

Bangtail Management, LP  
1195 Bangtail Way  
Steamboat Springs, CO 80487  
970-457-4340  
[www.deerparkrd.com](http://www.deerparkrd.com)

**BROCHURE 2A**  
**March 30, 2024**

This brochure provides information about the qualifications and business practices of Bangtail Management, LP. If you have any questions about the contents of this brochure, please contact our Investor Relations Department at (970) 457-4340 or e-mail us at [info@deerparkrd.com](mailto:info@deerparkrd.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or any state securities authority.

Bangtail Management, LP is an SEC-registered investment adviser. This registration does not imply any level of skill or training. Additional information about Bangtail Management, LP is also available on the SEC’s website at [www.adviserinfo.gov](http://www.adviserinfo.gov).

**Item 2. Material Changes**

This is Bangtail’s amendment to its Form ADV Part 2A. Since Bangtail’s last amendment dated September 1, 2023, there have been no material changes; however, certain Items have been amended and the Brochure should be reviewed in its entirety.

**Item 3. Table of Contents**

	<b><u>Page</u></b>
Item 1. Cover Page .....	1
Item 2. Material Changes .....	1
Item 3. Table of Contents.....	2
Item 4. Advisory Business .....	3
Item 5. Fees and Compensation.....	3
Item 6. Performance-Based Fees and Side by Side Management .....	4
Item 7. Types of Clients.....	5
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss .....	5
Item 9. Disciplinary Information.....	22
Item 10. Other Financial Industry Activities and Affiliations .....	23
Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	25
Item 12. Brokerage Practices .....	26
Item 13. Review of Accounts.....	27
Item 14. Client Referrals and Other Compensation .....	27
Item 15. Custody .....	27
Item 16. Investment Discretion .....	27
Item 17. Voting Client Securities .....	27
Item 18. Financial Information.....	28

#### **Item 4. Advisory Business**

Bangtail Management, LP (“Bangtail”, or the “Adviser”) is a Delaware limited partnership that provides discretionary investment advisory services to a privately offered investment fund that invests in a variety of real estate assets. The Adviser commenced operations in 2021 and is owned and controlled by Michael Craig-Scheckman, Scott Burg and Brad Craig. The Adviser is an affiliate of Deer Park Road Management, LP (“Deer Park Road”), an SEC-registered investment adviser. Adviser and Deer Park Road share office space and have separate but substantially similar policies and procedures. The Adviser and Deer Park Road utilize the same personnel and systems.

The Adviser aims to identify attractive investment opportunities in the single family residential real estate market by purchasing and offering properties to rent. The Adviser focuses on acquiring, holding, managing, leasing, operating, maintaining, improving, developing, constructing, redeveloping, renovating, remediating, financing, refinancing, transferring and disposing of single family residential real estate. The Adviser aims to identify attractive opportunities using technological innovation provided by third party service providers in order to enhance purchasing and renting efficiencies.

The Adviser manages a privately offered pooled investment vehicle, Flywheel SFR Fund I LP (the “Fund” or the “Client”), a Delaware limited partnership launched in January of 2022 with commitments of \$165 million. Commitments for the Fund were supplied by a seed investor (the “Seed Investor”) and an affiliate of the Adviser. In return for its commitment, the Seed Investor received an interest in the general partner of the Fund (the “Fund General Partner”) and an interest in certain management fees payable to the Adviser for this Fund and certain future funds. As of December 31, 2023, the Adviser managed approximately \$107 million of assets (calculated as net asset value of funds managed by the Adviser as of December 31, 2023) on a discretionary basis, and the Adviser and its affiliate Deer Park Road together managed approximately \$3.1 billion of assets (calculated as net asset value of all funds managed by the Adviser and its affiliates as of December 31, 2023) on a discretionary basis. The Adviser does not manage any assets on a non-discretionary basis. The Manager does not manage wrap fee programs. “Regulatory Assets Under Management,” as that term is defined by the SEC, were \$4 billion on a discretionary basis firmwide as of December 31, 2023, which includes committed capital.

#### **Item 5. Fees and Compensation**

The fees and expenses applicable to the Fund are set forth in detail in the Fund’s organizational documents. A brief summary of those fees and expenses follows.

Compensation received by the Adviser from the Fund comprises “Management Fees” and “Carried Interest.” Monthly Management Fees are based on a percentage of assets under management and are paid quarterly, in arrears. The Management Fee rate is 1% per annum of total capital commitments during the investment period of the Fund and 1% per annum of the cost basis of then-remaining investments thereafter, subject to certain fee offsets.

In addition to Management Fees, the Fund General Partner receives performance-based compensation in the form of distributions of profits to its Capital Account (commonly referred to as “Carried Interest”). Carried Interest for the Fund is 20% of the profits earned by such Fund after

return of capital to LPs and the payment of 6% Preferred Return to LPs subject to a 100% catch up to the Fund General Partner. Investors should refer to the Fund's organizational documents for additional or supplementary information regarding the Carried Interest distributions.

The Adviser or the Fund General Partner, as applicable, has discretion to waive, modify or change the amount or calculation method for the Management Fee or Carried Interest with respect to the Fund or individual investor including affiliates or employees of the Adviser.

The Adviser pays all of its normal operating expenses incidental to the provision of administrative services to the Fund, including related overhead. Subject to any expense limitation set forth in the organizational documents, the Fund generally bears all expenses of its organization and operation, which generally include but are not limited to:

- Research-related expenses;
- Investment-related expenses
- Legal fees and expenses;
- Corporate licensing fees and other professional fees;
- Fees and expenses related to valuation, appraisal, property management, consulting and other professional services;
- Interest on and fees and expenses related to hedging activities of the Fund;
- Insurance, audit, tax, accounting and fund administration expenses;
- Fees, expenses and commissions relating to brokerage, custodial, depository, trustee, account and similar services;
- Expenses attributable to printing, communications, marketing and publicity (e.g., costs of printing and mailing reports and notices);
- Costs of portfolio management and accounting systems;
- Costs relating to communications and reporting;
- Travel, accommodation, meals and entertainment expenses, including (1) in connection with consummated and unconsummated investment and disposition opportunities and (2) reasonable costs and expenses incurred in connection with any reporting to the partners in the Fund and any meeting of the partners in the Fund; and
- Other fees, costs and expenses set forth in Section 5.3 of the Fund's Limited Partnership Agreement.

Please also see "Item 12 – Brokerage Practices" below for additional information regarding Bangtail's broker selection policies.

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

The Adviser currently manages only one Client. However, affiliates of the Adviser manage other Clients, including private client funds and proprietary funds in addition to being sub-adviser to a mutual fund. While these other accounts will not purchase the same assets as those purchased by the Fund (residential homes), they do purchase and hold shares in companies that provide essential services to the Fund. These holdings create conflicts of interest between the Fund, the Adviser,

and the Adviser's affiliates. The Adviser has a fiduciary duty to the Fund and has adopted and implemented policies and procedures intended to address conflicts of interest.

Carried Interest may create an incentive for the Fund General Partner to make investments that are riskier or more speculative than would be the case if a performance-based compensation arrangement were not in effect.

Due to the method of calculating the Carried Interest of the Fund General Partner, the compensation of the Fund General Partner may be affected by the timing of dispositions and other factors that will be within the control of the Adviser and the Fund General Partner.

#### **Item 7. Types of Clients**

The Fund is structured as a domestic limited partnership. Limited partnership interests are offered on a private placement basis, and in reliance on Section 3(c)(7) of the Investment Company Act of 1940 (the "Company Act"), to persons who generally are "accredited investors" as defined under the Securities Act of 1933, as amended (the "Securities Act"), and "qualified purchasers" as defined under the Company Act. Investors in the Fund may from time to time include some or all of the following: institutional investors, pension and profit-sharing plans, trusts, estates, charitable organizations, high net worth individuals, corporations or business entities other than those listed previously, private investment funds or other entities. The Adviser does not manage any separate account or wrap fee accounts.

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

In this section, the term Adviser is used in reference to activities undertaken by the Adviser on behalf of the Fund and its underlying investors. The risks undertaken by the Adviser should be read to include risks undertaken by each investor in the Firm's products except where indicated otherwise.

### **INVESTMENT STRATEGY**

The Fund seeks to purchase U.S. single-family homes with the purpose of generating an operationally enhanced stream of rental income and augmenting the price appreciation of the underlying properties. The Adviser utilizes services of Bungalow Living, Inc. ("Bungalow"), a technology company for the rental industry, to acquire single-family residential properties. The Fund will seek to acquire properties over an initial 3-year investment period, enter a stabilization period and then seek an effective exit strategy.

### **RISK OF LOSS**

#### ***General Risks***

#### **General Economic and Market Conditions**

The success of the Fund's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, the health of the U.S. economy (and, in particular, employment) changes in laws (including laws

relating to taxation of the Fund's investments), trade barriers, currency exchange controls, COVID-19 infection rates and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of the prices and the liquidity of the Fund's investments. Volatility or illiquidity could impair the Fund's profitability or result in losses.

### **Monetary Policy and Governmental Intervention**

Over the past decade, the U.S. Federal Reserve and global central banks have, in addition to other governmental actions to stabilize markets and seek to encourage economic growth, acted to hold interest rates at historic lows. Market turmoil relating to the COVID-19 pandemic prompted additional acts by U.S. and non-U.S. governments, central banks and other governmental entities, including further cuts to interest rates and other fiscal stimulus programs, and it is possible that additional measures will be implemented in the future. No assurances can be made that any such government intervention will be successful. More recently, central banks have taken and/or considered actions to counter increased rates of inflation, including by increasing interest rates. Such policies may have a significant effect on interest rates and the U.S. and global economy generally, which in turn may affect the performance of the Fund's investments or the ability of the Fund to realize its investment objectives. The implementation of such programs may also be delayed due to political factors that are changing rapidly.

### **Terrorist Action; Acts of War; Natural Disasters; Global Contagion**

There is a risk of terrorist attacks in the U.S. and elsewhere or acts of war (including, for example, conflict between Russia and Ukraine, as well as recent events in Israel), causing significant loss of life and property damage and disruptions in the local or global market. Economic and diplomatic sanctions may be in place or imposed on certain states, and military action may be commenced. The occurrence of a natural disaster or epidemic could adversely affect and severely disrupt the business operations, economies and financial markets of many countries (even beyond the site of the natural disaster or epidemic). Such events have created and continue to create economic and political uncertainties and have contributed to global economic instability. Losses from such events are generally uninsurable. Ultimately, the potential impact of such events is unclear, but such events could have a material adverse effect on general economic conditions, market liquidity or the operations of the Adviser or the Fund.

### **Epidemics and Pandemics**

Since 2003, the world has seen a number of outbreaks of new viral illnesses of varying severity, including Severe Acute Respiratory Syndrome (SARS), Middle East Respiratory Syndrome (MERS), the H1N1 Flu (Swine Flu), and COVID-19. The responses to these outbreaks have varied as has their impact on human health, local economies and the global economy, and it is impossible at the outset of any such outbreak to estimate accurately what the ultimate impact of any such outbreak will be. Protective measures taken by governments and the private sector to mitigate the spread of such illness, including travel restrictions and outright bans, quarantines, and work-at-home arrangements, and the spread of any such illness within the offices of the Adviser and/or the Fund's service providers, could seriously impair the Adviser's and/or the Fund's service providers' operational capabilities, potentially harming the Fund's business and its operating results. The

COVID-19 pandemic has caused significant volatility in the credit and equity markets, which, in turn, has resulted in significant losses to many private investment funds.

### **Real Estate Market Conditions**

The Fund's strategy is based upon the premise that real estate assets will be available for purchase by the Fund at prices that the Adviser considers favorable. The Fund's strategy also relies in part upon favorable market conditions for dispositions of the Fund's investments during or after expiration of the Fund's term. Furthermore, the Fund's strategy relies on the ability to obtain tenants paying sufficient rental income to provide a positive cash yield on the Fund's investments while they are held. No assurance can be given that real estate assets can be acquired at favorable prices, that such assets may be successfully rented at sufficient rates or that the market for such assets will not deteriorate, since this will depend largely on events and factors outside the control of the Fund, the General Partner and the Adviser.

Further, investments in real estate are subject to various risks, including, for example, adverse changes in national and international economic and geopolitical conditions; changes in local market conditions; changes in the number of buyers and sellers of properties; increases in the availability of supply of property relative to demand; changes in availability of financing; increases in interest rates, real estate tax rates, energy prices, the tax laws related to the ownership of real estate and related financing (such as the deductibility of state and local taxes and mortgage interest for federal income tax purposes) and other operating expenses; changes in environmental laws and regulations, zoning laws and other federal, state and local governmental rules, policies and regulatory requirements; changes in the relative popularity of properties; risks due to dependence on cash flow; risks and operating problems arising out of the availability of certain construction materials, as well as acts of God, uninsurable losses and other factors which are beyond the control of the Fund, the General Partner and the Adviser. In addition, real estate is subject to long-term cyclical trends that give rise to significant volatility in real estate values. Local regulations, including municipal or local ordinances, restrictions, and restrictive covenants imposed by community developers may restrict our use or the use of the Fund's properties and may require us to obtain approval from local officials or community standards organizations at any time with respect to our properties, including prior to acquiring properties or when undertaking renovation of properties. The Fund's properties are also subject to federal, state and local accessibility requirements, including and in addition to those imposed by the Americans with Disabilities Act and the Fair Housing Act. Any violation by us of the laws and regulations we are subject to could lead to significant fines or penalties and could limit the Fund's ability to conduct business. There can be no assurance that existing regulatory policies will not adversely affect the Fund or the timing or cost of future acquisitions, renovations or dispositions, or that additional regulations will not be adopted that would increase such delays or result in additional costs or losses. All of these factors could adversely affect the performance of the Fund and the Limited Partner's investments therein.

### **Debt Market Conditions**

Volatility in the U.S. debt markets may adversely affect the Fund's acquisition and disposition activities because it may affect the Fund's ability, or the ability of a prospective purchaser of the Fund's assets, to obtain financing on favorable terms, or at all. A combination of lack of liquidity and regulatory constraints on the amount of debt banks may extend for transactions in the capital

markets and may make it significantly more difficult for the Adviser to obtain favorable financing for investments, particularly if valuations decline and assets become ineligible for borrowing, and the financing that is available may be on significantly less favorable terms than had been prevailing in the past. The Adviser may be required to finance transactions with a greater proportion of equity relative to prior periods. A prospective purchaser's inability to obtain financing, on favorable terms or at all, may make it more difficult for the Fund to sell its investments at attractive prices or at all.

### **Assumption of Catastrophic Risks**

The Fund may be subject to the risk of loss arising from direct or indirect exposure to various catastrophic events, including the following: hurricanes, earthquakes and other natural disasters; war, terrorism and other armed conflicts; cyberterrorism; major or prolonged power outages or network interruptions; and public health crises, including infectious disease outbreaks, epidemics and pandemics. To the extent that any such event occurs and has a material effect on global financial markets or the U.S. (or has a material negative impact on the operations of the Adviser or the Service Providers), the risks of loss can be substantial and could have a material adverse effect on the Fund and the Limited Partners' investments therein. Furthermore, any such event may also adversely impact one or more individual Limited Partners' financial condition, which could result in such Limited Partner's failure to make capital contributions when due as a result of their individual financial situations and irrespective of Fund performance.

### **Potential Interest Rate Increases**

The United States has experienced a sustained period of historically low interest rate levels. In recent years, however, short-term and long-term interest rates have risen, particularly in 2023. The uncertainty of the U.S. and global economy, changes in U.S. government policy and changes in the federal funds rate increase the risk that interest rates will remain volatile in the future. Sustained future interest rate volatility may cause the value of the investments held by the Fund to fluctuate.

### ***Real Estate-Related Risks***

#### **General**

The Fund is subject to all the risks inherent in investing in real estate and real estate-related investments, ranging from equity investments to debt investments, which risks may be increased if the investment is leveraged. For example, real estate investments are relatively illiquid and, therefore, will tend to limit the General Partner's and/or the Adviser's ability to vary the Fund's portfolio promptly in response to changes in economic or other conditions. Because real estate, like many other types of long-term investments, historically has experienced significant fluctuation and cycles in value, specific market conditions may result in occasional or permanent reductions in the value of the Fund's investments. In addition, the ability of the Fund to realize anticipated rental and interest income on its equity and debt investments will depend on many factors which may be beyond the control of the General Partner, including: general and local economic conditions; neighborhood values; the supply of and demand for properties of the type in which the Fund invests; the financial resources of tenants and borrowers; changes in operating expenses; vandalism; vacancies; rent strikes; terrorism; changes in tax, zoning, building, environmental and other applicable laws; fluctuations in energy prices and energy and supply shortages; federal and



local rent control laws; real property tax rates; the ongoing need for capital improvements; cash flow risks; construction risks; natural catastrophes; acts of war, terrorism or civil unrest; pandemics; and changes in interest rates and the availability of mortgage funds, which may render the sale of properties difficult or unattractive. Such risks may also cause fluctuations in occupancy rates, rent schedules and operating expenses, which could adversely affect the value of real estate and real estate-related investments. There can be no assurance of profitable operations for any property purchased by the Fund, or the repayment of any debt investment made by the Fund. Accordingly, the Fund's investment objectives may not be realized.

### **Real Estate Market Economic Conditions**

The success of each real estate investment of the Fund depends upon the performance of the local real estate markets where the assets are located. Local real estate markets can decline for any of a number of reasons, including population decline, poor regional economic performance, the failure of a large local employer, excess development leading to oversupply, local government policies and heightened taxes. No assurance can be given that the local real estate markets in which the Fund invests will improve, or remain constant, over the term of the Fund. Market conditions can deteriorate due to factors outside the foresight or control of the Fund, the General Partner or the Adviser. Actual or perceived trends in real estate markets do not guarantee, predict or forecast future events, which may differ significantly from those implied by such trends.

In addition to general and local real estate market economic conditions, as described herein, the real estate markets in which the Fund operates are also affected by a number of specific conditions, such as planning, environmental, leasing, tax and other real estate-related laws and regulations, prevailing rental rates, prospective rental growth, occupancy rates, lease lengths, tenant creditworthiness and solvency, and benchmark investment yields and spreads that apply to residential real estate. Adverse general economic and market conditions, such as those that prevailed following the financial crisis of 2007-2008 and are prevailing during the current global economic downturn following the outbreak of COVID-19, could have a material adverse effect on residential real estate assets, including by decreasing demand for residential real estate, reducing rental income, decreasing occupancy rates, causing tenants to terminate leases early or enter bankruptcy proceedings and decreasing the value of real estate assets generally. Declines in rental income on real estate as a result of negative market conditions would not necessarily be accompanied by a decline in significant expenses associated with holding real estate, such as real estate taxes, utility rates, insurance rates, and renovation and maintenance costs. This mismatch would accentuate the impact of a negative market event.

Recent strengthening of the U.S. economy and job growth, coupled with government programs designed to keep homeowners in their homes and/or other factors, may contribute to an increase in homeownership rather than renting. In addition, as institutional investors like the Fund increasingly seek to capitalize on opportunities to purchase housing assets and convert them to productive uses, the supply of single family rental ("SFR") properties will decrease, which may increase competition for residents, limit the Fund's strategic opportunities and increase the cost to acquire those properties. A softening of the rental market in the Fund's core areas may negatively impact rental revenue and profitability.

Pandemic outbreaks have contributed to and may continue to contribute to volatility in the financial markets, which may disrupt historical pricing relationships or trends, cause positions to become illiquid or negatively impact the performance of Client portfolios. Such market turmoil has prompted certain acts of governmental intervention in response to the COVID-19 outbreak, and it is likely that additional measures will be implemented in the future. In particular, the imposition of quarantines and travel restrictions or failures to contain the outbreak, despite these measures, could materially and adversely impact the investments in Client portfolios, both in the near- and long-term. In addition, the imposition of travel restrictions (including “shelter-in-place” or “lock-down” directives) may disrupt the operations and business activities of the Adviser or one or more brokers, counterparties or service providers to Client portfolios or the Adviser. Such disruptions could negatively impact the ability of the Adviser to effectively monitor or trade a Fund’s investments or the ability of one or more brokers, counterparties or services providers to a Fund or the Adviser to provide services to a Fund or the Adviser. Such measures could have unexpected and potentially adverse effects on a Fund or the Adviser (or any Affiliates thereof), the markets in which a Fund trades, or certain investment strategies in which a Fund engages or may have otherwise engaged. It is impossible to predict what additional interim or permanent governmental restrictions may be imposed on the markets or the effect of such restrictions on its Adviser’s strategies.

### **Real Estate Title**

Disputes over ownership of land sometimes occur. While title insurance is readily available to cover this risk, typical exclusions from policies may render them ineffective in certain cases. In situations where the Fund does not obtain title insurance, the Fund could rely on opinions of title from lawyers or other professionals, which may prove inaccurate. Finally, in some jurisdictions, a purchase of real property can be attacked as not meeting “true sale” requirements and recharacterized as secured financing in the event the seller becomes insolvent. If any of these events occurs in relation to any of the Fund’s interests or properties, the Fund could lose certain of its rights in relation thereto.

### **Potential Environmental Liability**

Under various U.S. federal, state, and local laws, ordinances and regulations, a current or previous owner, developer or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, under or in its property. The costs of removal or remediation of such substances could be substantial. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of such hazardous substances. The Fund will attempt to assess such risks as part of its due diligence activities but cannot give any assurance that such conditions do not exist or may not arise in the future. The presence of such substances on the Fund’s real estate investments could adversely affect its ability to sell such investments or to borrow using such investments as collateral.

### **Potential Removal or Remediation Liabilities**

The Fund may engage the services of qualified environmental consultants as necessary to assess the environmental condition of certain types of property that may be or is an investment. Nevertheless, the Fund and/or its Subsidiaries may be considered an owner or operator of

properties on or in which asbestos or other hazardous or toxic substances exist, and, therefore, potentially liable for removal or remediation costs, as well as certain other related costs, including governmental fines and costs of injuries to persons and property. These costs can be substantially in excess of the value of the property. The presence of hazardous or toxic substances or the failure to properly remediate such substances may also adversely affect the value of such property.

### **Newly-Completed Properties and Properties Under Construction**

The Fund may invest in land intended to be developed and in properties under development. Purchase of property prior to completion of development and construction, or making loans relating to properties under development, is subject to greater risks than purchasing properties with operating histories. In connection with the purchase of properties under development and construction, the Fund will be subject to certain risks, including the risks of unanticipated delays in, or increases in the cost of, development and construction as a result of factors beyond the control of the General Partner or the Adviser. These factors may include strikes, adverse weather, material shortages, building restrictions, clearances, environmental impact studies, solvency of the contractor or subcontractors and increases in the cost of labor and materials. In addition, the contractor may not be able to build in conformity with plans and specifications, and the property may not be rented for the amounts or within the time projected. Additional risks may be incurred where the Fund makes periodic progress payments or other advances to contractors prior to completion. The Fund may be unable to recover such payments subsequent to any such contractor's default. Such factors can result in increased costs, delay in completion, loss of anticipated rental revenues and corresponding depletion of the Fund's working capital and reserves or loss of the Fund's investment. Furthermore, the price paid for a property upon which improvements are to be constructed or completed must of necessity be based upon projections of rental income and expenses or fair market value of the property upon completion of construction. Whether the property will operate at such projected income and expense levels or achieve such projected fair market value cannot be determined in most cases until after completion of construction and a number of months of actual operation.

### **Acquisition of Existing Properties**

The Fund intends to acquire existing properties to the extent that they can be acquired on advantageous terms and meet the Fund's investment criteria. The success of the Fund depends, in large part, on the availability of a sufficient number of investment opportunities that fall within the Fund's investment objectives and the ability of the General Partner and the Adviser (in conjunction with Bungalow) to identify, negotiate, close, manage and exit those investment opportunities. Acquisitions of properties also entail general investment risks associated with any real estate investment. See also "*Real Estate-Related Risks*" above.

The Fund's acquisition activities and their success may be exposed to certain risks, including:

- The General Partner or the Adviser (in conjunction with Bungalow) may not be able to locate and complete investments which enable the Fund to invest all of its committed capital in opportunities that satisfy the Fund's investment objectives, realize the value of these investments or fully invest the Fund's capital commitments;

- The Fund may incur significant expenses in connection with the identification of investment opportunities and the investigation of other potential investments that are ultimately not consummated;
- The Fund may be unable to acquire a desired property, or to acquire such property on desirable terms, because of competition from other well-capitalized real estate investors, including other real estate investment vehicles, publicly traded REITs, public and private investment funds, hedge funds and other institutional investors, specialty investors (such as mortgage banks, pension funds, sovereign wealth funds and real estate operating companies), various types of financial institutions and their affiliates, family groups and wealthy individuals, some of which may have greater resources than the Fund;
- Even if the Fund enters into an acquisition agreement for a property, such an agreement would typically be subject to customary conditions to closing, including satisfactory completion of due diligence investigations, which may be costly;
- Even if the Fund is able to acquire a desired property, competition from other real estate investors may significantly increase the purchase price paid;
- The Fund may be unable to finance acquisitions on favorable terms;
- Once acquired, a property may fail to perform as the Fund projected when analyzing its investments; and
- The Fund's estimates of the costs of repositioning, re-tenanting or refurbishing acquired properties may be inaccurate.

The Fund may also acquire properties subject to known or unknown liabilities and with limited or no recourse. As a result, if liability were asserted against the Fund based upon such properties, the Fund might have to pay substantial sums to dispute or remedy the matter, which could adversely affect the Fund's cash flow and returns. Unknown liabilities with respect to properties acquired could include, for example: liabilities for clean-up of undisclosed environmental contamination; claims by tenants, vendors or other persons relating to the former owners of the properties; liabilities incurred in the ordinary course of business; and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties. See also "*Potential Environmental Liability*" above. As a result of the foregoing, even if suitable investments are made, the Fund's financial condition and results of operations could be materially and adversely affected, and the objective of the Fund may not be achieved.

### **Investment in Certain Types of Real Estate**

The Fund expects to invest in various types of real estate assets, namely SFR homes and build-for-rent properties, and land for the development of build-for-rent communities, all of which are subject to the general risks associated with owning and operating real estate described in "*Real Estate-Related Risks*" above. In addition, other factors that may adversely affect the value and successful operation of, and income generated from, these types of investments include: the physical attributes of a property used to generate income, such as its age, condition, design, appearance, access to transportation and construction quality; location of the property, for example, a change in neighborhoods over time or desirability of the area to the target tenant population; ability of management to provide adequate maintenance and insurance; the types of services or amenities that the property provides; the property's reputation; competition from other

real estate investors, which may affect the number of similar properties available; the level of mortgage interest rates, which may encourage tenants to purchase rather than lease property; presence or construction of competing properties; the quality of tenants and tenant mix, such as the tenant population being heavily dependent on specific industries or businesses or being predominantly students; adverse local, regional or national economic conditions, which may limit the amount of rent that may be charged and may result in a reduction of timely rent payments or a reduction in occupancy levels; and federal, state and local regulations, which may affect the building owner's ability to increase rent to market rent for an equivalent property. Any of the foregoing could have a material adverse effect on the performance of the Fund's investments.

### **Single-Family Rental Homes**

At present, the institutional SFR industry is still evolving, with few participants, and its long-term viability has not yet been fully demonstrated. Rental housing properties are part of a market that, in general, is characterized by low barriers to entry. Thus, a particular rental housing property market with historically low vacancies could experience substantial new construction and a resultant oversupply of rental units within a relatively short period of time. Because rental housing properties are typically leased on a short-term basis, the tenants residing at a particular property may easily move to alternative properties with more desirable amenities or locations, or available for lower rent. Lower occupancy rates, turnover of tenants, reductions in rents, uncollectible rent, and increasing costs of improvements and other economic concessions will impair the value of the Fund's investments.

### **Ownership of Rental Real Estate Properties**

The yields available from rental property ownership depend on the amount of rental income earned by, and appreciation in the value of, the related properties as well as the expenses incurred in connection therewith. If any of the Fund's properties do not generate income sufficient to meet operating expenses, including debt service and capital expenditures, the value of the Fund's investments could be adversely affected. There can be no assurance that any property in which the Fund invests will be able to generate income sufficient to meet operating expenses. The successful operation of rental properties is also dependent upon, among other things: (i) the degree to which each property competes with other available properties in the area; (ii) timely collection of rent and other charges payable by tenants; (iii) timely renewal or replacement of existing tenants and leases; (iv) operating costs; (v) increases in rents and charges to cover increases in operating expenses (including taxes, utility rates and maintenance costs) and the costs of required repairs resulting from reasonable wear and tear and casualties; (vi) the impact of applicable federal, state and local laws; and (vii) the performance of the property manager.

Many of the costs associated with the ownership of an equity interest in real estate, such as debt service, real estate taxes and assessments, maintenance expenses and certain operating costs, are relatively fixed and payable, whether or not cash flow from such real estate is sufficient for such payments. In addition, many of such costs are beyond the control of the owner or management agent of the property and may increase over time, whether or not rents and other charges payable by tenants may be increased. There may also be shortages of or delays in obtaining the supplies and materials needed to operate a project, such as heating fuels, gasoline, electrical power or other

supplies and materials. In addition to the general types of risks identified above, certain types of income-producing projects may be subject to specific risks.

### **Concentration of Portfolio Investments**

Investments are concentrated in the SFR and build-for-rent sectors of the real estate industry, which are susceptible to seasonal fluctuations in rental demand and downturns in markets. A downturn or slowdown in the rental demand for single-family or build-for-rent housing caused by adverse economic, regulatory or environmental conditions, or other events in the single-family real estate markets may have a greater impact on the value of the Fund's properties than if it had more fully diversified its investments. In addition to general, regional, national and international economic conditions, the Fund's operating performance will be impacted by the economic conditions in the target markets identified by the Adviser. The Fund has based a substantial part of its business plan on a belief that rental income and property values for SFR and build-for-rent properties in such target markets will increase over time. However, these markets have experienced substantial economic downturns in recent years and could experience similar or worse economic downturns in the future. The Fund can provide no assurance as to the extent rental income and property values in these markets will improve, if at all.

### **Capital Intensive**

Real estate investing is capital intensive. The Fund could acquire investments that have defects, and normal wear and tear on the Fund's investments necessitate repairs. The Fund may acquire an investment with a capital expenditure plan, but the conditions of the investment may cause the capital requirements to exceed expectations. Additionally, the Fund may, in certain instances, be responsible for structural repairs, improvements and general maintenance of real property. Thus, the cost of operating a property may exceed the rental income thereof, and the Fund may be required to (i) advance funds to protect an equity investment or (ii) dispose of investments on disadvantageous terms to raise needed funds. Furthermore, the Fund may be required to expend funds to correct defects or to make improvements before an investment in an asset can be sold. Certain expenditures associated with real estate equity investment, such as property taxes, utility costs, debt service, maintenance costs and insurance, tend to increase and generally do not decrease as a result of events adversely affecting rental revenues. No assurance can be given that the Fund will have the necessary funds available to meet the capital requirements of any particular asset or that any such efforts or expenditures will be successful.

### **Competition for Residents**

The Fund's SFR and build-for-rent communities are expected to compete with numerous housing alternatives in attracting residents, including other single-family homes and multi-family housing options (including owner-occupied single- and multi-family homes), apartment communities and condominiums. Some of the Fund's competitors may offer more attractive properties or lower rents than the Fund does. Competitive housing in a particular area and the relative affordability of owner occupied, single- and multifamily homes in the same area (whether caused by declining mortgage interest rates, government programs to promote home ownership or otherwise) could adversely affect the Fund's ability to retain residents, lease homes and increase or maintain rents. Furthermore, some competing housing options may qualify for governmental subsidies that may

make such options more affordable and therefore more attractive than the Fund's properties. These competing housing options may attract the high-quality tenants to whom the Fund's Subsidiaries seek to lease their properties.

### **Dependence on Residential Tenants**

The Fund and its Subsidiaries depend on the residents of their properties and such residents' willingness to meet their lease obligations and renew their leases, and the Fund and its Subsidiaries will depend on rental income for substantially all of their revenues. Poor resident selection and defaults and non-renewals by the residents of the Fund's investments may adversely affect the reputation of the Fund's properties and their property managers (including Bungalow), financial performance and ability to make distributions. Any defaults on rent payment obligations by a tenant will cause the Fund to lose the revenue associated with the relevant lease. As a result, the Fund's success depends in large part upon its ability to attract and retain qualified residents for its properties. For example, residents may default on rent payments, make unreasonable and repeated demands for service or improvements, make unsupported or unjustified complaints to regulatory or political authorities, use the properties for illegal purposes, damage or make unauthorized structural changes to the Fund's properties that are not covered by security deposits, refuse to leave the property upon termination of the lease, engage in domestic violence or similar disturbances, disturb nearby residents with noise, trash, odors or eyesores, fail to comply with homeowner association ("HOA") regulations, sublet to less desirable individuals in violation of the lease or permit unauthorized persons to live with them. Damage to the Fund's properties may delay re-leasing after eviction, necessitate expensive repairs or impair the rental income or value of the property, resulting in a lower than expected rate of return. Increases in unemployment levels and other adverse changes in economic conditions could result in substantial resident defaults. If such defaults become significant, the Fund will be forced to use other funds to make payments on the mortgage indebtedness secured by the impacted property to avoid foreclosure. In the event of a resident default or bankruptcy, the Fund may experience delays in enforcing its rights as a landlord and will incur substantial costs in protecting its investments.

### **Tenant Bankruptcy Risks**

The General Partner cannot provide assurance that any tenant that files for bankruptcy protection will continue to pay rent. In addition, the Fund and its Subsidiaries cannot evict a tenant solely because of bankruptcy. The bankruptcy of a tenant or lease guarantor could delay efforts to collect past due balances under the relevant leases, unless the Fund or its Subsidiaries receive an order permitting the Fund or its Subsidiaries to do so from the bankruptcy court and could ultimately preclude collection of these sums. If a lease is assumed by the tenant in bankruptcy, all pre-bankruptcy balances under the lease must be paid in full. If, however, a lease is rejected by a tenant in bankruptcy, the Fund and its Subsidiaries would have only a general, unsecured claim for damages. An unsecured claim would only be paid to the extent that funds are available and only in the same percentage as is paid to all other holders of general, unsecured claims. Restrictions under the bankruptcy laws further limit the amount of any other claims that the Fund can make if a lease is rejected. As a result, it is likely that the Fund and its Subsidiaries would recover substantially less than the full value of the remaining rent during the term.

## **Tenant Relief Laws**

As the landlord of numerous properties, the Fund and its Subsidiaries will be involved from time to time in evicting residents who are not paying their rent or who are otherwise in material violation of the terms of their lease. Adverse changes in general or local economic conditions may result in increased defaults under the Fund's and its Subsidiaries' leases. Eviction activities impose legal and managerial expenses that raise costs and expose the Fund and its Subsidiaries to potential negative publicity. The eviction process is typically subject to legal barriers, mandatory "cure" policies, internal policies and procedures and other sources of expense and delay, each of which may delay the Fund's and its Subsidiaries' ability to gain possession and stabilize the property. Additionally, state and local landlord-tenant laws may impose legal duties to assist residents in relocating to new housing or restrict the landlord's ability to remove the resident on a timely basis or to recover certain costs or charge residents for damage residents cause to the landlord's premises. Because such laws vary by state and locality, the Fund and its Subsidiaries must be familiar with and take all appropriate steps to comply with all applicable landlord-tenant laws and need to incur supervisory and legal expenses to ensure such compliance. To the extent that the Fund and its Subsidiaries do not comply with state or local laws, the Fund and its Subsidiaries may be subjected to civil litigation filed by individuals, in class actions or actions by state or local law enforcement and its reputation and financial results may suffer. The Fund and its Subsidiaries may be required to pay their adversaries' litigation fees and expenses if judgment is entered against it in such litigation or if the Fund and its Subsidiaries settle such litigation. Furthermore, state and local governmental agencies may introduce rent control laws or other regulations that limit the ability to increase rental rates, which may affect rental income. Especially in times of recession and economic slowdown, rent control initiatives can acquire significant political support. If rent controls unexpectedly became applicable to certain of the Fund's and its Subsidiaries' properties, its revenue from and the value of such properties could be adversely affected.

In 2019, California passed the Tenant Protection Act of 2019, a rent control law which limits the ability to increase rental rates for existing residents and puts into place protections for the termination of tenancies. To the extent that any of the Fund's investments are located in California, this law may negatively affect the rental income from such investments.

## **Inability to Pass On Operating Expense Increases to Tenants**

Operating expenses, such as expenses for fuel, utilities, labor, building materials, taxes, including real estate and income taxes, insurance, and other real estate-related costs are not fixed and may increase in the future. There is no guarantee that the Fund will be able to pass these increases on to its tenants. Unless the Fund or its Subsidiaries are able to offset any unexpected costs with sufficient revenues through new or renewed leases at higher rental rates, any increases of such operating expenses would cause the Fund's or its Subsidiaries' cash flow and operating results to decrease.

## **HOA Fees**

A portion of the Fund's properties may be located within HOAs and be subject to HOA rules and regulations. HOAs have the power to increase monthly charges and make assessments for capital improvements and common area repairs and maintenance. HOA fees are subject to significant



increases, which can be outside of the Fund's and the General Partner's control. The Fund will be negatively affected if these costs rise significantly and the Fund is unable to increase rental rates due to rent control laws or other regulations to offset such increases. Additionally, several states have enacted laws that provide that a lien for unpaid monies owed to an HOA may be senior to or extinguish mortgage liens on properties. Such actions, if not cured, may give rise to events of default under the Fund's indebtedness, which could have a material adverse impact on the Fund.

### **Dependence on Public Utilities and Services**

Public utilities, especially those that provide water and electric power, will be fundamental for the sound operation of the Fund's real estate assets. The delayed delivery or any material reduction or prolonged interruption of these services could allow certain tenants to terminate their leases or result in an increase in the Fund's costs or its inability to fully operate its facilities and provide services. Accordingly, any interruption or limitation in the provision of these essential services may adversely affect the Fund.

### **Vacant Properties**

The properties the Fund may acquire may be vacant at the time of closing, and the Fund may acquire multiple vacant properties in close geographic proximity to one another. The Fund may not be successful in locating residents to lease the individual properties that it acquires as quickly as the Fund had expected or at all. Even if the Fund is able to place residents as quickly as expected, the Fund may incur vacancies in the future and may not be able to re-lease those properties without longer-than-assumed delays, which may result in increased renovation and maintenance costs and opportunity costs from lost revenues. Vacant homes may also be at risk for fraudulent activity, which could impact the ability to lease a home. If tenants are unwilling or unable to pay increased rents or if local businesses transfer or lay off their workers, vacancies may increase. In addition, the value of a vacant property could be substantially impaired, and the Fund will continue to incur the costs of maintenance, insurance, taxes and other expenses on its vacant properties. The Fund may, upon expiration of leases at its properties, be required to make rent or other concessions to tenants, accommodate requests for renovations and other improvements, or provide additional services to the Fund's tenants. As a result, the Fund may have to make significant capital or other expenditures in order to retain tenants whose leases expire and to attract new tenants in sufficient numbers. Additionally, the Fund may need to raise capital to make such expenditures. If the Fund is unable to do so or capital is otherwise unavailable, the Fund may be unable to make the required expenditures, which could result in non-renewals by tenants upon expiration of their leases, which could materially and adversely affect the Fund's financial performance. If vacancies continue for a longer period of time than expected or indefinitely, the Fund may suffer reduced revenues, incur additional operating expenses and capital or other expenditures, and the Fund's investments could be substantially impaired.

### **Inflation and Deflation**

Increases in the rate of inflation may adversely affect the Fund's income from leases with stated rent increases or limits on the tenant's obligation to pay its share of operating expenses, which could be lower than the increase in inflation at any given time. Additionally, deflation could lead to downward pressure on rents and other sources of income.

## **Expiration of Residential Leases**

The Fund's financial condition could be adversely affected if the Fund's agents are unable to promptly re-lease or renew expiring leases or if the rental rates upon renewal or re-leasing are significantly lower than expected. If a tenant experiences any type of financial distress, then it may be unable to make timely rental payments or renew its lease. Further, the Fund's agents' ability to rent space and the rents that the Fund's investments can charge may be impacted, not only by tenant demand, but by the number of other properties that compete for such tenants.

## **Dependence on Third-Party Property Managers**

Although the Fund and/or a Subsidiary thereof will retain Bungalow to broker, monitor and manage the properties of the Fund or its Subsidiaries, when entering a new market the Fund or its Subsidiaries may also retain local third-party brokers or managers to manage the properties on a day-to-day basis until the Fund has reached sufficient scale in a particular market. When third-party managers are retained, the Fund's or its Subsidiaries' results of operations, including the Fund's or its Subsidiaries' ability to make payments on any indebtedness, will depend on the ability of these third-party managers to operate and lease the properties on economically favorable terms. The Fund or its Subsidiaries may also retain local third-party managers to assist with acquisitions of real estate. There can be no assurance that the management teams of the third-party management firms employed by the Fund, or its Subsidiaries will be able to operate each of the real estate investments successfully.

Additionally, such management firms can lose employees, as the market for high-performing executive talent is competitive. There can be no assurance that such management firms will be able to attract, develop and retain suitable employees over the life of the Fund. Property managers may also provide management and leasing services to properties owned by others that compete with one or more of the Fund's investments. As a result, these property managers may at times face conflicts of interests in the management and leasing of Fund properties and non-Fund properties managed by such managers.

## **Assumptions Inherent in Acquisitions of Properties**

The Fund's success depends, in part, on its ability to acquire properties that can be renovated, repaired, upgraded and rented with minimal expense and maintained in quality condition. The information available to the Adviser at the time of making an investment decision may be limited, and the Adviser may not have access to detailed information regarding assets, such as physical characteristics, environmental matters, zoning regulations or other local conditions affecting an investment property. In determining whether a particular property meets the Fund's investment criteria, the Fund must also make a number of assumptions, including, among other things, assumptions related to estimated renovation costs and time frames, annual operating costs, market rental rates and potential rent amounts, time from purchase to leasing and resident default rates. These assumptions may prove inaccurate, particularly since the properties acquired vary materially in terms of renovation, quality and type of construction, geographic location and hazards. As a result, the Fund may pay too much for properties it acquires and/or overvalue its properties, or its properties may fail to perform as anticipated. Adjustments to the assumptions the Fund makes in

evaluating potential purchases may result in fewer properties qualifying under the investment criteria.

### **Third-Party Involvement**

Some of the Fund's investments may be made as a co-venturer or partner with the seller of the property, an affiliate of the seller, an investor unaffiliated with the Adviser, the General Partner, the Fund or other persons. Such investments may involve risks not inherent in other types of investment vehicles, including, for example, the possibility that such persons might become bankrupt, have economic or business interests or goals inconsistent with those of the Fund or otherwise be in a position to take action inconsistent with the Fund's desires, policies or objectives. Action taken by such persons might subject the property to liabilities in excess of, or other than, those contemplated by the Fund. The Fund may also be liable for actions of its co-venturers or partners. In addition, the Fund may rely upon the abilities and management expertise of the co-venturer or partner. It may also be more difficult for the Fund to sell its interest in any joint venture, partnership or entity with other owners than to sell its interest in other types of investments. The Fund may grant co-venturers or partners veto powers with respect to major decisions concerning the management and disposition of the investment, which would increase the risk of deadlocks. A deadlock could adversely affect investment return or value or require the Fund to use its assets to purchase the interest of the co-venturer or partner under agreements providing for the forced sale of such interest.

### **Investments in Land/New Development; Risk of Fraud**

In connection with its development of build-for-rent properties, the Fund will acquire direct or indirect interests in undeveloped land, which will often be non-income producing and will be subject to the risks normally associated with such assets and development activities. Such risks include risks relating to the availability and timely receipt of zoning and other regulatory or environmental approvals, the cost and timely completion of construction (including risks beyond the control of the Fund, such as weather or labor conditions or material shortages) and the availability of both construction and permanent financing on favorable terms. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could have an adverse effect on the Fund and on the amount of funds available for distribution to the Limited Partners. Properties under development or properties acquired for development may receive little or no cash flow from the date of acquisition through the date of completion of development and may experience operating deficits after the date of completion. In addition, changes in market conditions during the course of development may make such development less attractive than at the time it was commenced.

Furthermore, investments in new development activities could be more susceptible to irregular accounting or other fraudulent practices. In the event of fraud in connection with any property in which the Fund invests, the Fund may suffer a partial or total loss of capital invested in that property. There can be no assurance that any such losses will be offset by gains (if any) realized on the Fund's other investments.

## **Eminent Domain Risks**

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

## **Investments Involving Multiple Properties**

Investments involving multi-property acquisitions are often more complex and expensive than single-property acquisitions and may place additional demands on the Adviser and its Service Providers (including Bungalow). Where multiple properties are acquired as a group, the Fund may be required to purchase all properties as a package rather than declining the properties it does not want. If the Fund is required to purchase one or more properties that it does not wish to acquire as part of a multi-property transaction, it may not be able to identify a buyer to acquire such properties, and thus may be required to operate or attempt to dispose of those properties. The Fund may also be required to accumulate a large amount of cash to fund such acquisitions. Because of the foregoing, acquiring multiple properties in a single transaction may reduce the overall yield on the Fund's portfolio.

## **Contingent Liabilities on Disposition of Investments**

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

## ***Other Risks Relating to the Fund's Investments and Investment Strategy***

### **Leverage and Borrowing**

The Fund may elect to leverage its investments on a recourse or non-recourse basis. Although the use of leverage may enhance returns and increase the number of investments that can be made, it may also substantially increase the risk of loss. To the extent that it engages in any leveraging, the Fund will be subject to the risks normally associated with debt financing, including those relating to the ability to refinance a property, and the insufficiency of cash flow to meet principal and interest payments, which could significantly reduce or even eliminate the value of the Fund's equity in such real estate investment. Additionally, borrowings and other types of leverage will be subject to transaction and other costs. Any such costs may or may not be recovered by the return on the Fund's portfolio. Leveraging the capital structure will mean that third parties, such as banks, may be entitled to the cash flow generated by such investments prior to the Fund receiving a return. Also, if a property or properties are mortgaged to secure payment of indebtedness and such mortgage payments are not made, the property could be foreclosed upon by the mortgagee or otherwise transferred to the mortgagee. In addition, subscription financings may subject the Partners' capital commitments to risk of loss. In order to secure such borrowings, the General

Partner may grant to lenders security interests in the Fund's right to receive capital contributions from Limited Partners.

### **Leverage for Investment Purposes**

The use of leverage will allow the Fund to make additional investments, thereby increasing its exposure to assets, such that its total assets may be greater than its capital. However, leverage will also magnify the volatility of changes in the value of the Fund's portfolio. The effect of the use of leverage by the Fund in a market that moves adversely to its investments could result in substantial losses to the Fund, which would be greater than if the Fund were not leveraged.

### **Collateral**

The instruments and borrowings utilized by the Fund to leverage investments may be collateralized by all or a portion of the Fund's portfolio. Accordingly, the Fund may pledge its investments in order to borrow or otherwise obtain leverage for investment or other purposes. Should the investments pledged decline in value, the Fund could be required to pledge additional collateral or suffer mandatory liquidation of the pledged investments to compensate for the decline in value. The lenders that provide financing to the Fund can apply essentially discretionary margin, "haircut" financing and collateral-valuation policies. Changes by counterparties in any of the foregoing may result in loss of financing and forced liquidations of positions at disadvantageous prices. There can be no assurance that the Fund will be able to secure or maintain adequate financing.

### **Costs**

Borrowings will be subject to interest, transaction and other costs, and other types of leverage also involve transaction and other costs. Any such costs may or may not be recovered by the return on the Fund's portfolio.

### **Risk of Third-Party Litigation**

The Fund's investment activities subject it to the normal risks of becoming involved in litigation by third parties. The expense of defending against claims by third parties and paying any amount pursuant to settlement or judgments would, except in certain circumstances, be borne by the Fund and would reduce net assets. The Adviser, the General Partner and others are indemnified in connection with such litigation, subject to certain conditions.

**Financial Relationships between the Adviser and the Seed Investor.** The Adviser has entered into financial relationships with the Seed Investor of the Fund. The Seed Investor has provided capital for a new line of business and in return will retain a financial interest in the Adviser and the General partner. Such financial relationship may create a conflict in that the Adviser is incented to provide preferential treatment to such investor in future funds. The Adviser has instituted policies and procedures to mitigate this risk including its Code of Ethics.

**Financial Relationship between the Adviser and Service Providers.** The Adviser, its affiliates and proprietary accounts of the Adviser have made equity investments, both through its Clients and proprietary accounts, in a company that provides essential services to the Fund. This company

assists in the purchase and controls the management of the assets purchased by the Fund. Affiliates of the Adviser and the Seed Investor also retain a financial interest in the service provider creating a conflict of interest in that the Adviser is incentivized to provide benefits to the service provider that may disadvantage the Fund. The Adviser has instituted policies and procedures to mitigate this risk including its Code of Ethics.

**Portfolio Company Directorships.** Certain Bangtail employees, including Portfolio Managers, serve on boards of directors or may serve in other management capacities at companies (including public companies) in which a fund managed by Bangtail or its affiliates invests, either directly or indirectly. In their capacity as directors of portfolio companies, these employees will be subject to fiduciary and other duties to the portfolio companies on whose boards they serve, which duties may on occasion conflict with the interests of the Fund. For example, the Fund's ability to sell the publicly traded securities of a portfolio company may be limited if the applicable employee is in possession of material nonpublic information relating to such portfolio company. The employees may receive compensation from portfolio companies, which may include cash or a meaningful equity position in such companies. Any compensation received or earned by the applicable employee from their service on a board of directors or in a different management capacity at a portfolio company will be contributed to the Fund that holds equity in such company.

**Cybersecurity Risk.** Adviser'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 its respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes.

Adviser has implemented various measures to manage risks relating to these types of events. The failures of these systems or the disaster recovery plan for any reason could cause significant interruptions in the Adviser's operations and result in a failure to maintain the security, confidentiality, or privacy of sensitive data, including private information relating to Clients. Such a failure could harm the Adviser's reputation or subject it or its affiliates to legal claims and otherwise affect their business and financial performance. Additionally, any failure of the Adviser's information, technology or security systems could have an adverse impact on its ability to manage the Fund.

## **Item 9. Disciplinary Information**

Bangtail has not been involved in any legal or disciplinary events. The below outlines the disciplinary information with respect to Bangtail's affiliate, Deer Park Road.

On June 4, 2019, Deer Park Road and Mr. Burg entered into an order (the "Order") with the SEC. Without admitting or denying the findings in the Order, the SEC found that from at least October 2012 through December 2015 (the "Relevant Period") Deer Park Road's policies failed to address sufficiently how to conform its valuations with Generally Accepted Accounting Principles ("GAAP"). Further, the SEC found that Deer Park Road's policies were not reasonably designed for its business practices, given its use of valuation models and pricing vendors and the potential conflict of interest arising from 'traders' ability to determine the fair value of a portion of the positions they manage.

The Order also states that Deer Park Road failed to implement its existing policy. In accordance with GAAP, Deer Park Road's valuation policy included a requirement to maximize the use of relevant observable inputs, however, during the Relevant Period Deer Park Road failed to ensure that certain residential mortgage backed securities were valued in accordance with GAAP. Specifically, Deer Park Road may have undervalued certain assets by failing to maximize relevant observable inputs, such as trade prices. The SEC found that Mr. Burg was a cause of Deer Park Road's failure to implement the valuation policy that required maximizing observable inputs. The SEC censured Deer Park Road and ordered Deer Park Road and Mr. Burg to cease and desist from committing or causing any violations of Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder. The SEC fined Deer Park Road \$5 million and Mr. Burg \$250,000.

To the best of Deer Park Road's knowledge, there are no other legal or disciplinary events that would be material to an advisory client or prospective advisory client's evaluation of Deer Park Road's advisory business or the integrity of Deer Park Road's managements.

As part of Deer Park Road's routine compliance training and monitoring program, all employees are asked to certify upon hire, and annually thereafter, whether they have been the subject of any disciplinary actions.

#### **Item 10. Other Financial Industry Activities and Affiliations**

The Adviser is an exempt commodity pool operator and commodities trading adviser.

Bangtail is an affiliate of Deer Park Road, a separate investment adviser that is registered with the SEC. Deer Park Road is an alternative investment adviser focused on the structured finance segment of the global fixed income markets. Both companies share office space and have separate but substantially similar policies and procedures, and utilize the same personnel and systems. Fees and expenses of the clients of each firm are treated separately. It is not anticipated that transactions of either adviser will be allocated to the other.

Neither the Adviser, its affiliates nor any of its management personnel or employees: 1) are registered as a broker/dealer or a registered representative of a broker/dealer; or 2) have any application pending to register as a broker/dealer or a registered representative of a broker/dealer.

The Adviser, its affiliates or any employees, officers, members, principals or directors of the Adviser or its affiliates may earn transaction fees, investment banking fees, break-up fees, advisory fees (including management fees received from portfolio investments), monitoring fees, directors' fees or other similar (collectively, "Ancillary Fees"). Each quarterly installment of the Management Fee borne by the Fund investors participating in the investment to which any such fees relate will be reduced by such investor's pro rata share of Ancillary Fees received by the Adviser; provided, however, that the Management Fee will not be reduced in circumstances set forth in the governing documents of the Fund (e.g., not in excess of the Management Fees earned in that period).

The Fund and/or a subsidiary thereof has engaged Bungalow, a service provider, to provide a variety of services relating to the analysis, acquisition, ownership and management of SFR homes. Bungalow will receive brokerage, property management, leasing, renovation and other fees, and compensation for the services provided to the Fund and the Fund's Subsidiaries. In addition, the

entities under common control with the Adviser as well as funds managed by Affiliates of the Adviser have acquired an ownership interest in Bungalow. Such an arrangement may create an incentive for the Adviser to engage Bungalow with more frequency than it otherwise would have and/or to agree to greater fees to be paid to Bungalow. Furthermore, Bungalow's entitlement to certain fees related to the investments of the Fund may encourage Bungalow to make acquisition decisions or take other actions in respect of its services to the Fund and the Fund's subsidiaries that increase the total value of the investments held by the Fund. The fees earned by Bungalow in respect of services provided to the Fund and the Fund's subsidiaries, as well as any equity that the Adviser and its affiliates receive from Bungalow, will not reduce the Management Fees payable to the Adviser by the Fund.

The Adviser is exposed to a conflict of interest in that the Adviser is incentivized to engage Bungalow over more qualified service providers due to the Adviser's interest in Bungalow. There is a possibility that the Fund's General Partner, because of such incentive or for other reasons (including whether the use of such persons or entities could establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to the Fund General Partner, and the Fund), may favor such retention or continuation even if a better price and/or quality of service provider could be obtained from another person or entity. Whether or not the Fund General Partner has a relationship with or receives financial or other benefit from retaining Bungalow or a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

The Adviser may, in its sole discretion, determine to engage Bungalow to provide services in addition to those described in the Fund's offering materials and, in such event, will determine the compensation to be paid to Bungalow and will generally have the authority to negotiate any services agreements entered into between Bungalow, on the one hand, and the Fund, on the other hand. Such service agreements will not be subject to review or consultation by any third party. The Adviser will have a conflict of interest in determining the costs of such services that will be charged to the Fund. In addition to determining the amount of compensation payable to Bungalow, the Adviser will have the authority to determine other key terms of the service arrangement, including terms relating to expense reimbursement, termination fees, indemnification payable to Bungalow and exculpation provided to Bungalow. While the Adviser will seek to ensure that the terms of the transactions and arrangements with Bungalow will contain terms at least as favorable to the Fund as are generally obtainable on an arm's-length basis from unrelated third parties and will provide for compensation that is competitive with the compensation paid to third parties for comparable services which could reasonably be made available to the Fund, there is no guarantee that such compensation will be consistent with market terms or that a third party would not have provided the same services at more favorable rates. The Seed Investor also acquired an ownership interest in Bungalow.



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

The Adviser has adopted a Code of Ethics expressing the Firm's commitment to ethical conduct. The Adviser holds a fiduciary duty to its Clients, which means it must put the interests of its Clients ahead of its own interests in all matters. It is the Policy of the Adviser that all Employees must:

- Observe high standards of commercial honor and just and equitable principles of trade in all their dealings on behalf of the Adviser.
- Comport themselves in a manner consistent with the standard of conduct as set forth in this Code.
- Comply with all Federal Securities Laws and other applicable laws and regulations.
- Report all personal securities transactions and holdings to the Adviser as provided below.
- Report any violations of this Code to the Chief Compliance Officer of the Adviser.
- Certify to the Adviser on an annual basis acknowledgement of the policies and procedures referred to in this Code and agreement to abide by these rules.

The Adviser's Code of Ethics also places restrictions on the personal trading activities of employees. The Code requires employees to register all personal trading accounts (and certain trading accounts in which the employee has a substantial interest or over which the employee has discretion) with the Adviser's Compliance Department. Employees are required to report all transactions in securities and all positions in securities to the Compliance Department within 10 days after becoming an employee of the Adviser and thereafter at least once per calendar year. Employees are also required to report on a quarterly basis to the Compliance Department all transactions in securities within 30 days of the end of each calendar quarter. Additionally, the Code requires that all employees receive written approval from the Chief Compliance Officer prior to investing in any limited or restricted securities offerings, and/or MBS / ABS transactions.

The Adviser maintains an approved list of securities that Employees may purchase and sell for their personal accounts. Employees are prohibited from purchasing any securities (or derivatives thereof) that are not on this list with the exception of certain broad-based ETFs, managed accounts by independent third party investment advisers and other securities.

The Adviser requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. The Adviser's Code of Ethics further includes the Adviser's policy prohibiting the use of material non-public information. Any individual not in observance of the above may be subject to discipline.

An affiliate of the Adviser acts as General Partner to the Fund that is managed by the Adviser. Additionally, Affiliates and employees of the Adviser have invested substantial amounts in the Fund managed by the Adviser and therefore have a financial interest in the Fund. Investments made by the Adviser and its employees are generally made on the same terms as other investors in the Funds. However, fees, investment minimums and redemption restrictions may be waived or reduced for the Adviser and its employees. The Adviser does not believe this arrangement presents any material conflicts of interest since the Adviser's interests are aligned with the interests of the Fund's investors. *The Adviser's Code of Ethics may be obtained by Clients or prospective clients upon request.*

## **Item 12. Brokerage Practices**

The Adviser has full discretionary authority to manage the investment of the Fund, including the authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and the commissions or mark-ups and markdowns paid. The Adviser need not solicit competitive bids or offers for any particular security. Accordingly, if the Adviser determines in good faith that the price paid for a security is reasonable relative to the value of such security, then it may pay a price higher than or receive a price lower than another broker or dealer may have charged.

**Best Execution**-It is the obligation of all investment advisers to obtain “Best Execution” of securities transactions for their clients. Best Execution is not defined in securities laws or regulations, but it is generally understood to require the adviser to obtain the most favorable total cost or proceeds in a securities transaction for its clients under the circumstances. The Adviser’s duty is not necessarily to find the best price or lowest cost, but rather to achieve the best qualitative execution for the Client. In doing this, the Adviser may take into consideration such factors as knowledge of the counterparty, speed of execution, confidentiality, market depth, capital commitment and recent order flow. A periodic and systematic assessment of execution services is important to the Firm meeting its Best Execution obligation.

**Cross Trades**-Section 206(3) of the Investment Advisers Act of 1940, as amended, contains strict rules related to several types of transactions between different clients of an investment adviser. An adviser that arranges for a security to be purchased from or sold to a client from its own account – as opposed to purchasing or selling the security in the secondary markets – is engaging in a “Principal Trade.” An “Agency Cross Trade” occurs when an adviser arranges for a trade to be executed between a client and another party, and a “Cross Trade” occurs when an adviser effects a trade between accounts of two or more of its advisory clients but does not charge a fee for effecting the transaction.

Principal Trades, Agency Cross Trades and Cross Trades can benefit Clients in a number of ways, including, but not limited to: 1) enabling the transfer of securities among client accounts without having to expose the security to the market; 2) eliminating counterparty risk; and 3) providing the Adviser with added flexibility when dealing with an illiquid asset. Although Principal Trades, Agency Cross Trades and Cross Trades can be appropriate in many circumstances, they can also create the potential for conflicts of interest for the Adviser (i.e., the better price an adviser obtains for the selling client, the worse it can be for the purchasing client).

As is consistent with its duty to seek to obtain best execution, occasionally the Adviser may execute cross trades for Client accounts. Bangtail would utilize “cross” trades when it specifically deems the practice to be advantageous for each participant. In no instance would Bangtail receive additional compensation when crossing trades for Client accounts. Bangtail will seek to ensure that the terms of the transaction, including the consideration to be paid or received, are fair and reasonable, and the transaction is done for the sole benefit of the Clients.

The Adviser will not effect Principal or Agency Cross Trades involving ERISA clients.

**Trade Errors-**The Adviser may, on occasion, experience “Trade Errors” with respect to trades made on behalf of Clients. A Trade Error occurs when a transaction is not executed according to the Adviser’s intent and instructions. If an error is identified and corrected before any Client books or settles the position in their account or incurs a loss as a result, the error is not considered a Trade Error. If the error occurs as a result of the actions of a third party (such as a broker/dealer), that is not considered a Trade Error. Clients will be reimbursed for any material loss realized as a result of a Trade Error. Any gains will be for the benefit of the Account. The Adviser may take such other action as is reasonable under the circumstances.

**Soft Dollars-**The Adviser does not use soft dollars, nor does it have any soft dollar arrangements.

### **Item 13. Review of Accounts**

Client accounts are reviewed on an as-needed basis, but no less frequently than monthly. Reviews are undertaken by Henry Murray, Mary Hickock and/or Scott Burg. Reports are made to Clients as requested.

Tax reports and annual audited financial statements are issued relating to the Fund within 120 days of the end of such Fund’s fiscal year.

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

The Adviser does not receive economic benefits from non-clients for providing investment advice and other advisory services. Neither the Adviser nor any related person directly or indirectly compensates any person who is not a supervised person, including placement agents, for client referrals.

### **Item 15. Custody**

The Adviser is deemed to have custody over the funds and securities of the Fund. The Adviser is subject to SEC Rule 206(4)-2 under the Advisers Act. However it is not required to comply, or is deemed to have complied, with certain requirements of the rule because it complies with the so-called “Pooled Vehicle Audit Exception.” This exception requires that the Fund be subject to audit at least annually by an independent public accountant that is registered and subject to regular inspection, by the Public Company Accounting Oversight Board, and requires that the Fund distribute its audited financial statements to all investors within 120 days of the end of the Fund’s fiscal year.

### **Item 16. Investment Discretion**

The Adviser has full discretion with respect to investment decisions by the Fund subject to the guidelines and restrictions set forth in the Fund’s Limited Partnership Agreement.

### **Item 17. Voting Client Securities**

The Advisers Act requires investment advisers that have proxy voting authority to: (i) adopt policies and procedures for voting proxies in the best interest of the client; (ii) describe the

procedures to clients; and (iii) inform clients how they may obtain information about how the adviser has actually voted their proxies.

Because the Adviser's Client invests almost exclusively in real estate properties (as opposed to equities) the Adviser rarely receives proxies to vote.

The Adviser's general policy is to vote proxy proposals, amendments, consents or resolutions relating to securities, including interests in pooled investment vehicles, if any (collectively, "proxies"), in a manner that serves the best interests of the Client, as determined by the Adviser in its discretion, taking into account the following factors: (i) the views of management; (ii) the impact on the value of the investments; (iii) the continued or increased availability of portfolio information; and (iv) industry and business practices. In addition, the Adviser may not vote proxies in certain situations where the associated costs outweigh the anticipated benefits to the Client.

If a material conflict of interest exists between the interests of the Adviser and those of the relevant Client with respect to any issue to be voted on, the Adviser will base its voting decision exclusively on the Adviser's judgment of what will best serve the financial interests of the Client that beneficially owns the securities that are the subject of the vote.

Investors in the Fund may request a copy of the proxy voting policies and the proxy voting record relating to the Fund by contacting the Adviser.

#### **Item 18. Financial Information**

The Adviser is not required to attach a balance sheet to this brochure because it does not require the prepayment of more than \$1,200 in fees per Client, six months or more in advance, and is not aware of any financial condition reasonably likely to impair its ability to meet contractual and fiduciary commitments to its Clients and has never been the subject of a bankruptcy proceeding.