

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

**Acre Capital Advisors, LLC**

**1900 Avenue of the Stars, Suite 2400**

**Los Angeles, California 90067**

**Telephone: 424-512-7320**

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*This brochure provides information about the qualifications and business practices of Acre Capital Advisors, LLC ("ACA" or the "Adviser"). If you have any questions about the contents of this brochure, please contact us at 424-512-7320. 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 is the Adviser's initial brochure on Part 2A of Form ADV and therefore no material changes are required to be disclosed.

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## Item 4: Advisory Business

Acre Capital Advisors, LLC (“ACA” or the “Adviser”) is a real estate private equity firm headquartered in Los Angeles, CA focused on making commercial real estate investments. The Adviser was founded in 2023 by the managing principals (the “Managing Principals”), the former leadership team of AECOM Capital Inc., which is the direct real estate investment arm of AECOM (NYSE: ACM). ACA is principally owned by Warren Wachsberger. ACA will provide discretionary advisory services to private investment vehicles (referred to hereinafter as a “Fund” or a “Client” or collectively as “Funds” or “Clients”).

ACA anticipates that each Fund’s assets will be invested in accordance with the applicable Fund’s limited partnership agreement, confidential private placement memorandum and other governing documents (collectively, the “Fund Governing Documents”). ACA will conduct its investment advisory activities so as to comply with the investment objective, guidelines and restrictions set forth in each Fund’s Governing Documents, as the same may be amended from time to time. ACA will not tailor its investment activities on behalf of a Fund to the needs of any individual investor in a Fund. 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 the 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*” below for more details.

As a newly formed investment adviser, ACA has no assets under management.

## Item 5: Fees and Compensation

The Adviser will receive an asset-based management fee from each Fund that is typically payable quarterly in advance, as further described in the applicable Fund Governing Documents. If the Adviser’s advisory agreement with a Fund is terminated, management fees will be charged on a *pro rata* basis through to the date of termination, and any fees paid in advance but not earned will be refunded. The general partner of a Fund will generally make capital calls on Fund investors for the amount of the Adviser’s management fees and pay the amounts received to the Adviser. In addition to the management fees described above, the Adviser will generally also be entitled to receive a carried interest allocation from a Fund after certain performance hurdles have been met, as further described in the applicable Fund Governing Documents. Such carried interest represents a portion of a Fund’s net investment profits.

It is anticipated that the Adviser may receive similar asset-based management fees and carried interests from co-investment vehicles (each, a “Co-Investment Vehicle”) that it organizes in the future. Limited partners in the Funds should review the applicable Fund Governing Documents carefully for a full description of the fee revenues and other compensation that the Adviser may receive from such Fund.

Prior to making any investment decision, potential investors in the Fund or any Co-Investment Vehicle should review the applicable Fund Governing Documents or Co-Investment Vehicle governing documents, as applicable, carefully for a full description of the fee revenues and other compensation that the Adviser can receive.

The management fees and carried interest are generally subject to waiver or reduction by the general partner with respect to some or all of a Fund's limited partners in the general partner's sole discretion, as further described in the applicable Fund Governing Documents.

In general, each Fund will bear all costs and expenses incurred in connection with the organization of the Fund, the Fund's general partner and the Adviser, including the costs of preparing the governing documents of the Fund's general partner and the Adviser, including but not limited to legal and accounting fees, printing costs, and business development, travel and other out-of-pocket expenses, and all costs and expenses incurred in connection with the marketing and offering of interests in the Fund ("Organizational Expenses"), up to a maximum amount specified in the applicable Fund Governing Documents. Organizational Expenses in excess of this amount, and any placement fees, will be paid by the Fund but borne by the Adviser through a 100% offset (but not below zero) against the Fund's management fee.

In addition, a Fund will generally be responsible for all expenses relating to its own operations, including, without limitation, (i) Organizational Expenses; (ii) the management fee, as discussed above; (iii) all out-of-pocket costs of the administration of the Fund, which administrative services may be provided by third parties or by affiliates of the general partner or the Adviser at rates determined by the Adviser to be commercially reasonable but in any event not to exceed the rates that would be paid to third parties on arms-length terms, including custody, consulting, investment banking, administrative, tax and accounting, audit, legal, depositary, safekeeping and other professional fees (including the fees, costs and expenses of administrative services provided by any fund administrator (including any anti-money laundering or "know your customer" diligence in connection with the onboarding and ongoing participation of limited partners in the Fund)), expenses, fees or costs relating to meetings of partners (including meetings of the limited partner advisory committee) or with individual partners (in each case, including costs of travel including private and commercial air travel expenses (except that any private air travel will only be charged to the Fund to the extent of the cost of first class commercial airfare), accommodations, meals and beverages, registration fees, materials and other reasonable costs related to any such meeting), allocable total compensation (inclusive of bonus and benefits) of in-house attorneys, accountants, tax advisors and other professionals based upon the percentage of such person's documented business time allocated to matters related to Fund business, including, for the avoidance of doubt, investments (which compensation may be charged to, and paid directly by, the applicable investment), costs of any liability insurance obtained with respect to any indemnified person, costs associated with reporting and providing information to existing and prospective limited partners on Fund or investment-related matters, including the preparation and dispatch to the partners of distributions, financial reports, ESG and other similar reports, U.S. Internal Revenue Service Schedules K-1 (and any similar or equivalent tax forms of an applicable jurisdiction) and other tax filings and notices required pursuant to the limited partnership agreement and other Fund-related reporting obligations, any Freedom of Information Act or Open Records statute (or similar) responses or other communications, including all internal and third-party printing (including a flat service fee), publishing (including time spent performing such printing and publishing services) and reporting-related expenses in respect of the Fund and its activities and expenses associated with the maintenance of books and records of the Fund, and costs and expenses associated with the maintenance of data rooms; (iv) all appraisal and valuation expenses; (v) all taxes, including any withholding, transfer or other taxes imposed on the Fund (other than certain withholding taxes and other amounts, and other than taxes (and interest and penalties thereon) treated as incurred by or otherwise attributable to the partners for purposes of determining distributions or taxes (and interest and penalties thereon) for which a partner is required to reimburse the Fund, in each case that are actually borne by such partner), all governmental charges, registrations, fees and duties

imposed on or payable by the Fund or any subsidiary investment vehicle, and all expenses associated therewith, including those expenses incurred in connection with the registration, qualification or exemption of the Fund under any applicable laws, all related professional fees and expenses and all expenses incurred in connection with any investigation or review of the Fund or any settlement entered into by the Fund; (vi) all unreimbursed fees, costs and expenses incurred in connection with the collection of amounts due to the Fund from any person, including all fees, costs and expenses relating to default by limited partners; (vii) all fees, costs and expenses incurred in connection with any restructuring or amendment to the constituent documents of the Fund; (viii) all fees, costs and expenses relating to the limited partner advisory committee (including all fees, costs and expenses relating to indemnification), including the documented reasonable and customary out-of-pocket expenses incurred by members thereof; (ix) all fees, costs and expenses (and damages) related to regulation, litigation, government inquiries, investigations, proceedings or compliance with applicable law, in each case related to the Fund or its investments, including expenses relating to the preparation and filing of Form PF, regulatory expenses of the general partner and the Adviser related to filings required under the Securities Exchange Act of 1934, as amended and preparation and filing of reports with the Commodity Futures Trading Commission (excluding, for the avoidance of doubt, the initial and ongoing regulatory compliance cost of the general partner, the Adviser and their affiliates), and all fees, costs and expenses related to compliance with ESG standards or policies applicable to the Fund or its investments; (x) all fees, costs and expenses incurred in connection with compliance or filings related to the European Union Alternative Investment Fund Managers Directive or the European Union General Data Protection Regulation, including, without limitation, the fees and expenses of any third party service provider retained in connection therewith (which will be apportioned between the Fund and any parallel investment vehicle based upon the percentage of commitments of limited partners and the capital commitments of parallel investment vehicle investors, as applicable); (xi) all fees, costs and expenses related to complying with FATCA and similar regulations and administrative requirements in other jurisdictions; (xii) for each of clauses (ix) through (xi) above, all fees, costs and expenses related to similar regulations and administrative requirements in other jurisdictions and compliance with and filings under other applicable laws, rules and regulations; (xiii) all liabilities for indemnity or contribution to any person, whether payable under the Fund's limited partnership agreement or otherwise and whether payable in connection with any litigation involving the Fund or otherwise; (xiv) all fees, costs and expenses incurred in connection with administrative proceedings relating to the determination of Fund items at the Fund level undertaken by the partnership representative, and any audit with respect to taxes; (xv) all fees, costs and expenses incurred in connection with the dissolution and liquidation of the Fund; (xvi) all fees, costs and out-of-pocket expenses and liabilities directly related to investments or prospective investments (including expenses incurred in relation to prospective investments prior to the Fund's initial closing) and follow-on investments including, without limitation (A) third party legal, accounting, consulting, investment banking and other professional costs, (B) travel (which will be limited to the cost of commercial first class air travel), accommodation, meal and entertainment costs, (C) syndication fees, bank charges, appraisal and valuation fees, underwriting commissions and discounts, brokerage fees, sales commissions, finder's fees, closing and execution costs and information services, (D) custody fees and costs of other third-party services (including those provided by affiliates of the general partner or the Adviser), (E) fees, costs and expenses associated with the discovery, evaluation, purchase, execution, acquisition, holding, development, redevelopment, improvement, management, monitoring or sale of investments or prospective investments, (F) fees, costs and expenses associated with financing, refinancing, pledging or disposition of or proposed financing, refinancing, pledging or disposition of all or any portion of investments, (G) fees, costs and expenses related to structuring and maintaining investment vehicles, including the organization and operation of any alternative investment vehicle or subsidiary

investment vehicle and (H) fees, costs and expenses associated with environmental, architectural, property management, engineering, construction and related services; (xvii) all fees, costs and out-of-pocket expenses relating to unconsummated investments, including, without limitation, the fees and out-of-pocket expenses described in clauses (iii) through (xvi) above and including all fees, costs and expenses incurred in the formation of any related co-investment vehicle and any other amounts that would otherwise have been borne directly or indirectly by potential co-investors were such investments consummated, without regard to whether a determination has been made as to the identity of any such potential co-investor or the allocation of the potential investment opportunity prior to the time that it is determined that the prospective investment will not be consummated by the Fund; (xviii) placement agent fees which will offset the management fee on a dollar-for-dollar basis; (xix) all principal, interest, fees, costs, expenses and other amounts payable in respect of or in connection with borrowings, financings or guaranties, including, but not limited to, the arranging thereof and related legal expenses, all fees, costs and expenses of any loan servicers and other service providers and of any custodians, lenders, investment banks and other financing sources and all fees, costs and expenses related to any financing, hedging, swaps (or other derivatives), ratings, securitization or capitalization; (xx) fees, costs and expenses incurred in connection with administering side letters entered into with limited partners (including the distribution and implementation of any applicable elections pursuant to “most favored nation” or similar clauses); (xxi) all fees, costs and expenses incurred for research or obtaining information for the Fund and maintaining technology (including the costs of any professional service providers), hardware/software, data-related services, communication, market data and research (including news and quotation equipment and services) including costs of research groups (which are generally allocated among parallel investment vehicles based on time spent, assets under management, usage rates, proportionate holdings, or a combination thereof) and expenses and fees (including compensation costs) charged or specifically attributed or allocated by the Adviser and its affiliates for data-related services provided to the Fund and/or its investments (including in connection with prospective investments), each including internal expenses, charges, fees and/or related costs; (xxii) all fees, costs and expenses relating to the operations of any feeder vehicle that is an affiliate of the general partner or the Adviser (unless determined otherwise by the general partner) but excluding, for the avoidance of doubt, any Organizational Expenses incurred in connection with the organization of such feeder vehicle; (xxiii) all fees, costs and expenses that are classified as extraordinary expenses under U.S. generally accepted accounting principles; (xxiv) the costs of acquiring and maintaining insurance policies, including the cost of premiums with respect to any directors and officers or similar insurance for the employees of the Adviser (it being understood that such policies may cover liabilities in respect of any breach or alleged breach of fiduciary or similar duties and the exclusions from coverage under any such policies may not be the same as the exclusions from indemnification); and (xxv) any other costs, fees or expenses that, in the determination of the Fund’s general partner, in consultation with the Adviser, are reasonably incurred in connection with the operation of the business, the offering of interests and the maintenance of the Fund or its general partner. To the extent any of the foregoing costs, fees or expenses are incurred for the benefit of the Fund and other entities managed by the Fund’s general partner, the Adviser or their affiliates (including any parallel investment vehicle), the Fund’s general partner will make a good faith allocation of such costs, fees or expenses among the Fund and such other entities.

One hundred percent (100%) of a Fund’s allocable share of any origination, acquisition, disposition, break-up, commitment, financing, advisory, consulting, directors’, monitoring fees or other similar fees realized by its general partner, the Adviser, or their respective officers, directors, managers, employees or affiliates in connection with the Fund’s investments or prospective investments (other than (a) any such fees received in respect of any co-investors or (b) any Affiliate Service Fees (as

defined below)), net of any unreimbursed transaction and out-of-pocket expenses paid or incurred by the Adviser or any affiliate with respect to any Fund transaction (whether or not consummated), will be applied to reduce the Fund's management fee for the following quarterly period ("Transaction Fees").

To the extent such offsets would reduce a Fund's management fee for a given quarterly period to below zero, such offsets will be carried forward and reduce future installments of the management fee. If upon dissolution of a Fund, any excess Transaction Fee remains, the Adviser will return to the Fund for the benefit of the partners an amount equal to such unapplied excess amount; *provided*, that any limited partner may waive its right to receive its *pro rata* portion of such amount.

At all times, affiliates of the Adviser may provide certain property-level services, including construction management and development management services, and loan processing services in respect of Client investments (such services, collectively, "Affiliate Services"), and will charge a fee and/or receive cost reimbursement for services provided ("Affiliate Service Fees"). To the extent that affiliates of the Adviser (including any of its personnel, other than investments of other clients of the Adviser) provide Affiliate Services, such person or their affiliates/designees will receive Affiliate Service Fees at rates equal to or less than those set out in a Fund's affiliate services rate schedule, as approved by the Fund's limited partner advisory committee (the "Rate Schedule"). A Fund's general partner may amend the Rate Schedule from time to time, including to expand the categories of property-level services provided as Affiliate Services, in each case, with approval of the limited partner advisory committee; provided that the general partner may, in its sole discretion, amend the Rate Schedule from time to time to reflect reductions in any rates listed therein. For the avoidance of doubt, the foregoing procedures and limitations will not apply to the provision of services or investments of any other clients of the Adviser that provide such services or products or engage in similar types of activities in the ordinary course of their respective businesses.

ACA anticipates that the applicable Fund Governing Documents for each Fund will have provisions that allow such Funds to borrow money for investment and other purposes. Such borrowings may be made prior to capital being called from the Fund's investors or even in lieu of calling capital. 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 life. Such borrowings can also accelerate the date upon which a Fund's preferred return will be achieved for purposes of determining when the Adviser is entitled to begin receiving carried interest allocations from the Fund. In accordance with the terms of the applicable Fund Governing Documents, 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.

Limited partners and prospective investors in each Fund should refer to the applicable Fund Governing Documents for more detailed information concerning the fees, carried interest and other expenses that a Fund will bear.

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

As noted in Item 5 above, ACA will indirectly be entitled to receive a carried interest allocation from the Funds after certain performance hurdles have been met, and it is anticipated that ACA may also be entitled to indirectly receive carried interest allocations from Co-Investment Vehicles in the future. These performance-based carried interest distributions may create conflicts of interest, including an incentive for ACA to engage in riskier or more speculative investments on behalf of the Funds than

might otherwise be the case. In addition, in allocating investment opportunities, ACA may have an incentive to favor clients with a potential for performance-based compensation over clients with no performance-based compensation. ACA has adopted policies and procedures that are designed to ensure that all of its clients are treated in a fair and equitable manner with respect to the allocation of investment opportunities.

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

It is expected that the investors in the Funds will generally include endowments, foundations, public and private pension funds, funds-of-funds, corporations, U.S. and non-U.S. institutional investors, family offices, and high net worth individual investors.

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

The Adviser generally seeks to make investments in large-scale ground-up development and value-add real estate opportunities. The Adviser targets “primary” commercial real estate asset classes (e.g., multifamily, industrial, mixed used and select office and retail, but may also make investments in other commercial asset classes (e.g., hospitality, student housing and self-storage)) located primarily in the United States. Investments may take the form of, or include, without limitation, (a) the acquisition of direct interests in real property, (b) the acquisition of securities in entities that own or invest in real property, (c) the formation of joint ventures or other co-investment arrangements with investors, (d) the origination or acquisition of real estate construction loans (secured by pledges of the common equity tranche of the capital stack) and (e) the origination or acquisition of debt or structured finance arrangements, including, without limitation, preferred or structured equity.

### **Investment Process**

The Adviser will source investment opportunities for a Fund, manage the underwriting, due diligence investigation, structuring and negotiation of potential investments, select investments (through its investment committee, as described below), co-develop the assets with partners, monitor investments post-acquisition and advise the Fund with respect to realization and disposition opportunities. The Adviser will also have responsibility for the day-to-day management and administration of a Fund, including obtaining and overseeing any credit facilities for the Fund, reporting to investors, liquidity management, accounting, audit and tax preparation.

### **Screening**

Once an attractive investment opportunity has been identified, the Adviser expects to move quickly to evaluate the merits and risks associated with the investment. In doing so, the Adviser expects to rely on both its investment team and design and construction team to assess the opportunity. The Adviser expects to also draw upon its access to information drawn from the Managing Principals’ relationships with developers, joint venture partners, brokers and through its history of developing and owning similar assets. Key activities will include validating construction schedules and budgets as well as market assumptions with regard to supply and demand, rental rates, operating margins, financeability and valuation.

### **Underwriting and Due Diligence**

The Adviser expects a Fund to benefit from the Managing Principals’ collective experience in originating, underwriting and diligencing investments across commercial real estate investment

strategies. The Adviser will have a dedicated team of experienced design and construction professionals with architectural, engineering and construction backgrounds. This team will not only focus on seeking to maximize development asset value through effective design and construction for a Fund's investments (as described below), but will also provide the Adviser with the necessary resources to perform due diligence on the physical aspects of each potential investment. During the initial due diligence of existing buildings or vacant land parcels, the Adviser's experts will seek to identify and evaluate the physical attributes of a development site, including potential environmental and geotechnical impacts, with a view to uncover actual and potential issues and determine remediation strategies and costs.

### **Structuring and Negotiation**

In order to protect a Fund's downside, the Adviser will seek to structure investments to provide rights, protections and remedies with respect to the transaction and as to governance and major decisions for each joint venture investment. The focus during this state of the investment process is to seek to mitigate risk and enhance the ability to preserve capital.

### **Co-Development and Asset Management**

The Adviser expects to work closely with joint venture partners and with selected outside architectural and engineering firms from the design concept through construction phase of development. The professionals on the Adviser's design & construction team will possess internal expertise that the Adviser believes should help to preserve capital and mitigate risk throughout all phases of development, helping to provide oversight and supervision of the execution of the physical aspects of the business plan throughout the life cycle of each investment. The design and construction team will focus on maximizing development asset value through effective design and construction for the investments, concentrating on the physical aspects of an asset that have an impact on overall property value. These areas of focus will include architectural design, exterior and interior finishes and mechanical, electrical and plumbing systems. This team will also be charged with overseeing all estimating, budgeting and construction cost management, which should help mitigate the risk of development cost overruns and resulting delays on completion and stabilization.

The Adviser also expects to be heavily involved in each investment's leasing strategy and decisions with regard to the maximizing the value of the asset, including budgets, pricing, and operations. Upon stabilization of each asset, the Adviser will pursue realization and disposition opportunities with respect to the investment. This will generally include finding a buyer for, and consummating the sale of, the asset.

### **Risk Factors**

The investment strategies pursued by the Funds involve a number of significant risks. These investment strategies may be deemed to be speculative, and such investment strategies are not intended as complete investment programs. They are designed for sophisticated investors who fully understand and are capable of bearing the risk of such investments, **including the risk of loss of the entire investment**. The following risks do not purport to be a complete list or explanation of all risks involved in an investment in a Fund and prospective investors should consult the Fund Governing Documents prior to investing in a Fund. Investment risks include, but are not limited to, the following:

### **General Investment Risks**

## **Possibility of Losses**

An investment in a Fund is speculative. A Fund's success will largely depend on the Adviser's ability to identify suitable investments and to negotiate advantageous terms for a Fund relating to such investments. The Adviser may not be able to execute a Fund's investment objective or generate returns to Fund investors commensurate with the risks of the types of investments described in a Fund's offering documents. Therefore, any investment in a Fund should only be considered by persons who can afford a loss of their entire investment.

## **No Assurance of Investment Return**

The success of a Fund will largely depend on the ability of the Adviser to identify suitable investments and to negotiate advantageous terms for the Fund relating to such investments. The Adviser may not be able to execute a Fund's investment objectives or generate returns to limited partners commensurate with the risks of investing in the types of transactions described herein. An investment in a Fund should only be considered by persons who can afford a loss of their entire investment.

## **Performance Uncertainty**

The performance of a Fund is dependent on future events and is, therefore, inherently uncertain. The markets in which the Fund's investments are located have experienced severe disruptions in the recent past, so results observed in prior periods may have little relevance to the results observable in the current environment. There can be no assurance as to a Fund's performance in a weaker market or weakened economy or one in which real estate financing is scarce.

## **Lack of Liquidity of Investments**

A Fund's investments will generally be highly illiquid compared to other asset classes. The eventual liquidity of all of the Fund's investments will be dependent upon the success of the realization strategy proposed for each investment, which could be adversely affected by a variety of risk factors. Realization of a Fund's assets on termination or otherwise could be a process of uncertain duration. The amount and timing of distributions to limited partners will depend on the distributable proceeds received by a Fund, which will depend in large part on the promote received in respect of the Fund's investments following asset realization events, as well as the general partner's determination of the amounts that the Fund will need to hold in reserve to meet expenses and financial commitments. Losses on unsuccessful investments may be realized before gains on successful investments are realized. Any return of capital and the realization of gains, if any, will generally not occur for a number of years after the initial funding of an investment, and prior to such time, there may be no current return on an investment.

## **Risks of Limited Number of Investments; Investment Performance**

A Fund may make a limited number of investments, each of which may involve a high degree of risk. As a result, the performance of the Fund may be significantly adversely affected by the unfavorable performance of any single investment. In particular, a Fund's focus on the real estate sector may increase the volatility of the Fund's returns and expose the Fund to the risk of downturns in the real estate sector to a greater extent than if the Fund's portfolio also covered other sectors of the economy. In order for a Fund to achieve attractive returns when at least one investment is likely to underperform, one or more of its other investments must perform well above expectations to avoid

a loss by the Fund on its investments in the aggregate and there can be no assurance that this will be the case. A concentration of property types held by a Fund can increase the risk that a decline in a particular industry or business would have a disproportionately large impact on the performance of the Fund as a whole.

### **Uncertainty of Financial Projections**

A Fund generally will evaluate investments based upon financial projections generated by the Adviser. These projections will normally be based primarily on the Adviser's judgments based on current market conditions and the Managing Principals' investment experience. In all cases, projections are only estimates of future results based upon assumptions made at the time the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections.

### **Inflation Risk**

If an investment is unable to increase its revenue in times of higher inflation, its profitability may be adversely affected. Many of a Fund's investments may have revenues linked to some extent to inflation, including, without limitation, by government regulations and contractual arrangement. As inflation rises, an investment may earn more revenue but may incur higher expenses. As inflation declines, an investment may not be able to reduce expenses commensurate with any resulting reduction in revenue. While these provisions may protect against certain risks, they do not protect against the risk of a rise in real interest rates, which is likely to create higher financing costs and may reduce the amount of levered, after-tax cash flow generated by an investment.

### **Public Health Risks; COVID-19 Impacts on Real Estate Investments**

A Fund may be adversely affected by the effects of widespread outbreaks of contagious diseases. Public health crises can develop rapidly and unpredictably, which may prevent property managers, developers or others (including the general partner and its affiliates) from taking timely or effective steps to mitigate or reduce any adverse impact to a Fund and/or its investments. More specifically, as a result of the effects of COVID-19, there is significant uncertainty as to the future viability of a number of real estate asset classes, which may comprise a Fund's investments. Many people are facing increasing financial difficulties relating to loss of employment, closure of businesses, reduction in sales and restrictions on travel. As a result, the demand among prospective tenants and/or the ability of current tenants to make timely payments of rent may continue to be at risk going forward, leading to an increase in the vacancy in a Fund's properties that may comprise the Fund. At the healthcare facility level, a public health crisis may result in decreased patient volume, supply chain shortages, staffing shortages, increased labor costs, changes in patient acuity levels, and other operational challenges. Even as restrictions are easing, the pandemic has created an unprecedented level of uncertainty as to its impact on commercial real estate.

A reduction in future demand by current or prospective tenants may reduce the amount of cash that may otherwise be available for payments of a Fund's expenditures, including, real estate taxes, insurance and maintenance costs, mortgage payments and may also adversely impact distributions to Fund investors. In addition, in the event of default by a leasing tenant, a Fund may experience delays in enforcing its rights as landlord and may incur substantial costs in protecting its investments. Any of these developments may decrease the revenues for such affected asset classes

substantially, which could ultimately decrease the profitability of a Fund's properties held by the Fund.

### **Trade Policy**

Political leaders in the United States and certain European nations have recently been elected on protectionist platforms, fueling doubts about the future of global free trade. The U.S. government has indicated its interest to change its approach to international trade policy and renegotiate or terminate certain trade agreements and treaties with foreign countries. Additionally, the U.S. government has recently imposed tariffs on certain foreign goods, including steel and aluminum, and has indicated a willingness to impose tariffs on imports of other products. Some foreign governments, including China, have instituted retaliatory tariffs on certain U.S. goods and have indicated a willingness to impose additional tariffs on U.S. products. Global trade disruption, together with any future global economic downturns resulting therefrom, could adversely affect the financial performance of a Fund and its investments.

### **Russian Invasion of Ukraine**

In February 2022, President Putin commenced a full-scale invasion of Russia's pre-positioned forces into Ukraine. In response, the United States, United Kingdom, the European Union and other nations imposed sanctions designed to target the Russian financial system, and thereafter a number of countries banned Russian planes from their airspace. Further sanctions may be forthcoming, and the U.S. and allied countries have committed to taking steps to prevent certain Russian banks from accessing international payment systems. Russia's invasion of Ukraine, the resulting displacement of persons both within Ukraine and to neighboring countries and the increasing international sanctions have had a negative impact on the economy and business activity globally, and therefore could adversely affect the performance of a Fund's investments. Given the ongoing and evolving nature of the conflict between Russia and Ukraine and its ongoing escalation (such as Russia's decision to place its nuclear forces on high alert and the possibility of significant cyberwarfare against military and civilian targets globally), it is difficult to predict the conflict's ultimate impact on global economic and market conditions, and, as a result, the situation presents material uncertainty and risk with respect to a Fund and the performance of its investments or operations, and the ability of the Fund to achieve its investment objectives.

### **Dependence on Key Adviser Personnel; Business Activities of the Adviser**

A Fund will be largely dependent upon the expertise, skill and judgment of the members of the Fund's investment committee and the other employees of the Adviser who perform services for the Adviser. These individuals are integral to a Fund's success because they are, among other things, responsible for attracting commitments, sourcing investment opportunities and assisting a Fund in the underwriting and negotiation of investments. Competition in the real estate investment management services industry for qualified personnel is intense and increasing. The loss of one or more of certain key persons or lack of involvement in a Fund could have a material and adverse effect on the performance of a Fund.

Moreover, the Adviser's employees will devote varying portions of their business time and attention to the affairs of the Adviser in relation to the other business activities and affairs of the Adviser's Managing Principals. None of the Adviser's Managing Principals, employees or affiliates is legally required to devote full time to the Adviser nor is the Adviser required to devote full time to any particular Fund. Those persons may conduct other businesses and provide investment advisory, real

estate development and other services to other clients and accounts. The compensation arrangements with such other clients and accounts may be more lucrative than those with respect to a Fund and may create incentives for the Adviser or its Managing Principals or employees to favor such other clients. Investors generally will have no direct interest in such other businesses and those businesses may, over time, grow and expand in ways that detract from, or disadvantage, a Fund.

## **Strategy Risks**

### **Leverage; Construction Loans**

As is typical of commercial real estate development, a Fund's investments will rely on substantial amounts of borrowing in order to finance their development activities. In such arrangements, third party lenders will have a priority security interest in the cash flow generated by the investments prior to any operating partner receiving asset-level fees, development fees and/or a promote or incentive fee. The achievement of a Fund's investment objective is dependent, in part, upon the ability of the Fund to obtain financing. Conditions in the debt financing markets may negatively affect the ability of a Fund to obtain attractive financing and may increase the cost of such financing if it is obtained, leading to lower-yielding investments and potentially reducing investment returns. A Fund may not be able to obtain the required leverage to purchase, develop, renovate, stabilize or refinance properties. In some recent periods the availability of real estate financing has been curtailed and the interest cost has increased substantially.

In particular, a Fund will often rely on financing in the form of construction loans (or other forms of interim financing). These loans generally involve a higher degree of risk than other types of financing due to a variety of factors, including generally larger loan balances, the dependency on successful completion of a development, the dependency upon the successful operation of the development (such as achieving satisfactory occupancy and rental rates) for repayment, the difficulties in estimating construction costs and loan terms that often do not require full amortization of the loan over its term but, instead, provide for a balloon payment at stated maturity. If a Fund experiences difficulty refinancing construction loans, its development timelines could extend, significantly delaying the ultimate realization of the Fund's investment.

### **Controlling Person Liability**

The Adviser will generally seek to structure investments in a manner that allows a Fund to have significant influence on the management, operations and strategic direction of the investments in which it invests. This exercise of control and/or significant influence could subject a Fund to additional risks of liability for failure to supervise management, environmental damage, violation of government regulations (including securities laws) or other types of liability in which the limited liability characteristic of entity ownership may be ignored. In this case, a Fund's assets could potentially be exposed to claims by minority owners, their security holders and/or their creditors. If any such claims were to arise, a Fund might suffer a significant loss on the related investment.

### **Sole Operating Partner Investments**

A Fund may pursue investment opportunities in which it acts as the sole operating partner in an investment, depending on prevailing commercial real estate market conditions and other factors. Investments of this type pose certain risks that are not necessarily present in those investments in which a Fund invests alongside a third party operating partner. Risks specific to these types of investments may, but do not necessarily include: lack of expertise in the local real estate market,

operational risks related to the additional administrative responsibilities that a Fund may be required to assume, more onerous financing terms that limit operational flexibility and veto or approval rights held by investors that may limit a Fund's control over project execution. Additionally, these types of investments could involve higher overall risk, extended realization periods and operational, structural, financial and/or other underlying issues that are not present in other types of investments.

### **Additional Capital Requirements; Cash Constraints**

To the extent an investment has inadequate capital to meet its requirements, to the extent additional external financing is also unavailable, the investment's business plan could be severely disrupted and, in an extreme case, the properties owned by the investment could be lost as a result of a mortgage foreclosure. Such a foreclosure would result in the loss of part or all of a Fund's investment and adverse tax and other consequences to investors.

### **Availability and Competition for Investments**

The activity of identifying, completing and realizing attractive real estate investments is highly competitive, and involves a high degree of uncertainty. A Fund will be competing for investments with other real estate investment vehicles, as well as individuals, publicly traded 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, personnel and other resources than the Fund, better sourcing and acquisition abilities or better relationships with third party operating partners or third-party investors. 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 which 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.

### **Due Diligence**

When conducting due diligence and research on potential operating partners, third-party investors and investments, the Adviser may be required to evaluate significant and complex business, financial, tax, accounting, environmental, geotechnical, engineering, design, legal and political issues. Outside consultants, legal counsel, accountants, investment banks and other advisors may be involved in the research process in varying degrees depending on the nature of the investment. The due diligence investigation and research that the Adviser carries out with respect to any prospective opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such opportunity, may lead to inaccurate or incomplete conclusions or may be manipulated by negligence or misconduct. Moreover, such an investigation, no matter how exhaustive, will not necessarily result in the ensuing investment being successful.

### **Uncertain Duration, Realization Strategies**

The Adviser may not know the maximum — or, often, even the expected — duration of any particular investment at the time of consummation. The realization strategy on which an investment is

predicated could be precluded by economic, legal, political or other factors even if that strategy appeared to be viable when an investment was consummated. Moreover, the Funds' investments will generally be highly illiquid compared to other asset classes, meaning that realization of outstanding investments on the Fund's termination or otherwise could be a process of uncertain duration.

### **Follow-on Investments**

Following an initial investment, a Fund may decide to provide additional funds to an investment in order to protect or enhance its value, or may have the opportunity to increase its funding in that investment. There is no assurance that the investment committee will approve a Fund's making such follow-on investments or that the Fund will have sufficient funds with which to make (or will be permitted to make pursuant to the terms of the Fund, including due to the Fund's investment restrictions and any cap on follow-on investments after the expiration of the commitment period) all or any of such investments. Any decision by the investment committee not to approve follow-on investments or a Fund's inability to make such investments may have a substantial negative effect on an investment in need of such additional capital, may result in a lost opportunity to increase the Fund's participation in a successful investment, may diminish the Fund's ability to influence the investment thereafter, may result in the Fund's investment becoming diluted and, particularly in circumstances where the follow-on investment is offered at a discount to fair market value, may result in a loss of value for the Fund. Additionally, if a Fund makes a follow-on investment, there is no assurance that such follow-on investment will be successful.

In the event that an initial investment was shared between a Fund, another investment vehicle managed by the Adviser and/or other third parties, and a follow-on investment opportunity arises with respect to such initial investment, the follow-on investment may not necessarily be made in the same proportions as the initial investment (including for reasons such as the relevant entities having different views as to the desirability of the follow-on investment or different amounts of available capital, investment limitations or other reasons). In such cases, one or more such entities' interest in such initial investment will be diluted at a valuation that will be determined by the general partner. In addition, because of timing or other considerations, a Fund may make that portion of a follow-on investment that is attributable to co-investors and thereafter sell down a portion of such follow-on investment to such co-investors. In this situation, there is no guarantee that the co-investors will acquire their portion of the follow-on investment from a Fund and, in certain cases, such co-investors may be given the opportunity to evaluate such follow-on investment over an extended period before determining whether to invest. A Fund may or may not receive compensation for making the follow-on investment on behalf of co-investors. In the event that co-investors fail to acquire, or determine not to acquire, their portion of a follow-on investment from a Fund, the Fund may have an allocation that may be larger than originally anticipated.

### **Contingent Liabilities; Returns of Distributions**

In connection with the realization or disposition of an investment, a Fund may be required to make representations about the business and financial affairs of such investment typical of those made in connection with the sale of any business, may be responsible for the content of disclosure documents under applicable securities laws and could be required to indemnify the purchasers of such investment to the extent that any such representations or disclosure documents turn out to be inaccurate. These arrangements could result in contingent liabilities, which, if not satisfied out of the Fund's assets or operating reserves, may ultimately be required to be funded by Fund investors making capital contributions to the Fund or returning previous distributions received from the Fund.

Separately, under the Delaware Revised Uniform Limited Partnership Act, an investor who has received a distribution in violation of such Act will, under certain circumstances, be obligated to return that distribution to a Fund.

### **Possibility of Fraud or Other Misconduct**

Fraud or misconduct by third party operating partners, third-party investors or their respective affiliates, agents or employees could cause significant losses to a Fund. This may include entering into transactions without authorization, the failure to comply with operational procedures, misrepresentations in connection with development or stabilization activities or the improper use or disclosure of confidential or material non-public information, which could result in reputational damage, litigation, business disruption or financial losses to a Fund and any third-party partners. No assurances can be given that the Adviser will be able to identify or prevent such misconduct.

### **Appraisal Risks**

Appraisals used in connection with a Fund's investment program, including in determining whether to invest in a particular investment or to mark up the investment, represent the related appraiser's subjective analysis and opinion at the appraisal time and are not guarantees of, and may not be indicative of, present or future market values. There can be no assurance that different appraisers would not have arrived at different, and perhaps substantially different, valuations, even if those persons used the same general approach to and same method of valuation. Particularly during periods of volatility in the commercial real estate markets (whether local, regional or national), appraisals may not accurately reflect the value or condition of the relevant asset, while asset values may decline following the time an appraisal is performed.

### **Commercial Real Estate Risks**

The value of the commercial real estate underlying an investment will fluctuate depending on conditions in the general economy and the commercial real estate business. The factors that affect that value may include, among other things: national, regional and local economic conditions; the condition of financial markets; developments or trends in a particular sector or industry; competition from other available space; local conditions such as an oversupply of space or a reduction in demand for real estate in the area; management of properties; the development and/or redevelopment of properties; changes in market rental and occupancy rates; the timing and costs associated with property improvements and rentals; changes in operating costs; the financial condition of tenants or prospective tenants; availability of obtaining financing on acceptable terms; fluctuations in interest rates; changes in zoning laws and taxation; government regulation; potential liability under environmental or other laws or regulations; and acts of God, terrorist attacks, social unrest and civil disturbances. The returns on a Fund's investment therefore may decline as a result of adverse changes in any of these factors.

Moreover, commercial real estate assets are subject to cyclicity and other uncertainties. The cyclicity and leverage associated with real estate assets have historically resulted in periods, including significant periods, of adverse performance, including performance that may be materially more adverse than the performance associated with other asset classes.

### **Infill Developments**

The real estate assets developed by a Fund will generally be situated on prime urban infill development or development sites. Infill development involves several inherent risks as compared to greenfield development. Infill development typically requires the acquisition of several small lots, sometimes without clear entitlement, to assemble one viable development or redevelopment parcel. Moreover, infill opportunities are often found in weaker and older urban neighborhoods that typically do not have the same market support as suburban locations. Strict design standards are often needed to ensure that infill development is compatible with adjacent structures, making the process of securing required government approvals more time-consuming and burdensome. Environmental conditions and uncertainties in infill locations often result in additional costs and constraints on development. Further, elements of the existing infrastructure often require upgrades or repairs adding to total development cost. As a result of the foregoing risks, lenders typically rely on different, more stringent underwriting standards for infill developments that require more equity in the capital stack, reducing potential investment returns.

### **Build-to-Core Development**

The Adviser intends to target investments in high-quality, large scale “build-to-core” developments that are typically situated on prime development or redevelopment sites that, once developed, can be stabilized into well-leased, high-income producing core investments that can be sold to institutional core buyers. These types of developments may present several additional risks versus core commercial real estate developments. Most significantly, development risk tends to be elevated owing to the modern, state-of-the-art nature of the real estate assets being developed, which often contain the latest technological advances and amenities. These types of assets also tend to experience higher volatility than core assets, which may make them more susceptible to a market downturn or correction. Moreover, some of the markets the Adviser intends to target are not considered to be suitable for new construction owing to land scarcity, zoning restrictions, high cost of living and other factors, thus inhibiting build-to-core development.

### **Investment Focus Areas**

Investments will generally be focused on the top ~25 U.S. commercial real estate markets. Accordingly, a Fund will be exposed to greater economic risks than if such Fund made investments with greater geographic dispersion. The Funds will be susceptible to adverse developments in the economic and regulatory environment (such as business layoffs or downsizing, industry slowdowns, relocations of businesses, increases in real estate and other taxes, costs of complying with governmental regulations or increased regulation and other factors) as well as natural disasters (such as earthquakes, floods, wildfires and other events) and the consequences of climate change that occur in these areas. Any adverse developments in the economy or real estate market in any geographical focus area could adversely impact the financial condition of the Funds’ investments. No assurances are made as to the continued growth of the economy in any such area, nor are any assurances made that such area’s economy will not experience a downturn.

### **Climate Change**

A Fund may acquire investments that are located in areas which are subject to climate change. Any investments located in coastal regions may be affected by any future increases in sea levels or in the frequency or severity of hurricanes and tropical storms, whether such increases are caused by global climate changes or other factors. There may be significant physical effects of climate change that have the potential to have a material effect on the Fund’s business and operations. These effects can impact the Fund’s physical assets, tenants and overall operations. Physical impacts of climate change

may include: increased storm intensity and severity of weather (e.g., floods or hurricanes); sea level rise; fires and extreme and changing temperatures. As a result of these impacts from climate-related events, a Fund may be vulnerable to the following: risks of property damage to the Fund's investments; indirect financial and operational impacts from disruptions to the operations of major tenants of the Fund's investments from severe weather; increased insurance premiums and deductibles or a decrease in the availability of coverage, for investments in areas subject to severe weather; decreased net migration to areas in which investments are located, resulting in lower than expected demand for both investments and the products and services of the tenants of investments; increased insurance claims and liabilities; increase in energy cost impacting operational returns; changes in the availability or quality of water, food or other natural resources on which the tenant's business depends; decreased consumer demand for consumer products or services resulting from physical changes associated with climate change (e.g., warmer temperature or decreasing shoreline could reduce demand for residential and commercial properties previously viewed as desirable); incorrect long-term valuation of an equity investment due to changing conditions not previously anticipated at the time of the investment; and economic distributions arising from the foregoing.

### **Primary Commercial Real Estate Asset Classes**

The Adviser will focus on investments that are primarily commercial real estate asset classes (e.g., multifamily, industrial, mixed used and select office and retail, but may also make investments in other commercial asset classes (e.g., hospitality, student housing and self-storage)). The performance of each of the primary asset classes is subject to many of the risks associated with owning and operating other types of commercial real estate as well as risks unique to the relative real estate sector, exposing a Fund to greater economic risks than if its investments had greater diversification of underlying asset classes. For example, a large number of special factors may adversely affect the successful development and value of a multifamily property, including the physical attributes of the building, location, services or amenities, reputation, the level of prevailing mortgage interest rates, the presence of competing properties and the tenant mix. The value of hospitality properties may be adversely affected by specific operational risks common to the hotel and leisure industry, including competition for guests and meetings from other properties, increases in operating costs due to inflation and other factors that may not be offset by increased room rates, dependence on demand from business and leisure travelers, increases in energy costs, airline fares and other travel-related expenses, terrorism alerts and warnings, military actions and epidemics, changes in travel and vacation patterns and economic conditions. The value of retail properties may be adversely affected by unique risks including local competition, technological disruption and change, shifting consumer trends and preferences and changes in local regulations. The value of office properties is subject to special risks including tenant quality, reduced demand because of a decline in a particular business segment, building design and access and property location. The development and value of condominium properties are subject to specific risks including local supply and demand, pricing volatility, construction defects and changing demographic patterns. Finally, the development and value of mixed-use commercial real estate assets are generally subject to the risks inherent in each of their component properties, along with other specific risks, including difficulty of obtaining financing, construction complications, parking availability, public safety concerns and security issues.

### **Real Estate Acquisitions**

Real estate acquisition activities are subject to many risks. A Fund may acquire properties through foreclosure or similar proceedings, which properties are subject to liabilities or have problems relating to state of title, environmental and geotechnical condition, physical condition or compliance

with zoning laws, building codes or other legal requirements. In each case, the acquisition of real estate could 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, such Fund might have to pay substantial sums to settle or cure it, which could adversely affect its cash flow and operating results.

### **Commercial Real Estate Development**

A Fund will engage in commercial real estate development activities through the acquisition of undeveloped land or underdeveloped real property, real estate developments or redevelopments and/or properties requiring renovation or deferred maintenance. Development is a highly capital intensive activity that involves a variety of risks, including those relating to the availability and timely receipt of regulatory approvals, the cost and timely completion of construction, which may be beyond a Fund's control as a result of weather, labor conditions or material shortages, lease-up velocity and rent levels and the availability of both construction and permanent financing on favorable terms. These risks could result in substantial unanticipated delays and expenses and could prevent completion (or timely completion) of development, any of which could have an adverse effect on a Fund's cash flow and operating results. Properties under development or properties acquired to be developed generally generate no revenue while under development and experience operating deficits for a period after completion of development while they are being stabilized. A Fund may commence development or redevelopment activities prior to obtaining financing for such activities and there is no guarantee that financing will be available on favorable terms or at all. The inability to obtain financing could compromise the viability of a Fund's business plan.

### **Avoidance or Fraudulent Conveyance**

The sale and purchase of real property or trust beneficiary interests in real property can be cancelled or avoided by a trustee in bankruptcy, corporate reorganization, civil rehabilitation or similar procedure or by the seller's creditors. Even if the fair market value was used to establish the purchase price in the transaction, the transaction may be cancelled under certain circumstances—for example, if the seller intended to conceal, donate or otherwise dispose of the sale proceeds in a manner that would harm the seller's creditors, and the purchaser knew of such intention at the time of the transaction. Under certain circumstances, payments received by an investment may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

### **Reliance on Service Providers**

A Fund will rely extensively on third-party service providers in connection with the acquisition, development, stabilization and realization of commercial real estate, including construction companies, equipment suppliers, consultants, architects, engineers, designers, project managers, property managers, appraisers, brokers, vendors, financial institutions and insurance companies. ACA's affiliates are expected to provide a variety of services to the Funds. If any of these service providers fails to perform its services competently, effectively and up to prevailing industry standards, disputes could arise, required government approvals could be delayed and the investment's operations could be severely disrupted. Any such failures could, in turn, cause a Fund to experience significant losses. Disputes involving services provided by ACA's affiliates could have especially deleterious effects on a Fund that could compromise the successful implementation of a Fund's investment program.

## **Reports and Surveys**

Funds will receive engineering reports and environmental and geotechnical surveys with respect to their underlying properties. The reports make observations about the properties. There can be no assurance that such reports will reveal the full extent of development or repairs required or that the costs thereof, which the Fund will have to bear, will not exceed allotted funds.

## **Stabilization Activity**

The economic feasibility and ultimate success of real estate developments will be driven in large part upon units being stabilized following the completion of construction through sales or leasing activities. Stabilized properties tend to have the least risk and are highly desired as core assets by institutional buyers. However, there can be no assurance that income or occupancy will meet or exceed the levels demanded by such buyers. Income and occupancy may be affected by a number of factors, including without limitation, crime and other neighborhood factors, the physical condition of the developed real estate, the economic environment, as well as competition from new or existing real estate. If an asset is not considered stabilized, it may lose a significant portion of its potential value, which may materially affect a Fund's realization strategy for the related investment and adversely affect such Fund's returns.

## **Government Regulation and Reform**

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, development and use of real property. Development and stabilization activities may require the approval of governmental authorities and, in some cases, consent of third parties. There can be no assurance that any such approvals and consents will be obtained on a timely basis, if at all. Similarly, 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 need to obtain such approvals and consents and otherwise to comply with regulatory requirements could have the effect of increasing the expenses, and lowering the income, of an investment.

In addition to the foregoing, certain industry segments in which the Funds invest, are (or could become) (a) highly regulated at both the U.S. federal and state levels, and (b) subject to frequent regulatory change. The laws and regulations relating to certain industries, are complex, can be ambiguous or can lack clear judicial or regulatory interpretive guidance. An adverse review or determination by any applicable judicial or regulatory authority of any such law or regulation, or an adverse change in applicable regulatory requirements, could have a material adverse effect on the operations and/or financial performance of a Fund or any investment in which the Fund invests.

## **Sale-Leaseback Transactions**

A Fund may enter into sale-leaseback transactions, whereby properties that are purchased are leased back to the sellers of such properties. A transaction structured as a sale-leaseback may be re-characterized as either a financing or a joint venture, either of which outcomes could adversely affect such Fund from a business and financial perspective. If the sale-leaseback were re-characterized as a financing, the Fund might not be considered the owner of the property, and as a result, would have the status of a creditor in relation to the tenant. In that event, a Fund would no longer have the right to sell or encumber its ownership interest in the property. Instead, a Fund would have a claim against

the tenant for the amounts owed under the lease, with the claim arguably secured by the property. The tenant/debtor might have the ability to propose a plan restructuring the term, interest rate and amortization schedule of its outstanding balance under the lease. If confirmed by the bankruptcy court, a Fund could be bound by the new terms, and prevented from foreclosing its lien on the property. If the sale-leaseback were re-characterized as a joint venture, the Fund and its lessee could be treated as co-venturers with respect to the property. As a result, a Fund could be held liable, under some circumstances, for debts incurred by the lessee relating to the property. Either of these outcomes could adversely affect a Fund's cash flow and the amount available for payment of the general partner promote.

In the event that any sale-leaseback transaction is challenged and re-characterized as a financing transaction or a loan for United States federal income tax purposes, deductions for depreciation and cost recovery relating to such property would be disallowed.

### **Insurance Availability**

There are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes, terrorism or acts of war, that may be uninsurable or not economically insurable. Inflation, changes in building codes and ordinances (including those related to "green" certifications), environmental considerations and other factors, including terrorism or acts of war, also might make the insurance proceeds insufficient to repair or replace a property if it is damaged or destroyed. Under these circumstances, the insurance proceeds received might not be adequate to restore the Fund's economic position with respect to the affected property. Any uninsured loss could result in the loss of cash flow from, and the asset value of, the affected property.

### **Environmental Laws**

A Fund may be exposed to substantial risk of loss arising from investments involving undisclosed or unknown environmental, health or occupational safety matters, or inadequate reserves, insurance or insurance proceeds for such matters that have been previously identified. Under various laws, ordinances and regulations, an owner of real property may be liable for the costs of investigation, monitoring, removal or remediation of certain hazardous or toxic substances on or in such property. Such laws may impose joint and several liabilities, which can result in a party being obligated to pay for greater than its share, or even all, of the liability involved. Such liability may also be imposed 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 therefore as to any property are generally not limited under such laws and could exceed the value of the property or the aggregate assets of the owner. The presence of such substances, or the failure to properly remediate contamination from such substances, may adversely affect the owner's ability to sell the real estate or to borrow funds using such property as collateral, which could have an adverse effect on the Fund's return from such investment. Environmental claims with respect to a specific investment may exceed the value of such investment, and under certain circumstances, subject the other assets of the Fund to such liabilities. There can be no assurances that the costs of complying with environmental laws and regulations and defending personal injury and property damage claims based on the presence of hazardous or toxic substances will not have a material adverse effect on the Fund's investments. In addition, changes in environmental laws or in the environmental condition of an asset may create liabilities that did not exist at the time of acquisition of an investment and that could not have been foreseen.

In addition, many insurance carriers are excluding asbestos-related claims and most mold-related claims from standard policies. A Fund will evaluate the availability and cost of additional insurance coverage for such claims. If a Fund decides to purchase insurance for these occurrences, the cost could have an adverse effect on the Fund's results of operations. If a major uninsured loss or loss in excess of insured limits occurs, a Fund could lose both invested capital in and anticipated future revenues from an affected investment and, in the case of debt that is recourse to the Fund, the Fund would remain obligated for such debt. Any loss of this nature would adversely affect a Fund.

### **Property Defects**

Properties acquired by a Fund may have design, construction or other defects or problems that require unforeseen capital expenditures, special repair or maintenance expenses or the payment of damages to third parties. Structural, seismic and other reports on which a Fund relied as part of their pre-acquisition due diligence investigations of these properties may be inaccurate or deficient, at least in part because defects may be difficult or impossible to ascertain. Statutory or contractual representations and warranties made by various sellers of properties a Fund acquires may not provide protection from liabilities arising from property defects. Furthermore, even after selling a property a Fund may continue to owe a statutory warranty obligation to the purchaser if any latent defects in such property are subsequently discovered.

### **Property Leases**

A Fund may acquire real estate assets that are currently under lease to tenants. The financial failure of, or other default by, tenants under these leases is likely to cause a significant, if not complete, reduction in the operating cash flow generated by the property and might decrease the value of that property substantially. The success of these types of investments will therefore be materially dependent on the financial stability of the tenants on the leases. Lease payment defaults by tenants may negatively impact a Fund's net income and reduce the amounts available for distributions to the limited partners. In addition, the bankruptcy of a tenant could cause the loss of lease payments, an increase in the costs incurred to carry the property and related assets, or a rejection of the lease itself. In the event of a default, a Fund may experience delays in enforcing their rights as landlord and may incur substantial costs in protecting its investment and re-leasing the property. If a lease is terminated, there can be no assurance that a Fund will be able to re-lease the property for the rent previously received or sell the property without incurring a loss. In addition, revenues from certain of a Fund's major tenants and/or their guarantors could constitute a significant percentage of the Fund's base rental revenues. The default, financial distress or bankruptcy of any of the tenants and/or guarantors of these properties could cause interruptions in the receipt of lease revenues and/or result in vacancies, which would reduce a Fund's revenues and increase operating costs until the affected property is re-let, and could decrease the ultimate sales value of that property. Upon the expiration or other termination of the leases that are currently in place, a Fund may not be able to re-lease the vacant property at a comparable lease rate, or at all, or without incurring additional expenditures in connection with the re-leasing. In certain cases, a Fund may bundle leases to a portfolio of properties together under a single master lease, which may include non-monetary cross default provisions. While the use of this type of structure may reduce the risks associated with the financial failure of a single property or tenant, it may create greater risk if a tenant's attempt to reject such a lease benefits other similarly situated tenants.

### **Ground Leases**

Certain properties acquired by a Fund may be subject to ground leases, where third-party owners hold the fee interest in those properties. In these cases, a Fund's interest in the property will be subordinate to that of the fee owner, and potentially also to interests held by third parties, such as mortgages or other liens (e.g., mechanic's liens). A default, bankruptcy or insolvency by the fee owner could result in the termination or impairment of a Fund's interest if the fee owner (or its bankruptcy trustee) rejects or disaffirms the lease (with the approval of the current tenants) or seeks to sell the property free and clear of the ground lease.

### **Purchase Rights**

In some circumstances, a Fund may grant the tenant of a property under lease the right to repurchase that property or the Fund may acquire an interest in that property subject to a right of repurchase. In either case, the purchase price may be a predetermined fixed price or based on the market value at the time of exercise, or it may be based on an agreed-upon formula. If the tenant exercises its right to purchase the property at a particular price and the property's market value has increased beyond that price, a Fund could be limited in fully realizing the appreciation on that property.

### **Reputation in Community**

The reputation of real estate in the surrounding community will be an important factor in whether investments will be able to generate sufficient revenues to pay debt service and provide a return on its investment. Reputations can in some cases be based on incorrect information, so that even if the development exceeds expectations in all other respects, it may still fail as a consequence of an unjustified negative reputation. In particular, investments that engage in development in gentrifying neighborhoods may be subject to negative publicity regarding the local impact of the development.

### **Eminent Domain**

Municipalities and other government subdivisions may, in certain circumstances, seek to acquire certain assets of a Fund through eminent domain proceedings. While a Fund may seek to contest these proceedings, which may be costly and may divert the attention of management from the operation of a Fund, there can be no assurance that a municipality or other government subdivision will not succeed in acquiring assets of the Fund. In such event, there is a risk that a 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.

### **Mold**

When excessive moisture accumulates in buildings or on building materials, mold may grow, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to radon, airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. The presence of significant mold at any of a Fund's properties could require a costly remediation program to contain or remove the mold from the affected property. In addition, the presence of significant mold could expose the Fund to liability from purchasers, tenants and others if property damage or health concerns arise.

### **Public Accommodations**

Under the Americans with Disabilities Act of 1990 (the “ADA”), all public accommodations in the U.S. must meet U.S. federal requirements related to access and use by disabled persons. If a property owned by a Fund does not comply with the ADA, then the Fund may be required to incur costs to bring the property into compliance, which may or may not have been foreseen at the time of acquisition. Future changes to U.S. federal, state and local laws also may require modifications to properties, or restrict developers’ ability to renovate properties. A Fund cannot predict the ultimate cost of compliance with the ADA or other similar legislation, but those costs may be substantial.

### **Casualty or Condemnation**

A fire or other major casualty could destroy real estate. Even if it were practicable to restore the damage caused by a major casualty, the development or stabilization activities of a Fund would likely be suspended for a considerable period of time. While a Fund will secure insurance protection for their underlying real estate, in the event of any substantial loss, disputes over insurance claims could arise. Moreover, there are certain types of losses that are either not insurable or not economically insurable. If such a casualty or condemnation occurs, a Fund could lose its entire investment, and other liabilities (including tax liabilities) could also result.

### **Terrorism**

In the current environment, there is a risk that one or more of a Fund’s real estate assets will be directly or indirectly affected by terrorist attack. Such an attack could have a variety of adverse consequences for a Fund, including risks and costs related to the destruction of property, inability to engage in development or stabilization activities for an extended period, decline in rents or sale prices achievable or property value and injury or loss of life, as well as related litigation. As discussed above, such risks may not be insurable or may be insurable at rates that a Fund deems uneconomic. So long as a Fund follow typical industry practices in protecting their underlying assets, recourse to them in the event of losses may be limited and such losses may be borne by the Fund.

### **Property Taxes**

Real property owned by a Fund will likely be subject to real property taxes. Such taxes may increase as property tax rates change and as the properties are assessed or reassessed by taxing authorities. An increase in property taxes on a real property owned by a Fund could adversely affect its results from operations and could decrease the value of that real property.

### **Fund Litigation**

The acquisition, development, stabilization and sale of real properties by a Fund carry certain litigation risks, which could result in losses to the Fund. Litigation may be commenced with respect to a property acquired by a Fund in relation to activities that took place prior to the Fund’s acquisition of such property. In addition, at the time of sale of a property, a potential buyer may claim that it should have been afforded the opportunity to purchase the asset, potentially pursuant to a purchase right granted by a Fund, or alternatively that such buyer should be awarded due diligence expenses incurred or statutory damages for misrepresentation relating to disclosures made by the Fund, if such buyer is passed over in favor of another as part of the Fund’s efforts to maximize sale proceeds. Similarly, successful buyers may later sue a Fund under various damage theories, including those sounding in tort, for losses associated with latent construction defects or other problems not

uncovered in due diligence. A Fund may also be exposed to litigation resulting from the activities of tenants of the underlying properties or their customers.

### **Certain Conflicts of Interest**

The Adviser and/or a Fund will be subject to various actual or potential conflicts of interest. These conflicts will arise out of the Adviser's and the Managing Principals' other business activities, and with the provision of services by the Adviser and its affiliates to a Fund and a Fund's affiliates and the nature of a Fund's investments. Further, agreements and arrangements, including those relating to compensation, between a Fund and the Adviser and its affiliates are not and will not be the result of arms' length negotiations.

### **Allocation of Time and Resources; Other Business Activities and Ventures**

Except as specifically noted in a Fund's offering documents, the Adviser, the Managing Principals and any of their respective affiliates (each an "Adviser Party" and together, the "Adviser Parties") will not be restricted from engaging in other business activities and ventures, including investing for their own account, forming, marketing and managing other pooled investment vehicles or client accounts or engaging in other investment-related activities, and will generally receive compensation and/or an interest in any profits in connection with respect to any of the foregoing. In particular, the Adviser Parties are and will continue to be general partners, managing members or sub-advisers of other entities which have invested, or have been formed to invest, directly or indirectly, in commercial real estate assets. Unless otherwise agreed by any Adviser Party, neither a Fund nor any investor will have any right to participate in any manner in any profits or income earned or derived by any Adviser Parties from or in connection with the conduct of any such other business activity or venture. Except as noted above, such ventures may be competitive with a Fund or the investments in which a Fund invests.

Moreover, the Adviser Parties expect to form additional real estate investment funds or other investment entities, some or all of which may have investment objectives that are similar to those of other existing Funds. The Adviser Parties may devote a substantial portion of their time and resources to the launch and management of these entities. If an Adviser Party is presented with an investment opportunity that would be appropriate for one Fund but might also be appropriate for, and can permissibly be allocated to, another Fund or managed account, the Adviser may be subject to conflicts of interest in selecting an investment entity to invest in such opportunity, as the compensation to be received by the Adviser Party as a result of their sponsorship or management of other investment entities may be greater than their aggregate compensation from as compared to another Fund. The decision as to whether one Fund or another Fund would participate in such an investment would be made by the Adviser Party after a review of the portfolio of each such entity at the time of investment, on the basis of such factors as the investment objectives and criteria of each such entity, the investment size, capacity constraints, the effect of such an investment upon the diversification of the portfolio of each possible investing entity and the length of time each such entity has had funds available for investment. While generally one Fund must be substantially invested before investments can be allocated away from such Fund, there is still a possibility that other entities compete with such Fund for attractive investment opportunities and that a Fund does not participate in otherwise suitable investments that arise during the investment period, to investors' detriment. There can be no assurance that investors in a Fund will be offered the opportunity to participate in any other entities formed by Adviser Parties.

In addition to the foregoing activities, the Adviser Parties may also be involved in the sponsorship and management of co-investment vehicles. While these vehicles will not necessarily be competitive with a Fund, they will nonetheless require management time, services and functions to be allocated between a Fund and such vehicles, thus giving rise to potential conflicts.

### **Compensation Structure**

Because the Adviser or a general partner will receive a management fee and carried interest, either directly or indirectly, distributions from a Fund, the Adviser has a conflict of interest between its responsibility to manage a Fund for the benefit of investors and its interest in maximizing the fees and distributions received. The management fee is payable regardless of the performance of a Fund's investments, which may create an incentive for the Adviser to maximize the capital raised and deployed by a Fund.

The carried interest potentially payable to the Adviser may create an incentive for the Adviser to pursue riskier or more aggressive investments than might be the case in the absence of such performance-based distribution structure. If a Fund performs poorly, this may create an incentive for the Adviser to devote resources to other clients or accounts from which it has better prospects for earning performance-based compensation.

As distributions and carried interest will be determined only upon investment dispositions or other realization events, distributions may be affected by the timing and structure of such realization and other factors within the control of the Adviser. Subject to the Adviser's fiduciary duties, under certain circumstances, it may be in the economic interest of the Adviser to realize an investment while the same may not be in the economic interest of all investors. For example, changes to the Internal Revenue Code enacted in the Tax Cuts and Jobs Act could encourage the Adviser to cause a Fund to hold investments for longer than it otherwise would.

Separately, although carried interest distributions will be subject to a clawback at the end of a Fund's term, the clawback amount may not be sufficient to cause investors to receive a return of all of their capital contributions and the applicable preferred return thereon.

### **Relationship with AECOM**

To support the growth of the Managing Principals and the evolution of their business, the Managing Principals and certain other principals transitioned from AECOM to the Adviser where the Managing Principals have an opportunity to grow capital under management outside of AECOM. In order to grow such capital under management, AECOM has allowed the general partner and the Fund to use the name "AECOM Capital" for a specified length of time. For the avoidance of doubt, neither AECOM nor any of its affiliates are affiliated with the Adviser or any of its affiliates. No prospective or actual investor in the Fund will have any recourse against AECOM (or its affiliates) whatsoever.

In order to ensure for the continuous management of assets held by certain private investment vehicles and accounts advised by the Managing Principals' prior firm (collectively, the "Legacy Portfolio"), the Adviser expects to enter into sub-advisory agreements pursuant to which the Adviser will support affiliates of AECOM in managing the assets of the Legacy Portfolio.

In order to support the transition of the Managing Principals to the Adviser, AECOM has agreed to provide certain rights and services to the Adviser and its affiliates for a specified length of time. In exchange for such rights and services formally provided by AECOM, AECOM will be entitled to a fee,

which will be borne by the Adviser, for so long as AECOM provides such services. In addition, in consideration of the right to use the name of “AECOM Capital”, AECOM (or its affiliate) will be entitled to share in any carried interest generated in respect of the Adviser’s initial Fund and may be entitled to additional compensation (including in the form of additional carried interest) for the use of the “AECOM Capital” name beyond the agreed usage period.

While AECOM may provide certain support services to the Adviser (or its affiliates) for a period of time, such services are not intended to be provided for the direct benefit of a Fund. Moreover, neither the Adviser nor any of the Managing Principals will be obligated to coordinate or consult with AECOM in respect of the Fund or any decisions related to the Fund. In addition, (a) neither AECOM nor any of its affiliates has made a commitment to the Adviser’s initial Fund and (b) other than the carried interest described above, neither AECOM nor any of its affiliates have a direct or indirect interest in the management fee and certain other revenues of the general partner, the Adviser and their affiliates with respect to the Fund. Additionally, AECOM and its affiliates have other relationships with other investment vehicles and accounts that may give rise to potential conflicts. While the Adviser expects AECOM to present investment opportunities to the Adviser to the extent mutually beneficial to AECOM and the Adviser through the Adviser’s initial Fund’s commitment period, AECOM is under no obligation to share any investment opportunity, idea or strategy with the Fund or the Adviser, and the Fund and the Adviser will have no rights with respect to any such opportunities. AECOM will have no fiduciary or other duties to (i) the Fund or other investors, (ii) the general partner or (iii) the Adviser or any of their respective affiliates. Moreover, as noted above, no prospective or actual investor in the Fund will have any recourse against AECOM (or its affiliates) whatsoever.

## **Use of Valuations**

A general partner generally will estimate the value of a Fund’s assets quarterly. Unlike exchange-listed and other readily tradable securities, real estate assets generally cannot be marked to an established market. Instead, an appraisal or a valuation is only an estimate of value and is not a precise measure of realizable value. Real estate valuations are subject to numerous assumptions and limitations. Ultimate realization of the market value of a real estate asset depends to a great extent on economic and other conditions beyond the control of a Fund, the general partner and the Adviser. Further, appraised or otherwise determined values do not necessarily represent the price at which a real estate investment would sell since market prices of real estate investments can only be determined by negotiation between a willing buyer and seller. Generally, appraisals will consider the financial aspects of a property, market transactions and the relative yield for an asset measured against alternative investments. Valuations will generally be based on the discounted cash flows of a Fund’s assets. Valuations of real properties should be considered only estimates of value and not measures of realizable value with respect to such properties. As a result, if a Fund were to liquidate a particular real estate investment, the realized value may be more or less than the appraised value or valuation of such asset.

In addition, due to substantial volatility experienced by many valuation inputs in recent periods, the subjective decisions of the Adviser regarding which inputs to select, the measurement dates and the relative weights to assign to such inputs will have a disproportionate impact on valuations. Where the management fee is calculated based on the valuation of an investment, or a determination of whether an investment has been written off or otherwise permanently impaired, the Adviser and the general partner will have an incentive to make determinations that result in the continued (or higher) payment of the management fee. In situations where the management fee is calculated based on committed capital, contributed capital or the cost basis of investments, the management fee generally will not be reduced based on reductions in investment value, and the general partner will be

permitted to take certain factors into account when determining if an investment shall be treated for purposes of calculating the management fee as having been disposed of or completely written-off for U.S. federal income tax purposes, and such determination of value of an investment for this purpose may be different than the determination of such investment's value as determined pursuant to the limited partnership agreement or the value of such investment for purposes of the Internal Revenue Code of 1986, as amended. Moreover, the management fee generally is not expected to be reduced as a result of any extraordinary dividend, or any merger, refinancing, recapitalization, capital restructuring or other similar transaction or distribution related to an investment that does not result in the complete disposition of a Fund's interest therein (even in cases where the value of the Fund's investment or the Fund's ownership percentage in such investment has been reduced (including substantially reduced) as a result of such reorganization, restructuring, extraordinary dividend or similar transaction), and in such cases, limited partners will continue paying the management fee based on committed capital, contributed capital or the cost basis of investments, as applicable, regardless of any such transaction.

The lack of a requirement to reduce the management fee in connection with any reorganization or restructuring of, extraordinary dividend made with respect to, or similar transaction related to, an investment presents certain conflicts between the interests of the Adviser and the general partner, on the one hand, and the interests of the limited partners, on the other hand, including by incentivizing the Adviser and the general partner to pursue such transactions that would result in the continued payment of the management fee. Moreover, because the general partner will determine in its discretion the value of any such assets, the general partner will have an apparent conflict of interest in making that determination, given the potential impact of such valuations on the Fund's performance results.

### **Expense Allocation**

Each Fund is responsible for all costs and expenses in connection with its operation, *other than* the costs and expenses that will be the responsibility of the Adviser, a general partner or other third parties. A conflict of interest could therefore arise in the Adviser's determination of whether certain costs or expenses that are incurred in connection with the operation of a Fund meet the definition of a "fund expense" for which a Fund is responsible, or whether such expense(s) should be borne by the Adviser, a general partner, or other third parties. Each Fund will be reliant on the determinations of the Adviser in this regard, and also in regard to the allocation of investment expenses and any common operating expenses as among a Fund and any other clients or accounts managed, advised or sponsored by the Adviser Parties.

### **Co-investment with Related Parties**

Neither the Adviser nor its affiliates or related persons (including the Managing Principals) are precluded from causing their clients or accounts to co-invest in joint ventures with a Fund. As a result, a Fund may from time to time invest in joint ventures that are capitalized or financed by other entities that are managed or sponsored by or affiliates of the Adviser. In addition, a Fund may acquire interests in joint ventures in which other clients of the Adviser or its affiliates are also lenders or investors, as applicable, either in a similarly situated position or in different positions in the capital stack with different risk and return profiles. Alternatively, a Fund may co-invest in certain joint ventures with Funds managed or sponsored by the Adviser or its affiliates. All of these arrangements could create conflicts and disputes between a Fund and the related investors regarding the terms of the joint ventures and the enforcement of the entities' respective rights therein. Differences in entity size, capital availability, compensation arrangements, investment objectives, risk tolerance,

investment restrictions, holding periods or tax treatment could influence the decisions the Adviser or its affiliates make with respect to their clients' interests in the joint ventures. In some cases, the Adviser may have an incentive to recommend that a Fund's investment committee take action with respect to an investment that it would not otherwise recommend but for other clients' interests (including clients of the Managing Principals' prior investment firm). Such actions could disadvantage one Fund by favoring other clients over such Fund or attempting to maximize the value received across all of the Adviser's and its affiliates' clients rather than solely to such Fund. The foregoing conflicts of interest are particularly acute where Fund investors are also co-investors through co-investment vehicles managed and sponsored by the Adviser.

### **Allocation of Co-Investments**

Where the Adviser determines to offer a co-investment opportunity to one or more limited partners and/or one or more third parties, the Adviser has broad discretion in determining to whom and in what relative amounts to allocate co-investment opportunities. Co-investment opportunities may, and typically will, be offered to some but not other limited partners or to third parties who are not limited partners. Decisions regarding whether and to which limited partners to offer co-investment opportunities are made at the discretion of the Adviser and will be based on a number of factors, including a limited partner's expressed interest in co-investments, the size of a limited partner's commitment to a Fund, a limited partner's willingness to pay fees, carried interest or broken deal expenses, whether a limited partner has a history of participating in co-investment opportunities with the Adviser, whether a limited partner has demonstrated, or has the potential to demonstrate, a long-term and/or continuing commitment to the potential success of the Adviser, a limited partner's contractual rights (if any) to co-investment opportunities that are made available, the jurisdiction of a limited partner, a limited partner's impact on tax, regulatory, legal and similar considerations, the overall strategic value to the Adviser of offering a co-investment opportunity to such limited partner, and the Adviser's assessment of a limited partner's ability to both fund and timely execute on the co-investment opportunity. A decision regarding the allocation of a co-investment opportunity will be made based on the then-existing facts-and-circumstances and then-existing factors deemed relevant by the Adviser in its sole discretion (including factors that require subjective decision-making by the Adviser), and could be different from those used in determining the allocation of any other co-investment opportunity.

The Adviser may form and manage one or more investment vehicles or accounts through which limited partners or other persons would participate in co-investment opportunities. Inclusion in, and the terms of, such a program will be determined by the Adviser in its discretion, which may include some or all of the factors described above. Except to the extent a limited partner has entered into an agreement with the general partner or the Adviser pursuant to which the general partner or the Adviser has granted such limited partner a right with respect to co-investment opportunities, limited partners should be aware that they have no such right, and should not expect that they will be offered any co-investment opportunities.

The allocation of a co-investment opportunity may give rise to certain additional potential conflicts of interest, including that the Adviser may allocate such co-investment opportunity in a manner that benefits the Adviser other than as a result of receiving fees and/or incentive compensation from a co-investor (including by allocating such co-investment opportunity to a person in order to encourage such person to enter into a relationship with, or expand its relationship with, the Adviser) and that, if the co-investment opportunity is granted with respect to an existing investment, the amount paid directly or indirectly by investors participating in such co-investment opportunity to a

Fund in respect of such investment will be determined by the Adviser. In addition, a Fund may bear costs related to unconsummated co-investments.

### **Third-Party Involvement; Co-investments**

A Fund may also co-invest with third parties, including joint venture partners. A Fund may share control or have limited control over these investments and, therefore, may have only a limited ability to protect its interests in such investments. Such investments may involve risks not present in investments where a third party is not involved, including the possibility that a co-investor of a Fund may at any time have financial difficulties adversely affecting such investment, have economic or business interests or goals which are inconsistent with those of the Fund or may be in a position to take action contrary to the investment objectives of the Fund. In addition, a Fund may under certain circumstances be liable for the actions of its third-party partners or co-venturers.

Under limited circumstances, certain joint venture partners may have priority rights to co-invest alongside a Fund. Such rights may be allocated to investment funds managed by such joint venture partners, including investment funds where limited partners of a Fund are investors. Accordingly, certain limited partners may indirectly receive priority co-investment rights through their interests in such vehicles.

### **Business Transactions by the Adviser and Affiliates**

The Adviser or its affiliates may engage in business transactions with third parties that do business with or provide services to a Fund as well as in connection with the Adviser's or its affiliates' other business activities and ventures. The business dealings between a Fund and those third parties will be on what the general partner believes to be an arm's-length basis, but the general partner will not generally give other service providers an opportunity to bid to provide services to the Fund on a competitive basis. Therefore, it is possible that a Fund will pay more (or less) than current market rates or those rates paid by other investment vehicles or accounts managed or sponsored by the Adviser or its affiliates for certain services provided by third parties.

### **Broken Deal Expenses**

A Fund's investments may require extensive activities prior to acquisition, and the related expenses may be quite substantial. Such expenses may include, without limitation, travel, meal, accommodation and entertainment expenses, due diligence expenses (such as expenses related to feasibility, technical and marketing studies), legal expenses and bid preparation and submission expenses. One hundred percent (100%) of such broken deal expenses will be borne by a Fund, even if the applicable prospective investment is not consummated, including amounts that would otherwise have been borne directly or indirectly by potential co-investors were such investment consummated.

### **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 may 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 or as otherwise required by applicable laws or regulations.

### **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 investment 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.

### **Other Conflicts**

The Adviser and its personnel have in the past and may, from time to time in the future, receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of a Fund. For example, airline travel or hotel stays incurred as Fund expenses are likely to yield "miles" or "points" or credit in loyalty / status programs for the Adviser and/or its personnel, and such rewards and/or amounts will exclusively benefit the Adviser and/or such personnel and will not be subject to the offset arrangements described above or otherwise shared with a Fund, its investors and/or the investments in which the Fund invests.

**No guarantee or representation can be made that the Funds will achieve their 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 of time. Prospective investors are advised to review the applicable Fund Governing Documents for full details on the investment, operational and other actual and potential risks.**

## **Item 9: Disciplinary Information**

Not applicable.

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

Neither ACA nor any of its directors, officers or principals is registered, or has an application pending to register, as a broker-dealer or as a registered representative of a broker-dealer. Neither ACA 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 as an associated person of any of the above.

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

ACA has established a code of ethics (the “Code of Ethics”) that sets forth standards of ethical conduct for its professionals. The Code of Ethics addresses standards for treating clients ethically, addressing potential conflicts of interest and monitoring and restricting personal trading by ACA and its affiliates and professionals. In addition, the Adviser has established policies and procedures that address, among other things, potential conflicts of interest that might arise in the management of client assets.

As a general rule, ACA does not buy or sell securities of public companies. However, from time to time, ACA personnel may come into possession of material non-public information related to public companies. In such circumstances, employees must comply with all applicable securities laws on so-called insider trading. ACA will at all times maintain a list of securities of companies that the Adviser is actively evaluating for purchase by a Fund, in which a Fund holds an interest, or about which ACA might have received material non-public information (the “Restricted List”). The Chief Compliance Officer will update the Restricted List as appropriate. Securities will be removed from the Restricted List when information is no longer material and an appropriate “cooling off period” has lapsed. In addition, ACA personnel are required to pre-clear all personal trades with the Chief Compliance Officer involving securities that are offered pursuant to a private placement or initial public offering, and securities that are issued by a company on the Restricted List.

ACA’s employees may not take for their own advantage an opportunity that rightfully belongs to ACA or the Fund, may not use ACA or Fund property, information or position for personal gain, and may not compete directly or indirectly with ACA or the Funds.

ACA’s employees and controlled persons must certify annually that they have read and agree to comply in all respects with the Code of Ethics and that they have disclosed or reported all personal securities transactions, holdings and accounts required to be disclosed or reported by the Code of Ethics.

Additionally, the Code of Ethics provides for a range of sanctions should anyone violate the Code of Ethics. These sanctions include, but are not limited to, a warning, fines, disgorgement, and suspension or termination of employment.

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

It is anticipated that each Fund will have a limited partner advisory committee (the seats of which are filled by limited partners that represent a significant percentage of the Fund's committed capital) that reviews transactions where a potential conflict of interest exists, pursuant to the applicable provisions of the Fund's limited partnership agreement.

## **Item 12: Brokerage Practices**

ACA's advisory business generally involves privately negotiated 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, ACA believes it fulfills its best execution responsibilities through careful evaluation and negotiation of the terms of each such transaction.

However, ACA may from time to time purchase or sell publicly traded securities. In such circumstances, ACA 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 financial soundness of the broker selected and other brokers considered; ACA'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.

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

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

ACA monitors each of the investments it makes on an ongoing and continuous basis.

On a quarterly basis, investors in each Fund will 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 will receive audited financial statements of the Fund, valuations of all of the 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 the investor. If the Adviser compensates a placement agent for referring an investor, such arrangements will be

disclosed in writing to the investor. In all cases, placement fees will be borne entirely by the Adviser through management fee offsets.

### **Item 15: Custody**

ACA will conduct all business operations in such a way that all client cash and securities over which the Adviser is deemed to have custody under applicable law (other than certain privately offered securities) will be preserved in the safekeeping of independent qualified custodians.

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

### **Item 16: Investment Discretion**

In general, advice to the Funds will be provided on a discretionary basis. The terms and conditions governing ACA's discretion over the investments made on behalf of its clients is set forth in writing in the applicable investment management agreement or Fund Governing Documents.

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

In accordance with Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended, ACA has adopted and implemented written policies and procedures governing the voting of client securities. The Funds are primarily invested in privately-held commercial real estate investments that do not typically issue proxies. However, in the event proxies have to be voted, ACA will generally be responsible for voting proxies on behalf of its clients. ACA will vote client proxies in a way that it believes will maximize value for its clients. In exercising its voting discretion, ACA and its employees will 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 ACA's clients.

A copy of ACA'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**

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