

**Part 2A of Form ADV: Firm Brochure**

**JRE ADVISORS LLC**

124 EAST 14<sup>TH</sup> STREET, 14<sup>TH</sup> FLOOR

NEW YORK, NY 10003

Telephone: (646) 905-0522

<https://www.jre-partners.com/>

March 27, 2024

*This brochure provides information about the qualifications and business practices of JRE ADVISORS LLC (the “Adviser”). If you have any questions about the contents of this brochure, please contact us at (646) 905-0522 or contact our Chief Compliance Officer, Brian Thomas, at [bthomas@jre-partners.com](mailto:bthomas@jre-partners.com). The information in this brochure has not been approved or verified by the SEC or by any state securities authority.*

*Additional information about the Adviser is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

*The Adviser is an investment adviser that is registered with the United States Securities and Exchange Commission (the “SEC”). Registration with the SEC as an investment adviser does not imply a certain level of skill or training.*

## **Item 2:       Material Changes**

This brochure contains the following material changes since the last annual update on March 29, 2023:

- An affiliate of JPM has been engaged as a third-party placement agent. See Item 14 for additional details.
- The expenses for which the funds are responsible were updated to clarify that any fees to service providers that are affiliates of the Adviser are included. See Items 5 and 10 for additional details.

### Item 3: Table of Contents

Item 2:	Material Changes .....	ii
Item 4:	Advisory Business .....	1
Item 5:	Fees and Compensation .....	1
Item 6:	Performance-Based Fees and Side-By-Side Management.....	5
Item 7:	Types of Clients .....	5
Item 8:	Methods of Analysis, Investment Strategies and Risk of Loss .....	5
Item 9:	Disciplinary Information .....	13
Item 10:	Other Financial Industry Activities and Affiliations .....	13
Item 11:	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	14
Item 12:	Brokerage Practices.....	15
Item 13:	Review of Accounts.....	16
Item 14:	Client Referrals and Other Compensation.....	16
Item 15:	Custody.....	16
Item 16:	Investment Discretion .....	17
Item 17:	Voting Client Securities .....	17
Item 18:	Financial Information .....	17

## **Item 4: Advisory Business**

JRE Advisors LLC, a Delaware limited liability company (the “Adviser”) is an investment advisory firm based in New York, New York that was founded in 2022. The Adviser specializes in investments in commercial real estate assets primarily located in the United States. The Adviser is a wholly-owned subsidiary of JRE Partners LP (“JRE Partners”).

JRE Partners is the successor operating business to Junius Real Estate Partners, a direct real estate investment division established within J.P. Morgan Chase & Co. (together with its affiliates, “J.P. Morgan or “JPM”). Led by Managing Principal John Fraser, JRE Partners is privately owned and operated. Prior to the formation of JRE Partners, the Adviser’s entire investment team, portfolio management services and certain other business functions and professional personnel worked together at JPM. However, JRE Partners is not affiliated with JPM.

The Adviser provides discretionary investment advice to private funds that focus on commercial real estate investments primarily in the United States. Currently, the Adviser serves as the sub-adviser to JPM on behalf of select funds that were previously managed by the Adviser’s investment team when the team was part of JPM (each, a “Fund” and, collectively, the “Funds”). It is anticipated that the Adviser will launch additional private real estate funds in the future.

The Adviser tailors its investment advisory activities to comply with the investment objectives, guidelines and restrictions set forth in each Fund’s limited partnership agreement and other governing documents, as the same may be amended from time to time (the “Governing Documents”). However, in accordance with common industry practice, a Fund or its general partner may from time to time enter into a “side letter” or similar agreement with an investor pursuant to which such Fund or its general partner grants the investor specific rights, benefits or privileges that are not generally made available to all investors. See “*Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss*” for additional information.

As of December 31, 2023, the Adviser had approximately \$320 million in regulatory assets under management, all of which are managed on a non-discretionary basis.

## **Item 5: Fees and Compensation**

Each Fund generally pays JPM an annual management fee in exchange for investment advisory services as set forth in more detail in such Fund’s Governing Documents. JPM will, in turn, pay the Adviser a sub-advisory fee equal to a fixed percentage of the management fee, as set forth in the applicable sub-advisory agreement between JPM and the Adviser. In addition to the management fees described above, the general partner (or its affiliate) of each Fund will also be entitled to receive a carried interest allocation from such Fund after certain performance hurdles have been met, as further described in the applicable Fund’s Governing Documents. Certain Principals and other key employees of the Adviser are entitled to receive a portion of such carried interest distributions. Such carried interest represents a portion of each Fund’s net investment profits. The management fee and carried interest are generally subject to waiver or reduction by the applicable general partner with respect to some or all of a Fund’s limited partners, in accordance with each such Fund’s Governing Documents.

Each Fund bears any expenses (including, without limitation, any costs, fees and expenses of legal, tax and other professional advisers) incurred by the applicable Fund, general partner or any affiliate of the foregoing, in connection with the organization of the Fund and any related entities, including, without limitation, all costs, fees and expenses incurred in connection with the preparation and filing of the organizational and constitutional documents for any entities and their subsidiaries, and any other entity through which investments are directly or indirectly held.

Each Fund also bears any expenses incurred by such Fund, its general partner or any affiliate of the foregoing, in connection with the offering and sale of the interests in such Fund, including any expenses incurred in connection with the preparation of any offering memorandum and supplements thereto (including costs, fees and expenses of legal and tax counsel), any subscription materials and any other agreements or documents relating to the offering of the interests, any translations of such agreements or documents, and costs and expenses (but excluding fees) of any placement agent. In addition, investors in a Fund may pay affiliates of J.P. Morgan certain origination fees in connection with placement services provided by such affiliates.

In addition, each Fund is responsible for all costs, fees and expenses related to such Fund's organization, offering and operations, to the extent permissible by law and such Fund's Governing Documents, including, without limitation: (i) the organizational expenses and offering expenses described above, and any costs, fees and expenses arising from or incurred in connection with the organization, offering and operations of any Fund-related entity (including any entity through which J.P. Morgan, its affiliates or certain of their qualified employees may invest in the Fund, or otherwise incurred to allow direct or indirect participation in the Fund or in any carried interest); (ii) management fees payable to the JPM or any affiliate or subsidiary thereof; (iii) all third-party costs, fees and expenses incurred in connection with the performance of all due diligence investigations in relation to the acquisition, ownership or realization of any investment (including, without limitation, any such costs and expenses arising from any investment that is pursued but not ultimately made by the Fund and any such costs and expenses that would have been borne directly or indirectly by co-investors if any co-investment had been completed); (iv) the costs, fees and expenses for the negotiation, structuring, financing and documentation in relation to the acquisition, ownership and realization of any investment, including, without limitation, pursuing joint venture partners, forming joint ventures and syndicating investments (including, without limitation, any such costs and expenses arising from investments or dispositions thereof that are pursued but not ultimately made by the Fund and any such costs and expenses that would have been borne directly or indirectly by co-investors if any co-investment had been completed), any property-related fees, transaction fees and other fees (including, for the avoidance of doubt, any out-of-pocket expenses incurred by any property manager, clearing agent, developer or construction manager) and sales, leasing, brokerage, underwriting or similar commissions incurred in respect of any investment; (v) any fees paid to service providers that are affiliates of the Adviser for construction consulting, construction management and related oversight, and/or leasing services; (vi) the costs and expenses required to be paid in connection with any financing, including the legal fees and expenses of lenders' counsel, the fees and expenses of the Fund's counsel, broker's fees,

lender's assumption or transfer fees and required reserves; (vii) transfer taxes, title premiums, environmental insurance premiums, brokerage commissions and other closing costs and expenses payable or incurred in connection with the acquisition, ownership and realization of any investment (whether or not ultimately made); (viii) VAT applicable to Fund expenses, including VAT incurred by any managing entity of the Fund (including JPM) which cannot be recovered by such managing entity; (xi) any fees and expenses, including any interest expenses, incurred in respect of any credit facility (including any subscription line) or other financing; (x) the fees and expenses of all surveyors, appraisers, property trustees, professional property managers, accountants, administrators, lawyers, investment bankers, consultants, underwriters, auditors and other professional advisers; (xi) where determined as appropriate by any managing entity of the Fund, the fees, costs and expenses of any independent fiduciary and any meetings thereof and the reasonable travel and lodging expenses of members attending any investors meetings called by the general partner of a Fund entity; (xii) any costs or expenses incurred in connection with making any filings (or analyzing whether any such filings must be made) with any governmental or regulatory authority (including any related legal expenses and any filings made on behalf of an investor), or any fees in connection with listing any investment or Fund entity on any exchange; (xiii) insurance premiums (including, without limitation, any premiums for director and officer insurance and professional indemnity insurance in respect of any director, officer or employee of the managing entities of the Fund or their respective affiliates in relation to such a person acting as a director, officer or employee of any entity in relation to, or in connection with, any investment), litigation and indemnification expenses, including the advancement of any claims and expenses and legal fees, disbursements and governmental fees and charges associated therewith; (xiv) costs and expenses associated with the termination, dissolution, winding-up and/or liquidation of the Fund and any related entity thereof; (xv) any statutory or regulatory fees, if any, levied against or in respect of the Fund or any related entity, together with the costs incurred in preparing any submission required by any tax, statutory or regulatory authority; (xvi) costs, fees and expenses associated with the auditor and professional appraisers in the preparation of the annual audit of the Fund, and other Persons in the preparation of valuations and reports to investors; (xvii) costs, fees and expenses of any administrator of the Fund, any unaffiliated manager, any depositary or any other service providers that assist in the operation of the Fund and any related entity (including, to the extent permitted under the Fund's and its related entities' Governing Documents, affiliates of JPM that may provide such services); (xviii) any taxes (including any interest or penalties relating thereto) payable by any Fund entities; (xix) costs and expenses associated with research in furtherance of the Fund's investment activities (including, without limitation, engaging consultants, research and information service subscriptions, participation in conferences, membership in trade organizations and other activities that promote deal pipeline development); (xx) travel, lodging and similar expenses incurred by the JPM, other affiliates of JPM and the Adviser or their respective directors, officers, or employees arising from the acquisition, ownership, operation or disposal of any investment (including in the case of a proposed investment, whether or not actually acquired, or in the case of an existing investment, whether or not actually disposed of) or other operation of the Fund and any related entity; (xxi) costs, including fees and expenses, incurred in connection with any transaction or investment by the Fund in derivatives or other financial instruments for the purposes of managing risk, obtaining leverage, or otherwise managing returns in connection with an investment or managing other risks associated with any investment or any fund-

related entity; (xxii) the costs, fees and expenses required to be paid in connection with the listing of any Fund-related interests, entity or investment; (xxiii) costs and expenses incurred in relation to obtaining waivers, consents or approvals pursuant to the Fund Governing Documents and costs and expenses of, and/or incidental to, the preparation of amendments to such Governing Documents; (xxiv) costs and expenses incurred in connection with administering side letters, including the distribution and implementation of any applicable elections pursuant to “most favored nation” or similar clauses in side letters; (xxv) any costs, fees and expenses incurred to alter or modify the structure of the Fund and related entities (including, without limitation, in order to comply with any applicable regulation or law or to enable the Fund to operate in a more efficient manner); (xxvi) any costs, fees and expenses incurred to implement any capital commitment shortfall advances made by partners in the Fund; (xxvii) any costs, fees and expenses incurred in forming and operating any subsidiary REITs, including the offering of preferred units in such subsidiary REIT (including any placement fees paid by Fund-related entities), amounts payable to the preferred unit holders and tax compliance costs; and (xxviii) any other costs and expenses incurred in connection with the ownership, operation, financing, maintenance, leasing, management, repair and sale of any investments; provided that the foregoing exemplary list is not inclusive of all such costs and expenses.

The applicable Governing Documents of each Fund have provisions that allow each such Fund to borrow money for investment and other purposes. Such borrowings may be made prior to capital being called from such Fund’s investors. This mechanism may defer investor capital calls and provides a form of leverage that can have the effect of amplifying a Fund’s reported net internal rate of return (IRR), particularly in the early years of a Fund’s investment cycle. Such borrowings can also accelerate the date upon which a Fund’s preferred return will be achieved for purposes of determining when the applicable general partner (or affiliates which earn carried interest) are entitled to begin receiving carried interest payments on distributions from a Fund. In accordance with the terms of the applicable Governing Documents of each Fund, interest payments and other fees and expenses incurred in respect of such borrowings are partnership expenses and such expenses will decrease a Fund’s net returns over time. The terms of each Fund’s borrowing arrangement and borrowings outstanding, if any, are disclosed to the investors in the annual financial statements of each Fund.

Expenses incurred pursuing potential investments that are ultimately not completed (so-called “broken deal expenses”) will generally be borne solely by the Funds, in accordance with the Funds’ Governing Documents, even if co-investors were being sought or in some cases have agreed to participate had the transaction been consummated. Such co-investors may include those with whom the Adviser has pre-existing relationships, as well as co-investors that have participated in other completed transactions. By generally bearing such broken deal expenses, the Funds provide a potential benefit to other co-investors in the Funds’ investments. Please see *“Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss”* below for additional information on allocation of such broken deal expenses.

Investors and prospective investors in a Fund should refer to such Fund’s Governing Documents for more detailed information concerning the fees, carried interest and other expenses that such Fund will bear.

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

As noted in Item 5 above, the general partner (or its affiliate) of each Fund is entitled to receive carried interest distributions from such Fund after certain performance hurdles have been met, and certain of the Adviser's Principals and other key employees receive a portion of such carried interest distributions. These performance-based carried interest distributions create conflicts of interest, including an incentive for the Adviser to engage in riskier or more speculative investments on behalf of a Fund than might otherwise be the case. In addition, the Adviser may have an incentive in allocating investment opportunities to favor Funds or other clients with a potential for performance-based compensation or greater performance-based compensation over clients with no performance-based compensation or lesser performance-based compensation. To address this conflict, the Adviser has adopted policies and procedures that are designed to ensure that, over time, all of its clients are treated in a fair and equitable manner with respect to the allocation of investment opportunities. Please refer to "*Item 12 - Brokerage Practices*" for additional details.

## **Item 7: Types of Clients**

The Adviser's clients are the Funds. The investors in the Funds generally include U.S. and non-U.S. institutional investors, family offices, and high net worth individual investors.

Interests in each of the Funds are offered (or were offered, during a Fund's applicable offering period) to qualified investors in reliance upon an exemption from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"). The Funds are not registered under the Investment Company Act of 1940, as amended (the "Investment Company Act"), in reliance upon one or more exclusions from the definition of "investment company" therein. Certain employees can also invest in the Funds if they meet the definition of "knowledgeable employee" in Rule 3c-5 of the Investment Company Act.

The minimum capital commitment of an Investor in a Fund is generally \$500,000, although lesser commitment amounts may be accepted in the discretion of the Adviser. Third parties in joint venture entities may be subject to minimum capital commitments, at the discretion of the Adviser.

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

### **Methods of Analysis; Investment Strategies**

The Funds invest in commercial real property assets primarily located in the United States. The Funds will typically target holding investments over an underwritten five-year investment holding period and will primarily focus on investments in controlling common equity positions, structurally attractive preferred equity, debt positions and other special situations opportunities. The Adviser seeks opportunities to create value through operational, physical, managerial and balance sheet repositioning strategies, distressed and otherwise low-cost-basis buying opportunities and capital markets strategies. The Funds



typically pursue direct investment in a variety of property types (e.g., office, residential, retail, hospitality, industrial, land, etc.). On a limited basis, the Funds may invest in non-US real property assets.

The Adviser seeks investments that are favorably priced and/or provide value creation opportunities. In implementing this investment strategy, the Adviser typically analyzes specific market conditions for potential investment opportunities, seeks low-cost-basis acquisitions, investigates and conducts due diligence with respect to proposed investment opportunities and potential joint venture partners, structures and negotiates investments, pursues strategies to increase the value of investments post-acquisition and advises the Funds in relation to the sale or other monetization of investments. The Adviser seeks investment opportunities in a variety of property and real estate asset types, including but not limited to office, residential, retail, hospitality, industrial, land and real estate operating companies.

The Adviser believes a highly disciplined and selective investment process oriented towards executing specific types of investments during a limited market cycle window is the best manner through which to achieve desired risk-adjusted returns. Generally, the Funds' investment focus will be on primary and secondary markets that the Adviser believes have sound real estate fundamentals and active real estate capital markets. The Funds pursue investments that are expected to provide value enhancement opportunities during the intended investment holding period. Value enhancement strategies may be pursued through a number of means, such as asset repositioning, development, operational initiatives (e.g., leasing, management and cost control) and balance sheet restructuring. The Adviser will typically seek to position investments for sale or refinancing to a broad segment of the established investment market after the execution of such value enhancement strategies.

The investment themes and strategies the Adviser focuses on vary to some degree among its Funds, as described in the applicable Governing Documents of each Fund. The Adviser's specific strategies, or the emphasis it places on different strategies, may be adjusted by the Adviser as it determines is appropriate to remain responsive to changing market conditions and, in particular, the changing phases of the real estate market cycle. Any such adjustments shall only be made in accordance with each Fund's applicable Governing Documents.

## **Risk Factors**

The investment strategies pursued by the Adviser involve a number of significant risks. These investment strategies may be deemed to be speculative. Such investment strategies are not intended to be utilized as complete investment programs. They are designed for sophisticated investors who fully understand and are capable of bearing the risk of such investments. Investment risks include, but are not limited to, the following:

- Investment Objective. Investments in real estate and real estate-related assets involve an inherently greater risk of loss of capital than various other types of investments, due in large part to the risk factors set forth below (as well as other factors). Therefore, investors must recognize that the Funds may be unable to preserve an investor's capital through its investment in the Fund.

- Lack of Liquidity of Investments. Investments will generally be illiquid due to any number of uncontrollable and unpredictable factors. It may be difficult from time to time for a Fund to realize, sell or dispose of an investment at an attractive price or at the appropriate time or in response to changing market conditions, or the Fund may otherwise be unable to complete a favorable exit strategy. The Adviser expects that income from investments will not be realized until a number of years after they are made. Investors should therefore be aware that they may be required to bear the financial risk of their investment in a Fund for an indefinite period of time.
- General Economic and Market Conditions. The success of a Fund's investment program will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may result in volatile and unstable prices and could impair a Fund's performance and the value of its assets and ultimately adversely impact its profitability and result in losses. The onset, duration and ultimate effect of adverse market conditions cannot be predicted. However, the deterioration of market conditions could result in decreased market values of potential investments or decreased market values of subsequently purchased investments. Such decreases could require a Fund to dispose of investments at a loss while such adverse market conditions prevail.
- Risks Related to a Public Health Crisis. A public health crisis, such as the outbreak of the COVID-19 global pandemic ("COVID-19"), can have unpredictable and adverse impacts on global, national and local economies, which can, in turn, negatively impact a Fund and its investment performance. Disruptions to commercial activity, including important global, regional and local supply chains and economic markets (due to the imposition of quarantines or travel restrictions) or, more generally, a failure to contain or effectively manage a public health crisis, may materially and adversely impact a Fund's investment(s).
- Lack of Diversification. The Funds are expected to invest in a limited number of investments, and, as a consequence, the aggregate returns realized by a Fund may be adversely affected by the unfavorable performance of a small number of such investments. The Fund's portfolios may also involve geographic or property-type concentration, which may enhance risk.
- Lack of Operating History. The Adviser has been recently organized and has little or no operating history. Although the Adviser's investment team is highly experienced, they have historically operated as part of a larger organization and not as a stand-alone firm. There can be no assurance that the investment team will be as successful operating as a stand-alone firm as it has been operating as a part of JPM.
- Risks Associated with Investments in Real Estate Generally. An investment in a Fund is subject to certain risks associated with the ownership of real estate and the real estate industry in general, including: the burdens of ownership of real property; local, national and international economic conditions (which may be adversely affected by industry slowdowns, decreases in government spending and changing government policies); the supply of and demand for properties; the financial condition of tenants, buyers and sellers of properties; changes in interest rates and the availability of mortgage funds which may render the sale or refinancing of properties difficult or

impracticable; changes in environmental laws and regulations, planning laws and other governmental rules and fiscal and monetary policies; environmental claims arising in respect of properties acquired with undisclosed or unknown environmental problems or as to which inadequate reserves have been established; changes in real property tax rates; changes in energy prices; negative developments in the economy that depress travel activity; uninsured casualties; force majeure acts; terrorist events; under-insured or uninsurable losses and other factors that are beyond the reasonable control of the Adviser. In addition, real estate assets are subject to long-term cyclical trends that give rise to significant volatility in values. Many of these factors could cause fluctuations in occupancy rates, rent schedules or operating expenses, causing the value of a Fund's investments to decline and negatively affect the Fund's returns. The value of a Fund's investments may fluctuate significantly due to these factors and may be significantly diminished in the event of a sudden downward market for real estate and real estate-related assets. The returns available from a Fund's investments depend on the capital appreciation generated and amount of income earned by the relevant underlying properties, as well as expenses incurred in connection therewith. If properties do not generate income sufficient to meet operating expenses, including amounts owed under any third-party borrowings and capital expenditures, a Fund's returns will be adversely affected. In addition, the cost of complying with governmental laws and regulations and the cost and availability of third-party borrowings may also affect the market value of and returns from a Fund's investments. A Fund's returns would also be adversely affected if a significant number of tenants were unable to pay rent or if properties cannot be leased on favorable terms. Certain significant fixed expenditures associated with purchasing properties (such as third-party borrowings, taxes and maintenance costs) may stay the same or increase even when circumstances cause a reduction in returns from properties.

- Risks Associated with Commercial Properties. A large number of factors may adversely affect the value of commercial properties, including: (a) the physical attributes of the property in relation to competing properties (*e.g.*, age, condition, design, appearance, location, access to transportation and ability to offer certain amenities); (b) the physical attributes of the property with respect to technological needs, including the adaptability of the property to changes in technological needs; (c) the desirability of the area; (d) the strength and nature of the local economy, including labor costs and quality, tax environment and quality of life for employees; and (e) an adverse change in population, patterns of telecommuting and employment growth.
- Risks Associated with Property Acquisitions. The Funds may acquire, directly or indirectly, debt or equity interests in real estate. These acquisition activities are subject to many risks. The Funds may acquire properties through foreclosure or interests in properties that are subject to liabilities or that have problems relating to environmental condition, state of title, physical condition or compliance with zoning laws, building codes or other legal requirements. In each case, a Fund's acquisition of real estate may be without any recourse, or with only limited recourse, with respect to unknown liabilities or conditions. As a result, if any liability were asserted against a Fund relating to those properties, or if any adverse condition existed with respect to the properties, the Fund might have to pay substantial sums to settle or

cure it, which could adversely affect the cash flow and operating results of the Fund.

- Development and Construction Risks. The Funds may acquire direct or indirect interests in undeveloped land or underdeveloped real property, which may often be non-income producing. To the extent a Fund invests in such assets, it will be subject to the risks normally associated with such assets and development activities, including risks relating to the availability and timely receipt of zoning and other regulatory approvals, the cost and timely completion of construction (including risks beyond the reasonable control of the Adviser, 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. Properties under development or properties acquired for development may receive little or no cashflow from the date of acquisition through the date of completion of development and may experience operating deficits after the date of completion. In addition, market conditions may change during the course of development, which may make such development less attractive than at the time it was commenced. Specific investments may involve real properties under construction. The primary risks associated with new construction are cost overruns and delays. The Adviser will generally require developers to meet certain performance benchmarks with respect to construction progress, as a condition of a Fund's investment. Although such developers may be required to guarantee completion of construction and be responsible for 100% of all cost overruns, delays may be beyond the control of such developers, and hence cannot always be fully mitigated. Should delays occur, an investment may be subject to a longer holding period, possibly decreasing the return to the applicable Fund. Developer guarantees may not include all costs or may not be fulfilled by the developer. Although the Adviser will attempt to mitigate some of the construction risk by requiring third-party surety guarantees for the completion of construction in some instances, affiliating only with development companies having significant net worth and cashflow to support completion guarantees, and in many cases, requiring the deferral of developer fees and a portion of construction fees, there can be no assurances that the Adviser will be successful in mitigating these risks. Any increased construction costs could materially and adversely affect the return on a Fund's investments. The Funds may enter into certain recourse, interest, completion, environmental or non-recourse carve-out guarantees (or indemnify certain third parties, including joint venture partners or one or more investment vehicles that may co-invest with the Funds with respect to such guarantees) with respect to one or more investments. The Funds may also guarantee the indebtedness or other obligations of any property in which the Fund has made or proposes to make an investment (or one or more investment vehicles that may co-invest with the Fund). As a result of such guarantees and indemnities, the Fund's losses with respect to an investment may exceed the total amount it invests in such investment.
- Leasing Risk. Where a Fund's investment involves the construction of or rehabilitation and re-tenanting of rental property, the projected returns for such investment will depend in part on the length of time required for a project to achieve stabilization and whether the sponsor of the investment can lease the space at the projected rental rates. Delays in anticipated lease-up could result in lower returns to the Fund and its investors.

- Relpositioning Risks. The Funds may seek to redevelop or reposition certain properties. Such redevelopment or repositioning carries a number of attendant risks, including the possibility that costs incurred in connection with the initial development may not be recovered. In addition, it may be that suitable tenants will not be found for repositioned properties, which could lead to a Fund owning vacant properties producing insufficient income to meet expenses or provide a suitable return to the Fund. Other risks associated with redevelopment or repositioning include the risk that delays in the construction timetable may result in a property not reaching a stage where it is reasonably fit for occupancy. Similarly, there may be planning risks arising from difficulties in obtaining planning consents and licenses which delay the construction timetable of a redevelopment or repositioning timetable.
- Potential Environment Liabilities. The Funds may be exposed to substantial risk of loss from environmental claims arising in respect of investments, and the loss with respect to any investment may exceed the value of such Investment. Under various US federal, state and local laws, ordinances and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Such enactments often impose such liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The cost of any required remediation and the owner's liability therefor as to any property is generally not limited under such enactments and could exceed the value of the property and/or the aggregate assets of the owner. The presence of such substances, or the failure to properly remediate such substances, may adversely affect a Fund's ability to sell the real estate or to borrow using such property as collateral. Furthermore, changes in environmental laws or in the environmental condition of an investment may create liabilities that did not exist at the time of acquisition of the investment and that could not have been foreseen. In addition, the properties in which a Fund invests may be subject to risks associated with natural disasters, such as earthquakes, fire, windstorms, tornadoes, hurricanes, floods or man-made disasters, including terrorist activities or acts of war.
- Impact of Government Regulation. Government authorities at all levels are actively involved in the promulgation and enforcement of regulations relating to land use and zoning restrictions, environmental protection and safety and other matters affecting the ownership, use and operation of real property. Regulations may be promulgated that could have the effect of restricting or curtailing certain usages of existing structures or requiring that such structures be renovated or altered in some manner. The institution and enforcement of such regulations could have the effect of increasing the expenses and lowering the income or rate of return, as well as adversely affecting the value, of any of a Fund's investments.
- Increased Scrutiny of Private Fund Advisers. The SEC has recently increased its scrutiny of the private fund industry, including conducting numerous examinations and bringing a number of enforcement actions against private fund managers. The SEC has also recently finalized a number of rules related to private funds, which affect the firm and its operations. The regulatory environment for private funds and other financial entities is evolving. Changes in law or regulations may adversely affect the value of each fund's investments, may affect the ability of the funds to pursue their investment strategies, or may restrict or prevent the firm from continuing to perform services for its clients in the manner currently contemplated. The effect of these

future regulatory changes on the firm and its clients cannot be predicted at this time.

- Investments in Operating Companies. A Fund may invest in companies that manage or operate hospitality or other real estate assets. These companies may be in an early stage of development, may not have a proven operating history, may be operating at a loss or have significant variations in operating results, may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive position, may have a high level of leverage, or may otherwise have a weak financial condition. In addition, these companies may face intense competition, including competition from other real estate companies with greater financial resources, more extensive operational capabilities, and a larger number of qualified personnel.
- Other Credit Risks. A Fund may be exposed to losses resulting from default and foreclosure with respect to its debt investments. Therefore, the value of the underlying collateral of any such investment, the creditworthiness of the borrowers and the priority of the lien are each of great importance. The Adviser cannot guarantee the adequacy of the protection of the Funds' interests, including the validity or enforceability of the debt instruments in which it invests and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, the Adviser cannot assure that claims may not be asserted that might interfere with enforcement of a Fund's rights. In the event of a foreclosure, a Fund may assume direct or indirect ownership of the underlying collateral. The liquidation proceeds upon sale of such collateral may not satisfy the entire outstanding balance of principal and interest on the loan, resulting in a loss to the Fund. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property will further reduce the proceeds and thus increase the loss.
- Appraisals and Valuations. Most investments will be highly illiquid, and will most likely not be publicly traded or readily marketable. The Adviser, therefore, will not have access to readily ascertainable market prices when establishing valuations of the investments. While the Adviser will endeavor to determine and establish valuations of the investments based on its estimate of the market values of such investments and underwriting principles it considers to be sound, as a result of the illiquidity of a substantial portion of the investments, the Adviser and the Funds can provide no assurance that any given investment could be sold at a price equal to the value ascribed to such investment by the Adviser.
- Inability to Refinance Investments. If a Fund makes an investment with the intent of refinancing a portion of such investment, there is a risk that the Fund will be unable to successfully complete such a refinancing. This could lead to reduced diversification and increased risk as a result of the Fund having a larger and longer-term investment than expected.
- Management of Investments. Property managers may be responsible for the maintenance and other day-to-day management of a Fund's properties. If a property is not adequately maintained in accordance with the terms of the applicable agreement, the Fund may incur expenses for deferred maintenance expenditures or other liabilities once the relationship is terminated.

- Highly Competitive Market for Investment Opportunities. The activity of identifying, completing and realizing attractive real estate investments is highly competitive, and involves a high degree of uncertainty. The Funds compete for investments with other real estate investment vehicles, as well as individuals, publicly traded Real Estate Investment Trusts (each a “REIT” and collectively, “REITs”) financial institutions, private equity capital groups, pension funds, corporations, hedge funds and other institutional investors and strategic buyers. Further, over the past several years, many real estate funds and publicly traded REITs have been formed (and many such existing funds have grown in size) for the purpose of investing in real estate assets. Additional real estate funds and REITs with similar investment objectives may be formed in the future by other unrelated parties and further consolidations may occur (resulting in larger funds and vehicles). A Fund may be competing for investment opportunities with entities that have substantially greater financial and other resources than the Fund. Those entities may be able to accept more risk than the Fund can prudently manage. There can be no assurance that the Fund will be able to locate, complete and exit investments that satisfy the Fund’s rate of return objectives, or realize upon their values, or that the Fund will be able to invest fully its committed capital.
- Broken Deal Expenses. Co-investors in one or more specific investments will not necessarily be required to share in the broken-deal expenses, either with respect to a co-investment opportunity that is not consummated or with respect to other potential investments that may be offered to the Funds. This includes co-investors with whom the Adviser has pre-existing relationships, as well as co-investors that have participated in other completed transactions. Such co-investors participate in and benefit from the general sourcing of transactions by the Fund and the Adviser.
- Side Letters. As noted in Item 4 above, in connection with or as a condition to an investor’s agreement to invest in a Fund, the Fund or its general partner may from time to time enter into a “side letter” or similar agreement with an institutional or other investor pursuant to which the Fund or its general partner grants the investor specific rights, benefits or privileges that are not generally made available to all investors. Such rights, benefits or privileges include waivers or discounts on management fees and/or carried interest, “most favored nation” clauses, preferential access to co-investment opportunities, the right to be excused from participating in certain investments made by a Fund, notice rights upon the occurrence of certain events, seats on a Fund’s limited partner advisory committee, specialized or additional reporting rights, rights related to tax treatment, rights related to regulatory matters, rights related to immunities or indemnification, rights related to the ability of the investor to transfer its interest in the Fund, additional representations and warranties from the Fund, its general partner and/or the Adviser, modifications to the subscription agreement and other benefits. While the ability of a Fund or its general partner to enter into a side letter or similar agreement affording preferential rights to certain investors is generally disclosed to other investors in the Fund, the terms of such “side letters” or similar agreements are generally not disclosed to other investors in the Fund, except to investors that have separately negotiated for the right to review such agreements.
- “Recycling” of Capital. The Adviser has the right to recall (or “recycle”) certain distributed amounts, including in respect of returned fees and expenses and returned

capital, in accordance with the Funds' Governing Documents. Accordingly, during the term of a Fund, an investor may be required to make capital contributions in excess of its commitment. Any such reinvestment would limit early distributions to investors, and to the extent such recalled or retained amounts are reinvested, an investor will remain subject to the investment and other risks associated with such investments. As a result, reinvestment could increase the risk of investing in a Fund. Additional investments resulting from recycling have the potential to increase investment returns to investors (and reduce the effective burden of management fees assessed on the basis of commitments during a Fund's commitment period) to the extent such investments are profitable. However, there can be no assurance that any such investment will have a positive return. Further, any such additional investments will have the effect of increasing the management fee borne by investors following the investment period, and as a result the Adviser may face a conflict of interest with respect to such additional investments insofar as it is incented to deploy recycled capital in additional investments when it might not otherwise have done so.

No guarantee or representation can be made that a Fund will achieve its investment objective or that investors will receive a return of their capital. All investing involves a risk of loss and the investment strategies pursued by the Funds could lose money over short or even long periods. Prospective and existing investors are advised to review the offering materials and other constituent documents for full details on each applicable Fund's investment, operational and other actual and potential risks.

#### **Item 9: Disciplinary Information**

Adviser and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the Company or its personnel.

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

Neither the Adviser nor any of its directors, officers or principals is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. Neither the Adviser nor any of its directors, officers or principals is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or is an associated person of any of the above.

As noted in Item 4 above, the investment team of JRE Partners was recently a part of JPM and JRE Partners still retains a close relationship with JPM. JRE Partners has entered into a contractual arrangement with JPM to serve as sub-advisor to select Funds. As sub-advisor, JRE Partner shall have full discretion in managing each Fund's investments consistent with such Fund's investment program and term (as set forth in such Fund's Governing Documents) and performing such other services as may be reasonably requested by JPM and agreed by JRE Partners. As noted in Item 5 above, JPM pays JRE Partners a sub-advisory fee in consideration of such services.

As noted in Item 5 above, any investment vehicle in which a Fund invests may engage service providers that are affiliates of the General Partner to provide construction consulting, development construction management, and related oversight, and/or leasing services pursuant to a service agreement; provided that (i) the fees and commissions required under any such arrangement with any such affiliate (the "Investment-Level Service Fees") shall be



consistent with the current market rate for such service, as determined by the General Partner in its reasonable discretion (or, in the case of Investment-Level Service Fees related to construction management and related oversight, the fees with respect to any single investment shall be no more than \$10,000 per month, which limitation shall be increased on an annual basis to reflect any percentage increase in the Consumer Price Index) and (ii) the other terms of any such arrangement shall be fair to the partnership as reasonably determined by the General Partner, taking into account the nature of the transaction and the services provided, and shall otherwise not be in violation of a Fund's governing documents.

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

The Adviser has adopted a code of ethics (the "Code") that establishes standards of ethical conduct for its employees and sets forth policies and procedures for addressing potential conflicts of interest that may arise between the Adviser's personnel and the Funds. The Code is based on the principle that the Adviser owes a fiduciary duty to its clients and that all of the Adviser's personnel must therefore avoid any activities, interests or relationships that might present an actual or potential conflict of interest with the Adviser's clients or otherwise interfere with the Adviser's ability to make decisions in the best interests of its clients. Among other things, the Code addresses personal trading activities, receipt of gifts and business entertainment, outside business activities and political contributions.

As a general rule, the Adviser does not buy or sell securities of public companies. However, in the ordinary course of its business, the Adviser will from time to time come into possession of material non-public information relating to public and private companies. The Code requires the Adviser to maintain a "Restricted List" of companies in whose securities the Adviser's personnel are generally prohibited from trading. The companies on the Restricted List include (i) any portfolio investment held by the Funds, (ii) any public or private company which is actively under consideration as an investment for the Funds, (iii) any public or private company in which the Adviser has entered into a non-disclosure, confidentiality or standstill agreement, and (iv) any other public company concerning which the Adviser may be in a position to receive material non-public information as a result of a special relationship the Adviser has with such public company. The Adviser's investment professionals are required to report all of their personal holdings in securities and personal securities transactions to the Adviser's Chief Compliance Officer ("CCO") on a quarterly basis. In addition, the Adviser personnel are required to pre-clear any personal securities transaction they may wish to make in securities issued in an initial public offering or private placement and in any securities issued by a company on the Restricted List. In general, personal securities transactions in any company that is on the Restricted List will not be approved in the absence of extraordinary circumstances.

The Adviser's personnel are also prohibited from giving or receiving gifts or business entertainment that might call into question the exercise of such person's ability to exercise independent judgement on behalf of the Adviser's clients. Under the Code, gifts and business entertainment that exceed certain thresholds must be pre-cleared with the Adviser's Chief Compliance Officer. Under the Code, Covered Persons must obtain prior approval from the CCO for any outside business activities they may wish to engage in and any political contributions they may wish to make.

The Adviser's employees must certify annually that they have read and agree to comply in all respects with the Code and that they have disclosed or reported all personal securities

transactions, holdings and accounts required to be disclosed or reported by the Code.

The paragraphs above only represent a summary of key provisions in the Code. The Adviser will provide a copy of the entire Code to any client or prospective client (including any investor therein) upon request.

## **Item 12: Brokerage Practices**

The Adviser's advisory business generally involves private transactions in commercial real estate, in which best execution obligations do not arise in the same context as transactions in publicly-traded securities. With respect to such private transactions, the Adviser believes it fulfills its best execution responsibilities through careful evaluation and negotiation of the terms of each such transaction.

However, the Adviser may from time-to-time purchase or sell publicly traded securities. In such circumstances, the Adviser considers various factors in determining which broker is most likely to deliver best execution including, but are not limited to, the Adviser's knowledge of negotiated commission rates and spreads currently available; the nature of the security or instrument being traded; the size and type of the transaction; the nature and character of the markets for the security or instrument to be purchased or sold; the desired timing of the trade; the activity existing and expected in the market for the particular security or instrument; confidentiality; the execution, clearance, and settlement capabilities as well as the reputation and perceived soundness of the broker selected and other brokers considered; the Adviser's knowledge of actual or apparent operational problems of any broker; the broker or dealer's execution services rendered on a continuing basis and in other transactions; and the reasonableness of spreads or commissions.

The Adviser does not maintain relationships with broker-dealers that feature soft-dollar benefits or referral arrangements.

The Adviser maintains policies and procedures that are designed to ensure that all investment opportunities are, to the extent applicable, allocated among the Adviser's Funds on a basis that over time is fair and equitable to each Fund relative to other Funds taking into account all relevant facts and circumstances. The Adviser may depart from this policy in a particular circumstance if it is determined that it would be appropriate to do so and that such a departure would nonetheless be consistent with the Adviser's fiduciary duties to the Funds. The factors generally considered by the Adviser in making an allocation determination include: (i) differences among Funds with respect to available capital, size and remaining life of each Fund, (ii) the nature of the investment opportunity, (iii) potential conflicts of interest, (iv) the applicable provisions of each Fund's Governing Documents, (v) tax, legal or regulatory considerations, and (vi) current and anticipated market conditions. The Adviser anticipates that, at most times, only one Fund (together with any parallel funds formed to generally invest proportionately in each new investment) will actively be seeking investment opportunities in new portfolio companies. However, where a new Fund has been formed, and a predecessor Fund still has capital available for investment in new opportunities, the Adviser will generally allocate investment opportunities to the predecessor Fund and the new Fund in a fair and equitable manner. While the Adviser does not anticipate any significant sharing of investment opportunities between Funds of different vintages, such cross-fund sharing of investment opportunities may occur in circumstances deemed appropriate by the Adviser. A follow-on investment opportunity in an existing portfolio investment will generally first be

considered as an opportunity for the Fund that has an existing investment in that portfolio investment. Depending on the size and other relevant factors associated with an investment opportunity, investment allocation decisions may also be made with respect to potential co-investment in an investment opportunity. In making this determination, the Adviser will first ensure that the Funds receive the full amount of their desired allocations prior to offering any co-investment opportunity to any third party. Subject only to any applicable provisions in the Fund Governing Documents or side letters, the Adviser may but is under no obligation to offer co-investment opportunities to existing investor in the Fund on a pro rata basis or otherwise. To the extent that multiple Funds hold an interest in the same portfolio investment, the Adviser will allocate any disposition opportunities with respect to that investment on a basis that is fair and equitable to each Fund relevant to other Funds taking into account all relevant facts and circumstances, including without limitation the relative ownership percentages of the Funds in the applicable portfolio investment.

### **Item 13: Review of Accounts**

The Adviser monitors each of the investments on an ongoing and continuous basis. The Adviser frequently meets with property managers, construction managers, and corresponding site-level employees. Periodic site visits by senior management are also typically conducted. In addition, senior management and other key personnel of the Adviser monitor investments on an ongoing basis as needed based on their evaluation of each investment's particular circumstances.

Generally, as set forth in the Governing Documents, on a quarterly basis, investors in each Fund receive written financial reports, including an unaudited balance sheet, a statement of net income or net loss, a statement of changes in financial position or a cash flow statement, and a supplemental statement of such investor's capital account. On an annual basis, investors in each Fund also receive audited financial statements of such Fund, valuations of all of such Fund's investments, and tax information necessary for the completion of U.S. tax returns.

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

The Adviser may, from time to time, determine to engage a third party placement agent to introduce potential investors to the Funds. Depending on the specific arrangement, the Adviser may pay a placement fee, which may be calculated as a percentage of the commitment amount of certain investors. An affiliate of JPM has been engaged by the Adviser to serve as a third-party placement agent for certain fund investment offerings of the Adviser. JPM or its affiliates receive compensation in connection with its role as placement agent.

### **Item 15: Custody**

The Adviser will conduct all business operations in such a way that client cash and securities, other than privately offered, non-certificated securities, will be preserved in the safekeeping of independent qualified custodians.

With respect to each Fund, an independent public accountant will audit such Fund's financial statements annually, and the audited financial statements are distributed to the investors of such Fund.

## **Item 16: Investment Discretion**

The Adviser generally has discretionary authority to manage the assets of each of its Funds pursuant to investment sub-advisory agreements between the Adviser and JPM on behalf of each Fund. These agreements include an explicit grant of discretionary authority to manage the applicable Fund's assets, *provided* that the Adviser shall consult with JPM regarding, and obtain the JPM's written consent prior to consummating, any material restructurings, recapitalizations, dispositions involving any Fund's investment if such transaction could reasonably be viewed as not falling within the ordinary course of the management and operation of such Fund. The Adviser will exercise its discretionary authority in accordance with the investment objectives and strategy and applicable limitations, if any, set forth in applicable Governing Documents of each Fund. Furthermore, the advisory activities of the Adviser with respect to any Fund are subject to the oversight of the Adviser's investment committee that is responsible for approving all investments and dispositions of investments for such Fund.

The terms and conditions governing the Adviser's discretion over the investments made on behalf of each Fund are set forth in such Fund's Governing Documents.

## **Item 17: Voting Client Securities**

The Adviser does not expect that its Funds will typically hold investments that give rise to instances of proxy voting, or other voting with respect to its Funds' real estate investments.

However, one or more Funds may from time to time hold shares or other securities or interests in special purpose vehicles or other entities, and the Funds may have the opportunity from time to time to vote on matters that arise under the governing documents of the special purpose vehicles or entities in which they are invested. In such cases, the Adviser will evaluate the matter which is the subject of the vote in light of the relevant circumstances and will seek to vote in a manner that the Adviser determines will further the best interests of the relevant Fund.

In accordance with Rule 206(4)-6 of the Advisers Act, the Adviser has adopted and implemented written policies and procedures governing the voting of client securities. The Funds are primarily invested in privately-held portfolio companies that do not typically issue proxies. However, in the event proxies have to be voted, the Adviser is generally responsible for voting proxies on behalf of its clients. The Adviser votes client proxies in a way that it believes will maximize value for its clients. In exercising its voting discretion, the Adviser and its employees seek to avoid any direct or indirect conflict of interest raised by such voting decision. All conflicts of interest will be resolved in the interests of the Adviser's clients.

A copy of the Adviser's written proxy voting policies and procedures, as well as a record of how the Adviser has voted in the past, will be maintained and available for client review upon written request.

## **Item 18: Financial Information**

The Adviser is not aware of any financial conditions that are reasonably likely to impair its ability to meet its contractual obligations to its clients. The Adviser has never been the subject of a bankruptcy petition.