests of the Fund and Investors first;
- Employees must ensure that all personal securities transactions are conducted consistent with the Code of Ethics’ Employee Personal Investment Policy; and
- Employees should not take inappropriate advantage of their position at the Firm.

Further, the policies provide that all employees must act within the spirit and the letter of all federal, state, and local laws and regulations pertaining to the securities business, and at all times, the interest of each client has precedence over any personal interest. MCR’s Code of Ethics requires employees to report their personal securities transactions and prohibits employees from directly or indirectly engaging in certain securities transactions without first obtaining approval. In addition, the Code of Ethics requires employees to comply with procedures designed to prevent the misuse of, or trading upon, material non-public information.

We will provide a copy of our Code of Ethics to our Investors, or any prospective investor, upon request, to be viewed on the premises.

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**Item 12: Brokerage Practices**

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MCR is authorized to determine the broker-dealer to be used for executing securities transactions for the Funds. In selecting broker-dealers to execute transactions, we look for the lowest execution costs. It is our practice to negotiate “execution only” commission rates; therefore, the Funds will not be deemed to be paying for research or other services provided by the broker as part of the commission rate.

We shall also have the authority to select and appoint custodians of the assets of the Funds. The Firm’s authority is limited by its own internal policies and procedures and each Fund’s investment guidelines.

***Best Execution***

In selecting an appropriate broker-dealer to effect a client trade, to the extent possible, we seek to obtain “**Best Execution**,” meaning generally the execution of a securities transaction for a client in such a manner that a client’s total costs or proceeds in the transaction are most favorable under the circumstances.

***Soft Dollars***

At this time MCR does not participate in the use of Soft Dollars, however if MCR decides to participate in a Soft Dollar program in the future, the Adviser will implement the appropriate policies and procedures.

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**Item 13: Review of Accounts**

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Our investment professionals and investment professionals continuously monitor and analyze the transactions, positions, and investment levels of the Fund to ensure that they conform with the investment objectives and guidelines that are stated in the Fund’s offering documents. In these reviews, the Firm pays particular attention to any changes in the investment’s fundamentals, overall risk management and changes in the markets that may affect price levels.

***Account Reporting***

We perform regular reviews of the portfolio, including quarterly calls and letters, detailing major changes and developments.

We will distribute an audited financial report with respect to the previous fiscal year to all Investors within 120 days of fiscal year end. We may also distribute quarterly unaudited net asset value statements, quarter-end performance reports, and a quarterly investor letter to all Investors.

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

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We do not receive economic benefits from non-clients for providing investment advice and other advisory services. Neither we nor any of our related persons, directly or indirectly, compensate any person who is not a supervised person for client referrals.

**Item 15: Custody**

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We will be deemed to have custody of Client funds and securities because we have the authority to obtain Client funds or securities, for example, by deducting advisory fees from a Client's account or otherwise withdrawing funds from a Client's account. Account statements related to the Clients are sent by qualified custodians to MCR.

We will comply with Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**") (i.e., the "custody rule") by meeting the conditions of the pooled vehicle annual audit approach. Upon completion of the relevant Fund's annual audit by an independent auditor that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board (PCAOB), we will distribute the Fund's audited financials to Investors within 120 days of such Fund's fiscal year end.

**Item 16: Investment Discretion**

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We have full discretionary investment authority with respect to the Funds, including authority to make decisions with respect to which securities to be bought and sold, as well as the amount and price of those securities.

**Item 17: Voting Client Securities**

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The firm does not vote by proxies at this time.

**Item 18: Financial Information**

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We are not required to include a balance sheet for our most recent fiscal year, are not aware of any financial condition reasonably likely to impair our ability to meet contractual commitments to Clients, and have not been the subject of a bankruptcy petition at any time during the past ten years.