



equity international

**INVESTMENT ADVISER BROCHURE
PART 2A OF FORM ADV**

EQUITY INTERNATIONAL MANAGEMENT, LLC

**Two North Riverside Plaza
Suite 700
Chicago, IL 60606
(312) 675-7400
<http://www.equityinternational.com>**

March 29, 2024

This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Equity International Management, LLC (“Equity International” or the “Firm”). If you have any questions about the contents of this Brochure, please contact us at (312) 675-7400. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Equity International Management, LLC is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration as an investment adviser does not imply a certain level of skill or training.

Additional information regarding Equity International Management, LLC is also available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2—MATERIAL CHANGES

Since Equity International's latest annual Brochure filing on March 30, 2023, the Firm filed an other-than-annual amendment on June 26, 2023 to reflect the passing of Sam Zell, the Founder and Chairman of Equity International.

Equity International routinely makes changes throughout its Brochure to improve and clarify the descriptions of its business practices and compliance policies and procedures or in response to evolving industry best practices and Firm practices. In this year's filing, the following Items have been updated:

- Item 4: updated to reflect regulatory assets under management as of December 31, 2023 and
- Item 8: updated description of risks and potential conflicts of interest.

ITEM 3—TABLE OF CONTENTS

<u>Brochure</u>	<u>Page</u>
Item 2—Material Changes	i
Item 3—Table of Contents.....	ii
Item 4—Advisory Business	1
Item 5—Fees and Compensation	2
Item 6—Performance-Based Fees and Side-By-Side Management	9
Item 7—Types of Clients.....	10
Item 8—Methods of Analysis, Investment Strategies and Risk of Loss	13
Item 9—Disciplinary Information	38
Item 10—Other Financial Industry Activities and Affiliations	38
Item 11—Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	40
Item 12—Brokerage Practices	42
Item 13—Review of Accounts.....	43
Item 14—Client Referrals and Other Compensation.....	43
Item 15—Custody	44
Item 16—Investment Discretion.....	44
Item 17—Voting Client Securities.....	45
Item 18—Financial Information	46

ITEM 4—ADVISORY BUSINESS

Based in Chicago, Illinois, Equity International Management, LLC (“Equity International,” the “Management Company” or the “Firm”), a Delaware limited liability company, is a private equity firm focused on entity-level investments in real estate and other asset-intensive operating companies, including investing directly in real estate assets, across the world. The Management Company commenced operations in November 2005, and its predecessors commenced operations in June 1999.

Equity International and its relying adviser, Madison Canal (the “Relying Adviser”), serve as the investment adviser for, and provide discretionary investment advisory services to, private funds (“Funds”) exempt from registration under the Investment Company Act of 1940, as amended (the “Investment Company Act”), as well as to special purpose co-investment funds established to invest alongside a Fund in a single portfolio company (a “Co-Investment Fund” and collectively the “Funds”, unless otherwise specified). Certain of these Funds are referred to herein as “Feeder Funds” as they invest directly or indirectly in an applicable Fund as investors. More information about the Equity International Funds is available in the Firm’s Form ADV Part 1, Schedule D, Section 7.B.(1) and about the Relying Adviser in Schedule R.

The Firm is affiliated with each Fund’s general partner (each a “General Partner”), which are deemed registered under the Advisers Act pursuant to Equity International’s registration in accordance with SEC guidance. More information about the Funds’ General Partners is available in the Firm’s Form ADV Part 1, Schedule D, Section 7.A.

Unless otherwise provided in the applicable Governing Documents, each of the General Partners has the authority to make investment decisions for the relevant Fund that it serves. However, the General Partners typically contract with the Management Company to provide the day-to-day advisory services for the Funds. References to the strategy and operations of the General Partners throughout this Brochure should be read to include the activities of the Management Company and other Equity International affiliates, including the Relying Adviser, that collectively engage in the investment process and ongoing management of the Funds’ investments. This Brochure therefore describes the business practices of the General Partners, Management Company and Relying Adviser together as one registrant.

Equity International’s investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating and structuring investments, managing and monitoring the investments during the hold period and achieving dispositions. The Funds generally make investments in nonpublic companies, although investments in public companies are permitted and some Funds do hold public securities in their portfolio. Investments are structured as debt, equity or hybrid securities. Each portfolio company has its own independent management team responsible for managing its day-to-day operations, although the senior principals and/or the personnel of Equity International generally serve on a portfolio company’s boards of directors or otherwise act to influence or exercise control over management of the portfolio companies held by the Funds.

Equity International’s advisory services for the Funds are further described in the applicable private placement memoranda, Fund limited partnership agreements, subscription agreements, investment advisory agreements, side letter agreements and other governing documents of the relevant Fund (collectively, the “Governing Documents”), as well as generally below under Item 8, “*Methods of Analysis, Investment Strategies and Risk of Loss*,” and Item 16, “*Investment Discretion*.” Investors determine the suitability of investment in a Fund based, among other things, on the Governing Documents.

Equity International does not tailor its advisory services to the individual needs of investors in its Funds. The Governing Documents typically include restrictions on the types of investments that Equity International can cause the applicable Fund to make. Investors in the Funds participate in the overall investment program for the applicable Fund. In accordance with industry common practice, Equity International has entered into side letters or similar agreements with investors in the Funds that have the effect of establishing additional rights for the investor under, or altering or supplementing with respect to the investor, a Fund’s Governing Documents. Examples of side letters entered into include “most favored nation” provisions, notice requirements, limited partner advisory board representation, provisions whereby investors have expressed an interest in participating in co-investment opportunities, certain fee arrangements and applicability of tax exemptions, among others. These rights, benefits or privileges are not always made available to all investors, consistent with the Governing Documents and general market practice. Commencing in September 2024, Equity International will make required disclosure of certain side letters to all investors (and in certain cases, to prospective investors) in accordance with the new Private Fund Rule. Side letters are negotiated at the time of a Fund’s formation, and once invested in a Fund, investors generally cannot impose additional investment guidelines or restrictions on such Fund. There can be no assurance that the side letter rights granted to one or more investors will not in certain cases disadvantage other investors.

As of December 31, 2023, Equity International had regulatory assets under management of approximately \$1.608 billion, \$1.469 billion managed on a discretionary basis and \$139.2 million managed on a non-discretionary basis.

The Management Company is principally owned via Equity Casa Grande, LLC by trusts and other entities established by or for the benefit of members of the Zell Family. References herein to ownership by the Zell Family should be interpreted to include ownership by trusts and other entities established for the benefit of members of the Zell Family. For more information about Equity International’s owners and executive officers, see the Firm’s Form ADV Part 1, Schedule A and Schedule B.

ITEM 5—FEES AND COMPENSATION

Equity International and its affiliated General Partners receive fees and compensation in exchange for advisory services provided to the Funds, including management fees, carried interest, additional compensation in connection with management services performed for the portfolio companies of the Funds and reimbursements from portfolio companies for certain expenses advanced on their behalf.

The Feeder Funds do not generally pay a Management Fee or allocate Carried Interest to the General Partners of the Feeder Funds. Instead, the Feeder Funds, and therefore the investors in the Feeder Funds indirectly, generally bear the Feeder Fund's pro rata share of the Management Fee and Carried Interest applicable to such Feeder Fund's investment in the relevant underlying Fund. Notwithstanding the above, there are certain cases in which the Feeder Funds pay Management Fees or Carried Interest directly.

The following is a general description of fees, compensation and expenses of the Funds. Differences exist from Fund to Fund, and some Funds may not charge the same fees, compensation or expenses that other Funds charge. The Governing Documents of each Fund describe the relevant fees, compensation and expenses in greater detail. ***Fees are negotiable. Certain investors in a Fund have negotiated lower fees and other compensation to Equity International for its own benefit only, through side letters, designated or affiliate partner letters or other arrangements.***

Management Fees

The Funds, their General Partners, affiliates and the Relying Adviser, as applicable, generally pay the Management Company, directly or indirectly, a Management Fee, payable quarterly in advance, which during the investment period of a Fund is generally up to 2.0% per annum of the aggregate non-affiliated investors' capital commitments to a Fund (the "Commitments"). After the investment period of a Fund ends, and upon the occurrence of other events described in the relevant Fund's Governing Documents, the Management Fee will generally be up to 2.0% of invested capital (*i.e.*, capital funded into portfolio company investments) minus any investments which have been written off for U.S. income tax purposes and disposals. The amount of Management Fees will not correspond with fluctuations in a Fund's net asset value, including following the stepdown date, and will not be reduced in connection with any write-downs, except in the case of investments that have been permanently written down for U.S. income tax purposes. Except where the Governing Documents expressly provide to the contrary, Management Fees will not be reduced (in whole or in part) in the case of partial distributions.

All Management Fees were negotiated with the Fund's investors during the fundraising period of the applicable Fund and are not subject to negotiation thereafter. Investors subscribing for interests in a Fund after the initial closing generally bear the Management Fee from the date of initial closing, plus interest, as applicable. The Funds are closed-ended investment vehicles intended for a long-term investment. Accordingly, Management Fees are expected to be paid, except as otherwise described in the relevant Fund's Governing Documents, and investors generally are not permitted to withdraw or redeem interests in the Funds. The Funds generally pay the Management Fee until the proceeds from its investments have been distributed or until the Management Company or General Partner's relationship with the Fund is terminated for the specified reasons described in the applicable Fund's Governing Documents and related agreements. Accordingly, Management Fees are payable during term extensions and beyond the end of the term unless otherwise notified to investors.

The General Partner of each Fund has, in its sole discretion, waived or reduced the Management Fee for certain investors in a Fund or with respect to certain investments. For example,

Management Fees are generally waived for Equity International employees, affiliates and their families investing in a Fund (although such persons generally pay their pro rata share of certain Fund expenses). Similarly, investors in Co-Investment Funds will, on occasion, pay reduced or no Management Fees (and similarly generally pay their pro rata share of certain Fund expenses). Further, the Management Company has ceased taking Management Fees on certain assets in certain Funds.

The Management Fee payable by a Fund will generally be reduced, in whole or in part and depending on the Fund, by a pre-established sharing percentage that was negotiated between Equity International and each Fund's investors, by (i) all placement fees, (ii) excess organizational expenses and (iii) all closing fees, investment banking fees, placement fees, commitment fees, break-up fees, litigation proceeds from transactions not consummated, monitoring fees, consulting fees, directors' fees and similar fees (such fees, "Transaction Fees") received by the Management Company, the General Partners or certain of their affiliates from a Fund (directly, or indirectly by any of its portfolio companies), net of any expenses incurred in connection with generating such fee. The amount and manner of such reduction is set forth in the relevant Governing Documents of the applicable Fund. Any Transaction Fees received with respect to an investment or potential investment (including a transaction not consummated) are allocated to a Fund (and offset against the Management Fee) only to the extent of the Fund's relative ownership (or anticipated ownership) of such investment or potential investment, except as otherwise set forth in the Governing Documents. Accordingly, a Fund will, in most such cases, only benefit from the Management Fee reduction described above with respect to its allocable portion of any such Transaction Fees and not the portion allocable to any other stakeholder that holds an economic interest in (or, in the case of a transaction not consummated, would have held an economic interest in) the applicable investment. Further, any such reduction of a Fund's Management Fee is only applicable to the extent a Management Fee is payable by a Fund currently or in the future. As some Funds do not pay Management Fees, any such reduction will not benefit such Funds. In the event a Fund does not pay a Management Fee or does not have an offset provision requiring the reduction of Management Fees, Equity International will retain the credited offset portion of Transaction Fees allocable to these Funds without reduction.

For clarity, the following fees and expenses do not offset Management Fees, in each case as applicable: (i) reimbursements from a portfolio company; (ii) fees or expenses borne by a Fund; (iii) broken deal expenses; (iv) profits interests or compensation to an affiliate that was entered into prior to such person becoming an affiliate of Equity International, regardless of when the interests, compensation or amounts crystallize or vest; or (v) any portfolio company directors' or board fees paid by a former portfolio company to an Equity International employee or former employee who remains on the company's board of directors following the Fund's disposition of its investment in the company.

To the extent that an offset for Transaction Fees would reduce the Management Fee for a given period below zero, the unapplied Transaction Fees will generally be applied against payable Management Fees and if a credit remains upon dissolution, a payment will be made to investors that have not elected to waive such amount for tax or other reasons.

Carried Interest

The General Partners of the Funds are permitted to receive a Carried Interest allocation of up to 20% of all realized profits in excess of a 9% annually compounded preferred return, subject to General Partner catch-up provisions. The Carried Interest distributed to the General Partner is generally subject to a potential giveback at the end of the life of a Fund if the General Partner has received excess cumulative distributions. Each Fund's Carried Interest arrangement is further described (i) in full detail in the relevant Fund's Governing Documents and (ii) more briefly in Item 6, below.

Principals and other employees of Equity International receive a portion of the Management Fee, Carried Interest or other compensation received by the General Partners, the Management Company or their affiliates.

Fund Expenses

Each Fund bears certain expenses and is governed by its own Governing Documents, which provides a description of expenses for such Fund. While differences exist among Funds, the following is a description of expenses generally charged to each Fund. As more fully set forth in the applicable Fund's Governing Documents, each Fund generally bears all fees, costs, expenses, liabilities and obligations relating to a Fund's and /or its subsidiaries' and intermediate entities' activities, investments and business (to the extent not paid by portfolio companies of the Fund), which differ across Funds, including but not limited to: (i) all fees, costs, expenses, liabilities and obligations attributable to structuring, organizing, acquiring, managing, operating, holding, valuing, winding up, liquidating, dissolving and disposing of a Fund's investments (including interest and fees on money borrowed by a Fund, Equity International or a General Partner on behalf of the Fund, registration expenses, compensation for services provided by the operations group of Equity International or any member thereof (if applicable) and brokerage, finders', custodial and other fees), (ii) legal, accounting, administration, custodian, depository, auditing, insurance (including directors and officers and errors and omissions liability insurance), travel (including, where appropriate, the cost of chartering private aircraft from associates or affiliates of Equity International), litigation and indemnification costs and expenses, judgments and settlements, consulting (including consulting and retainer fees paid to the operations group or any member thereof), finders', financing, appraisal, filing and other fees and expenses (including fees, costs and expenses associated with the preparation or distribution of a Fund's financial statements, tax returns and Schedule K-1s or any other administrative, regulatory or other Fund-related reporting or filing), (iii) costs and expenses associated of each Fund's advisory board including advisory board advisory expenses, (iv) all fees, costs, expenses, liabilities and obligations incurred by a Fund, a General Partner or Equity International and its employees relating to investment and disposition opportunities for a Fund not consummated, including with respect to co-investments (including legal, accounting, auditing, insurance, travel (including, where appropriate, the cost of chartering private aircraft from affiliates of Equity International), consulting (including consulting and retainer fees paid to the operations group or any member thereof, if applicable), finders', financing, appraisal, filing, printing, real estate title, survey and other fees and expenses), (v) all out-of-pocket fees, costs and expenses incurred by a Fund, a General Partner or Equity International and its employees in connection with the annual and other periodic (if any) meetings of investors and any other conference or meeting with any investors, regardless of whether all of

the individuals attending or otherwise participating in any such meeting are Fund investors or representatives thereof, (vi) the Management Fee, (vii) any taxes, fees and other governmental charges levied against a Fund (except to the extent that a Fund is reimbursed as per the relevant Fund Governing Documents), (viii) placement fees, (ix) costs and expenses that are classified as extraordinary expenses under generally accepted accounting principles (“GAAP”), (x) all fees, costs and expenses incurred in connection with the organization, management, operation and dissolution, liquidation and final winding-up of any alternative investment vehicles, (xi) organizational expenses up to the expense cap specified in the relevant Fund’s Governing Documents (excess organizational expenses are paid by the Management Company or offset future Management Fees) and (xii) expenses related to attending industry meetings, conferences or similar events in connection with the evaluation of investment opportunities or business sector opportunities (including the evaluation of potential investments, regardless of whether such investment is ultimately consummated). Costs and expenses noted above generally also include travel, private premium hired cars, premium lodging (including temporary housing), ground transportation and meals.

Out-of-pocket expenses associated with completed transactions are either billed directly to a Fund, reimbursed by a portfolio company or capitalized as part of the acquisition price of a consummated transaction. Out-of-pocket expenses associated with unconsummated transactions (“broken deal expenses”) are paid by the relevant Fund(s) selected as proposed investors in such transaction.

In addition, a Fund may bear some or all of the expenses of the Feeder Funds, if any, formed to invest in the Fund to the extent set forth in the relevant Fund’s Governing Documents.

Brokerage fees, if incurred, are done so in accordance with the practices set forth in Item 12, “*Brokerage Practices*,” below.

Management Company Expenses

As more fully set forth in the applicable Fund’s Governing Documents, the General Partners, the Management Company and their affiliates generally bear all ordinary overhead and administrative expenses of a Fund incurred by its General Partner, managing member or the Management Company in connection with maintaining and operating their respective offices, including salaries, rent and equipment expenses, to the extent not borne or reimbursed by a portfolio company. For the avoidance of doubt, Management Company expenses do not include Fund expenses or Fund organizational expenses.

Co-Investment Fees and Expenses

Equity International permits certain investors to co-invest in investments alongside one or more Funds, subject to Equity International’s related policies and procedures, the relevant Governing Documents and/or side letter(s) or similar arrangements. Since co-investments are incremental to the investment activities of a main Fund, any compensation received in connection with, related to or allocable to such co-investment does not reduce the Management Fee paid by such Fund.

Where a Co-Investment Fund is formed, such entity will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds.

In the event a proposed transaction is not consummated, no such Co-Investment Fund generally will have been formed, and the full amount of any fees and expenses generated in the course of evaluating such investments, including out of pocket fees associated with due diligence, attorney fees, fees of other professionals and various other fees relating to such proposed but not consummated transaction (“broken deal expenses”) therefore will generally be borne by the Fund(s) selected as proposed investors for such proposed transaction and not by any prospective co-investors that were to have participated in such transaction. As a result, the Fund(s) selected as proposed investors for such proposed transaction will bear more than what would otherwise have been its share of such broken deal expenses. Conversely, co-investors who commit to a transaction after a Fund signs a definitive purchase agreement will lower the risk of broken deal or similar expenses incurred by such Fund (and indirectly, by such Fund’s investors) in connection with such transaction based on the timing of when a co-investor becomes contractually obligated to invest. However, to the extent that such co-investors have already invested in a portfolio company through a Co-Investment Fund in connection with such transaction (such as for a follow-on investment for the portfolio company for which the Co-Investment Fund was originally created), such Co-Investment Fund and/or co-investor is expected to bear its share of such broken deal expenses (which will generally be recorded at such portfolio company).

Portfolio Company Remuneration

As described above, Equity International receives Transaction Fees or other remuneration (including any options, warrants or other equity securities) paid by the Funds (directly, or indirectly by a portfolio company of the Funds), subject to the terms set forth in the relevant Fund’s Governing Documents.

Equity International generally has discretion over whether to charge Transaction Fees or other compensation to a portfolio company and, if so, the rate, timing, method and/or amount of such compensation, as well as to charge such amounts at varying levels in a portfolio company’s holding or operating structure. The amount of such Transaction Fees is paid by the Funds (directly, or indirectly by the portfolio companies) and are determined by Equity International on a transaction by transaction basis, subject to the terms set forth in each Fund’s Governing Documents. There can be no assurance that the amount of fees charged will be proportional to the amount of hours performed on behalf of a portfolio company. In most circumstances, such compensation is not reviewed or approved by an independent third party. An allocable portion of all such fees received are offset in whole or in part against the Management Fee according to each Fund’s Governing Documents, unless otherwise provided thereunder. However, any reimbursement by a portfolio company of out-of-pocket expenses incurred by Equity International or its affiliates will not be offset against the Management Fee payable by the Funds.

Equity International endeavors to require the payment of such fees only to the extent permitted by the earnings of the applicable portfolio company, and Equity International will defer or forego the payment of such fees if the portfolio company’s earnings or cash position render the payment of such fees too burdensome for the portfolio company or at such time a senior credit agreement prohibits the payment of such fees. In the case of amounts deferred, such payments will generally

be payable in the future, which can result in a single payment or installments of repayment amounts that are larger than if the fees had originally been paid in increments. Equity International makes such determinations on a case-by-case basis and reserves the right to take different actions (or no action) with respect to similarly-situated portfolio companies.

Furthermore, Equity International and its related persons provide financial advisory, legal, tax, accounting and other services (“Related Services”) on an arms-length basis for the Funds and their portfolio companies, as set forth in greater detail in the relevant Fund’s Governing Documents, and any such fees payable for Related Services do not offset Management Fees. While Equity International is permitted to charge the Funds reasonable compensation for the provision of such services, to date the Management Company has borne all such costs.

Expense Reimbursement

Certain expenses related to Equity International’s oversight of portfolio companies incurred on behalf of the Funds are reimbursed by a portfolio company pursuant to a management services agreement with the portfolio company. These expenses are paid by Equity International and reimbursed by a portfolio company or paid directly by a portfolio company. Such expenses can include, without limitation: (i) travel expenses, which can include expenses for chartered or first-class travel and meals and entertainment expenses (such expenses including, as applicable, those relating to (a) use of premium black car and other car services, which from time to time include waiting time and (b) social and entertainment events, including closing dinners and mementos, with portfolio company management, customers, clients, borrowers, brokers and service providers); (ii) expenses relating to training programs, meetings, conferences or other events (to the extent such programs, meetings or events are attended by portfolio company personnel); (iii) premium meals (including outside normal business hours); (iv) expenses relating to hiring portfolio company personnel (including background checks, recruiting and relocation expenses); (v) indemnification expenses; (vi) insurance; (vii) tax, accounting and other consulting services; (viii) certain legal expenses; (ix) similar out-of-pocket expenses; (x) corporate filings; and (xi) other consideration and expenses.

In addition, to the extent a Fund or Equity International initially bears the cost of certain fees or expenses but the benefit of the Related Services or expense is also received by another Fund, portfolio company or future fund or portfolio company, Equity International will determine, subject to its ultimate discretion, whether to cause such other Fund or portfolio company to reimburse the initial Fund or Equity International for such fees or expenses. Any reimbursement by a portfolio company of such out-of-pocket expenses incurred by Equity International, a Fund General Partner or their related persons will not be offset against the Management Fee payable by the Funds.

Fee Receipt Allocation

From time to time, Equity International, a Fund or a portfolio company (in its sole discretion) agrees to pay all or a portion of a Transaction Fee, Carried Interest, equity grant or other fee to a third party, such as a consultant, advisor, finder, placement agent, broker and/or investment banker. Similarly, on occasion certain members of a portfolio company management team receive additional cash and equity compensation, including bonus payments based on the applicable

portfolio company meeting certain success hurdles. All such compensation, whether in the form of a profits or equity interest in a portfolio company or immediate holding company, generally has a dilutive impact on a Fund's investment and indirectly reduces the proceeds available for distribution to the relevant Fund at the time of such portfolio company's exit. None of these fees or compensation allocations offset Management Fees payable by a Fund.

Allocation of Fees and Expenses

In good faith and in its fair and reasonable discretion, Equity International determines on a case by case basis whether an expense should be borne by the Firm, a Fund or a portfolio company. Some expenses are incurred on an aggregate basis for the benefit of multiple Funds and/or Equity International. To the extent that the relevant Fund's Governing Documents do not expressly provide for a method of allocation or to the extent that an invoice does not relate to a specific Fund, Equity International will typically allocate common expenses among multiple Funds on a pro rata basis and in accordance with its policies and procedures on expense allocation, unless Equity International determines that another method is more equitable. The aggregate cost of such expenses are allocated in a fair and reasonable manner and in Equity International's sole discretion. Where one or more Funds to which an expense would otherwise be allocable are not permitted to receive an allocation based on the applicable Governing Documents, the portion of the expense attributable to such Fund(s) will be borne by Equity International.

ITEM 6—PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described under Item 5, "*Fees and Compensation*," above, the General Partners are entitled to receive a Carried Interest allocation on certain profits derived from the Funds. A Carried Interest allocation represents an adviser's compensation based on a percentage of net profits of the Funds it manages. The General Partners of the Funds generally receive a Carried Interest allocation of up to 20% of certain realized profits in excess of a 9% annually compounded preferred return. Carried Interest is payable as portfolio holdings are liquidated or otherwise monetized and is subject to General Partner catch-up provisions, as described in the relevant Fund's Governing Documents received by each investor prior to investment in such Fund.

Equity International's Carried Interest allocations have been structured subject to Section 205(a)(1) of the Advisers Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. The General Partner of each Fund is permitted, in its sole discretion, to waive or reduce the amount of Carried Interest for a Fund or for an investor in a Fund. Similar to Management Fees, Carried Interest is generally waived for Equity International employees, affiliates and their families investing in a Fund. Similarly, investors in some Co-Investment Funds pay reduced or no Carried Interest. In practice, however, the Firm does not believe there is a material conflict of interest in these cases.

The fact that each General Partner's Carried Interest allocations are based on the performance of the applicable Fund can create an incentive for a General Partner to make investments that are more speculative than would be the case in the absence of such distributions or to allocate an investment to a Fund that earns a higher Carried Interest, if applicable. Equity International believes that this incentive is sufficiently mitigated, however, due to the fact that: (i) the applicable Governing Documents create limitations on the ability of Equity International to establish new

investment Funds; (ii) the Funds are subject to certain contractual provisions requiring certain parallel Funds to purchase and sell investments contemporaneously; (iii) any losses a Fund sustains will reduce each General Partner's Carried Interest distribution; (iv) Carried Interest is generally calculated only after investors have received as distributions 100% of their capital contributions plus a preferred return; and (v) a General Partner often makes a commitment to the Fund to invest its own capital alongside the investors.

Equity International manages multiple Funds or other investment vehicles (including Co-Investment Funds) with similar investment strategies on a side-by-side basis. Management of multiple vehicles on a side-by-side basis has the potential to create conflicts of interest with regard to Equity International's allocation of investment opportunities, expenses, time and attention of advisory personnel and consideration for certain transactions. Although Equity International generally makes new investments for a Fund with the same investment objectives only after a predecessor Fund is substantially invested or committed as more fully described in the applicable Fund's Governing Documents, management of side-by-side Funds can create an incentive for the Firm or its personnel to favor a Fund or other investment vehicles in which Equity International or an affiliate has a greater financial interest. To the extent that Equity International manages Funds with varying Carried Interest terms (including amount, timing waterfall conditions or other terms) and/or Equity International personnel are assigned different percentages of Carried Interest in different Funds, Equity International and such personnel are subject to potential conflicts of interest to the extent they are involved in identifying investment opportunities as appropriate for a Fund from which they are entitled to receive a higher Carried Interest percentage.

The fact that different Funds pay different Management Fees to the Management Company or allocate different amounts of Carried Interest to the applicable General Partner has the potential to create an incentive for Equity International to favor Funds that pay more Management Fees or allocate more Carried Interest; however, Equity International has adopted an investment allocation policy to mitigate this risk. To help minimize such conflicts of interest, Funds with specified investment objectives which are similar are typically managed in a similar way and generally invest in the same assets. Investment opportunities which satisfy the investment parameters of more than one Fund will be allocated in accordance with Equity International's policies and procedures regarding investment allocation and with the applicable Fund's Governing Documents and taking into consideration certain factors, as determined in the Firm's sole discretion, which include, but are not limited to: the amount of available capital commitments of the applicable Fund(s); anticipated future capital requirements of an investment opportunity; life-cycle of the applicable Fund(s); expected time to obtain liquidity; legal, tax and regulatory considerations; and any other factors deemed relevant by Equity International. Equity International's procedures are designed to ensure that all investment decisions are made in accordance with Equity International's fiduciary duties to its Funds and without consideration of Equity International's (or its affiliates' or employees') pecuniary interest. Equity International will not allocate investment opportunities, based in whole or in part, on (i) the relative fee structure or amount of fees paid by any Fund or (ii) the profitability of any Fund. Investment allocation is determined by its investment committee.

ITEM 7—TYPES OF CLIENTS

Equity International provides investment advice to its Funds: (i) which generally consist of investment partnerships and other investment entities formed under domestic or foreign laws that

are not registered or required to be registered under the Investment Company Act; (ii) which are not made available to the general public; (iii) for which the related securities are not registered or required to be registered under the Securities Act of 1933, as amended (“Securities Act”); and (iv) for which interests are privately placed to qualified investors. Qualified investors include individuals or entities to which Fund interests are permitted to be sold, which generally includes (i) in the United States, people or organizations who meet certain net worth, income and/or financial sophistication requirements as described above or (ii) in other countries, as permitted by the relevant securities laws in such jurisdiction and in compliance with any foreign offering provisions applicable to Equity International and/or the Funds. The investors participating in the Funds, both directly and indirectly through Feeder Funds or other legal structures, include high net worth individuals, banks or thrift institutions, university endowments, fund-of-funds, pension and profit-sharing plans, trusts, estates, charitable organizations, other corporations or business entities and principals or other employees of Equity International and its affiliates.

Equity International has established certain clients in the form of special purpose vehicles (“Feeder Funds”), to address particular tax or regulatory requirements. Each Feeder Fund is an investor in its respective parallel Fund; interests in such Feeder Fund are held by investors who elect to participate in the Fund through such Feeder Fund.

The Funds generally have a minimum investment commitment set forth in the applicable Fund’s Governing Documents, which the General Partner is permitted to waive in its discretion. In most circumstances, investors in the Funds must also meet certain suitability and net worth qualifications prior to making an investment. Generally, investors must be (i) “accredited investors” as defined under Regulation D of the Securities Act, as amended and (ii) either “qualified purchasers” or “knowledgeable employees” each as defined under the Investment Company Act.

On occasion, Equity International offers co-investment opportunities to invest alongside a Fund in certain portfolio company investment made by the Fund. Co-investment opportunities arise when a portfolio company requires additional capital and Equity International determines that all or a portion of the applicable opportunity is not required to be offered to, or all is not appropriate for, a Fund and Equity International believes the Fund will benefit from the participation of co-investor(s). Such determinations are based on the provisions of the applicable Fund’s Governing Documents, agreements with lenders and such other factors as Equity International considers in its sole discretion, including those specified in its policies on investment allocation and co-investments.

Opportunities to co-invest are made available to any person or entity, including, without limitation, management and founders of the applicable portfolio company, strategic investors, lenders, investment bankers, deal sources (including finders and consultants), other private equity or venture capital firms, Fund investors or other persons or entities affiliated, associated or otherwise known to Equity International or its personnel. Specifically, Equity International offers co-investment opportunities to invest alongside a Fund to some but not all of the investors in a Fund, or to third parties, as Equity International determines appropriate in its sole discretion. Furthermore, Equity International charges some investors that directly or indirectly co-invest different Management Fees, and causes them to bear different Carried Interest amounts, in its sole discretion. As discussed

above in Item 5, “Fees and Compensation,” fees are negotiable. In addition, Equity International has on occasion charged co-investors more or less of certain expenses related to the investment (e.g., legal and other expenses associated with a portfolio company investment) than the Fund making the investment. Co-investors generally do not pay for expenses related to investments that are not consummated, or “broken deal expenses.” Although co-investments alongside a Fund will generally be made on substantially the same terms as the Fund, there can be circumstances in which the terms differ to the detriment of either or both of the co-investors and the Fund. For investment vehicles organized and/or managed by Madison Canal, some co-investors have been provided a board seat or observer rights at a portfolio company, which has the potential to offer the co-investors access to information and ability to influence the operations and decision-making of the portfolio company that are not necessarily available to other investors.

Subject to any restrictions contained in the relevant Fund’s Governing Documents or other terms negotiated with respect to such Fund, in general, no investor has a right to participate in any co-investment opportunity.

Equity International’s exercise of discretion in allocating co-investment opportunities will not always result in proportional allocations among such co-investors and such allocations can be more or less advantageous to some co-investors relative to other co-investors. When Equity International determines to permit co-investors, the size of the investment opportunity otherwise available to Equity International’s Fund(s) can be less than it would otherwise have been without the inclusion of such co-investors.

Co-investments typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as a Fund making the investment. However, from time to time, a co-investor or Co-Investment Fund purchases a portion of an investment from a Fund after such Fund has consummated its investment in the portfolio company (also known as a post-closing sell-down or transfer). Any such purchase from a Fund by a co-investor or Co-Investment Fund generally occurs shortly after the Fund’s completion of the investment to avoid any changes in valuation of the investment. Where appropriate, and in Equity International’s sole discretion, Equity International reserves the right to charge interest on the purchase to the co-investor or co-invest vehicle (or otherwise equitably to adjust the purchase price under certain conditions), and to seek reimbursement to the relevant Fund for related costs. However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the relevant Fund. The price may not reflect the full cost incurred by the Fund in connection with the investment, any interest charge on the co-investment amount, the cost of establishing the credit facility utilized to acquire the portfolio company (if applicable) or the risk borne by the Fund in connection with purchasing and warehousing the investment. The Funds will bear the risk that any co-investors acquiring an interest in an investment after the closing of such investment will acquire such interest on terms that do not reflect the then-current value of such investment.

In the event Equity International is not successful in offering a co-investment opportunity to potential co-investors, in whole or in part, a Fund is likely to consequently hold a greater concentration and have greater exposure in the related investment opportunity than was originally intended, which could make the Fund more susceptible to fluctuations in value resulting from adverse economic and/or business conditions with respect thereto and would result in a greater concentration of risk as a result. To mitigate such risk, each investment is subject to concentration

limits as described in the relevant Fund Governing Documents. Despite these concentration limits, it is possible an investment that is not syndicated to co-investors as originally anticipated could result in a significant impact to a Fund's overall investment returns. As fees paid by or on behalf of co-investors in portfolio companies are generally not subject to a Management Fee offset and are thus retained by Equity International, the opportunity to receive such fees could present a conflict of interest. Further, as Management Fees are offset based on each Fund's invested capital in an investment, the inclusion of co-investors presents a conflict of interest in that Equity International could be incentivized to allocate a greater portion of an investment to a co-investor than it would have otherwise allocated absent such an arrangement. Equity International seeks to address any such potential conflict of interest by investing in accordance with its policies and procedures governing investment allocation and co-investments.

ITEM 8—METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Investment Strategies

Equity International believes that the real estate industry in other free market economies has the potential to transition, as it has in the United States, from fragmentation to greater consolidation, and from domination by small operators and family groups to institutional platforms with professional management teams and access to lower-cost capital from the public equity markets and institutional investors. Equity International believes these structural changes, together with growth potential in international markets, has the potential to create attractive investment opportunities.

Opportunistic Investor

Equity International applies its founder's opportunistic investment approach to international real estate investments. The Firm maintains the flexibility to focus on markets and industries that it believes are most likely to present opportunities that generate opportunistic returns. The Equity International team of investment professionals identifies geographies and asset classes with strong fundamentals that can support long-term investment performance, and further distills the opportunity set to markets offering attractive entry points. Equity International often adopts contrarian views on markets depressed by negative short-term factors, such as supply-demand imbalances and ebbs in liquidity flows, if the Firm has a conviction in the long-term fundamentals. Similarly, Equity International seeks to identify countries characterized by strong fundamentals that have not yet attracted significant capital, either domestic or international, to the real estate sector. In the Firm's experience, markets like these are typically characterized by attractive valuations.

On occasion, the Firm or its affiliates will pursue investments outside of the scope of the existing Funds' Governing Documents, as is the case with Madison Canal, which manages real estate investments in the United States.

Partner Selection and Platform Investing

Equity International generally seeks to invest alongside operating partners who provide local market knowledge, expertise and execution capabilities. After identifying a high potential market

based on consideration of the factors discussed above, the Firm generally seeks to identify potential local partners that have excellent analytical skills, strategic vision, strong work ethic, good management skills and values. In contrast to many real estate managers, Equity International typically approaches opportunities through investments in operating companies rather than by directly investing in real estate assets. However, in particular situations, it is possible the Firm will believe the better approach is to purchase a direct interest in assets. Some of the reasons for preferring a well-structured platform include:

- Alignment. Equity International generally structures operating company investments so that the applicable Fund holds an interest in the same vehicle as the operating partner. In addition, the Firm typically also requires the operating partner to only engage in the business through this vehicle, which ensures that the relevant Fund participates in all of the operating partner's investments and enhances alignment of interests.
- Influence. By obtaining meaningful governance rights in the operating company, which is one of Equity International's most important goals in structuring an investment, the Firm has a greater ability to influence the strategic direction and operations of the business.
- Enterprise Value; Multiple Exits. An operating company that owns a portfolio of assets can have enterprise value beyond those assets, and an investor in the operating company shares in this value creation. There are also additional exit options for a platform, such as a public listing or sale of the assets together with operational capabilities to a large investor.

Equity International Management Team

Equity International comprises a talented group of professionals with strong analytical capabilities and a wide professional network. The Firm's founder, Sam Zell, was a legendary investor who has successfully operated in a variety of industries and geographies through all points of the business cycle. The entire Equity International team has complementary skill sets, with members drawing on backgrounds across various industries. Members of the team speak the languages of many of the markets in which the Firm invests and have experience in international investing and business.

Risks of Investments

Investing involves risk of loss, which investors in the Funds should be prepared to bear. *There can be no assurance that the Funds will achieve the investment objectives established by Equity International, and a complete loss of capital is always possible.* The risks of an investment in a Fund are detailed in the Fund's private placement memorandum and/or subscriptions documents, which prospective investors should review carefully before making an investment. Moreover, Equity International is permitted under the terms of each Fund's Governing Documents to adopt new strategies, and it is impossible to predict all future risks, therefore the following list of risks is not intended to be exhaustive. While the following discusses risks as they relate to the Funds, Co-Investment Funds will also be subject to some or all of the following risks, depending on the risks associated with the applicable transaction or investment strategy. To the extent certain Co-Investment Funds pursue investments or strategies that are not pursued by the Funds, such Co-

Investment Funds will likely be subject to additional risks as described in their respective offering documents.

The following risk factors are applicable to both the Equity International and Madison Canal Funds:

Investment in Junior Securities. The securities in which the Funds invest can be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect a Fund's investment once made.

Concentration of Investments. A Fund's investment portfolio has the potential to become highly concentrated, and the performance of a few holdings or of the real estate industry or the economy of a particular country can substantially affect a Fund's aggregate return.

Lack of Sufficient Investment Opportunities. The business of identifying, structuring and completing private equity transactions is highly competitive and involves a high degree of uncertainty. It is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified. However, investors will be required to bear Management Fees through the Fund during the investment period based on the entire amount of the investors' Commitments and other expenses as set forth in the relevant Fund's Governing Documents.

Illiquidity; Lack of Current Distributions. An investment in the Funds should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. It is possible that losses on unsuccessful investments will be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment can be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there is generally no current return on the investment. Furthermore, the expenses of operating a Fund (including the Management Fee payable) have the potential to exceed its income, thereby requiring that the difference be paid from a Fund's capital, including unfunded Commitments.

Leveraged Investments. The Funds make use of leverage by incurring debt to finance a portion of their investment in a portfolio company or by having a portfolio company incur debt to finance a portion of a Fund's investment in such portfolio company, including in respect of companies not rated by credit agencies. Leverage generally magnifies both a Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets are generally impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast. As a result, at times it can be difficult to obtain or maintain the desired degree of leverage. The availability of leverage also is subject to governmental and regulatory oversight, and certain governmental bodies (including the U.S. Federal Reserve System, the U.S. Office of the Comptroller of the Currency and the U.S. Federal Deposit Insurance Corporation) can restrict or otherwise discourage lending that results in companies carrying large amounts of debt.

The use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and can impair its ability to operate its business as desired

and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of a Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and can accelerate and magnify declines in the value of a Fund's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, a Fund can suffer a partial or total loss of capital invested in the portfolio company, which would likely adversely affect the returns of the Fund. Furthermore, should the credit markets be limited or costly at the time a Fund determines that it is desirable to sell all or a part of a portfolio company, the Fund will not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which a Fund invests generally will not be rated by a credit rating agency. Funds are also permitted to borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt). The use of leverage by a Fund also will result in interest expense and other costs to the Fund that will not necessarily be covered by distributions made to such Fund or appreciation of its investments. A Fund can incur leverage on a joint and several basis with other Funds and entities managed by Equity International, or any of its affiliates, and can have a right of contribution, subrogation or reimbursement from or against such entities. In addition, to the extent a Fund incurs leverage (or provides such guaranties), it is possible that such amounts will be secured by Commitments made by the Fund's investors and such investors' contributions will be required to be made directly to the lenders instead of the Fund.

Limited Transferability of Fund Interests. There will be no public market for the Funds' interests, and none is expected to develop. There are substantial restrictions upon the transferability of Fund interests under the relevant Fund's Governing Documents and applicable securities laws. In general, withdrawals of Fund interests are not permitted. In addition, Fund interests are not redeemable.

Restricted Nature of Investment Positions. Generally, there will be no readily available market for Fund investments, and hence, most of a Fund's investments will be difficult to value. Certain investments are permitted to be distributed in kind to investors and it can be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such investors. After a distribution of securities is made to investors, investors could decide to liquidate such securities within a short period of time, which can have an adverse impact on the price of such securities. The price at which such securities are sold by such investors can, in some cases, be lower than the value of such securities determined pursuant to the relevant Fund's Governing Documents, including the value used to determine the amount of Carried Interest available to the relevant General Partner with respect to such investment.

Reliance on the General Partners and Portfolio Company Management. Control over the operation of each Fund will be vested with such Fund's General Partner, and the Fund's future profitability will depend largely upon the business and investment acumen of the principals. The composition of the professionals making up particular investment teams change over time, and there can be no guarantee that the professionals included in such teams and who have contributed to the past performance of any prior Equity International Funds will continue to be members of the particular team or serve in the same or similar roles thereon (and in some cases, are no longer with, or will leave, Equity International during the life of a Fund). The loss or reduction of service

of one or more of the principals could have an adverse effect on a Fund's ability to realize its investment objectives.

In addition, the principals currently, and will potentially in the future, manage other investments, companies and investment funds besides the Funds and their portfolio companies and it is possible that the principals will devote substantial amounts of their time to such other investment activities, which can pose conflicts of interest in the allocation of the time of the principals. Investors generally have no right or power to take part in the management of a Fund, and as a result, the investment performance of a Fund will depend on the actions of the Management Company and of the relevant Fund General Partner. In addition, certain changes in a General Partner or circumstances relating to a General Partner can have an adverse effect on a Fund or one or more of its portfolio companies including potential acceleration of debt facilities.

Although each General Partner will monitor the performance of each Fund's investment, it will primarily be the responsibility of each portfolio company's management team to operate such portfolio company on a day-to-day basis. Although a Fund generally intends to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the management of such companies will be able or willing to successfully operate a company in accordance with a Fund's objectives.

Portfolio Company Board Service. In certain circumstances, the Funds will have a significant and controlling interest in portfolio companies, and Equity International and/or its affiliates have the right to appoint portfolio company board members, or to influence their appointment, and to determine or influence a determination of their compensation. Equity International principals and employees and those appointed by them often serve on the boards of Fund portfolio companies. Additionally, from time to time, portfolio company board members approve compensation and other amounts payable to Equity International in connection with services provided by the Firm and its affiliates to such portfolio company, and, except to the extent such amounts are subject to the relevant Fund Governing Documents' offset provision, are in addition to the Management Fee or Carried Interest. Equity International's authority to appoint or influence the appointment of portfolio company board members who will potentially be involved in approving compensation payable to the Firm subjects Equity International and any such portfolio company board appointees to potential conflicts of interest. Serving in such capacity can give rise to conflicts to the extent that an employee's fiduciary duties to a portfolio company as a director will potentially conflict with the interests of a Fund in general; however, as the Funds will generally be significant shareholders of such companies, it is expected that such interests will generally be aligned. Any fees earned for sitting on such portfolio company boards by employees are offset against Management Fees; such fees earned by third parties appointed by Equity International, if any, are not offset against Management Fees.

Projections. The Funds use financial projections to help analyze potential current or future financing for portfolio companies, investor reporting or other transactions. Projected operating results of a company in which a Fund invests normally will be based primarily on financial projections prepared by such company's management, with adjustments to such projections made by the Fund General Partner in its discretion. In all cases, projections are only estimates of future results that are based upon information received from the company and third parties and assumptions made at the time the projections are developed. The inaccuracy of certain

assumptions, the failure to satisfy certain financial requirements and the occurrence of other unforeseen events could impair the ability of a portfolio company to realize projected values. There can be no assurance that the results set forth in the projections will be attained, and actual results can be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

Conflicting Investor Interests. Investors can have conflicting investment, tax and other interests with respect to their investments in a Fund, including conflicts relating to the structuring of investment acquisitions and dispositions. Conflicts can arise in connection with decisions made by the Firm regarding an investment that is more beneficial to one investor than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, Equity International generally will consider the investment and tax objectives of a Fund and its investors as a whole, not the investment, tax or other objectives of any investor individually.

Need for Follow-On Investments. Following its initial investment in a given portfolio company, a Fund will often decide to provide additional funds to such portfolio company or will have the opportunity to increase its investment in a successful portfolio company (whether for opportunistic reasons, to fund the needs of the business, as an equity cure under applicable debt documents or for other reasons). There is no assurance that a Fund will make follow-on investments or that a Fund will have sufficient funds to make all or any of such investments. Any decision by a Fund not to make follow-on investments or its inability to make such investments can have a substantial negative effect on a portfolio company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made). Additionally, such failure to make such investments can result in a lost opportunity for a Fund to increase its participation in a successful portfolio company or the dilution of a Fund's ownership in a portfolio company if a third party invests in such portfolio company.

General Risks Related to Real Estate Investment. The Fund's investments are subject to the risks incidental to the ownership and operation of real estate assets, including changes in the general economic climate, local, national or international conditions (such as an oversupply of space or a reduction in demand for space), competition based on rental rates, attractiveness and location of the properties and changes in the relative popularity of property types and locations, changes in the financial condition of tenants, buyers and sellers of properties, changes in operating costs and expenses, uninsured losses or delays from casualties or condemnation, changes in applicable laws, government regulations (including those governing usage, improvement and zoning) and fiscal policies, the availability of financing, interest rate levels, environmental liabilities, contingent liabilities, acts of God, acts of war (declared or undeclared), terrorist acts, cost of insurance and ability to insure against unforeseen events, work stoppages, shortages of labor, strikes, union relations and contracts, risks related to real estate development, fluctuating prices and supply of labor and or other labor-related factors and other factors beyond the control of Equity International, the Funds and their respective affiliates.

Non-Controlling Investments. The Funds principally hold minority stakes in privately held companies and in some cases have limited minority protection rights. In addition, during the process of exiting investments, a Fund at times can hold minority equity stakes of any size such as might occur if portfolio companies are taken public. As is the case with minority holdings in general, such minority stakes that a Fund can hold likely will not have the control characteristics

of majority stakes nor the valuation premiums accorded to majority or controlling stakes. Where a Fund holds a minority stake, it can be more difficult for the Fund to liquidate its interests than it would be had the Fund owned a controlling interest in such company. Even if a Fund has contractual rights to seek liquidity of its minority interests in such companies, it is often very difficult to sell such interests or seek a sale of such company upon terms acceptable to the Fund, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals.

Expedited Transactions. Investment analyses and decisions by the General Partners and Equity International are frequently required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the General Partner or to the Firm at the time of making an investment decision can be limited, and it is possible that the General Partner or the Firm will not have access to detailed information regarding the investment. No assurance can be given that a General Partner or Equity International will have knowledge of all circumstances that can adversely affect an investment, and a Fund can make investments that it would not have otherwise made if more extensive due diligence had been undertaken. Certain facts with respect to an investment that only arise following its acquisition by a Fund can have a material adverse impact on the value of such investment.

Director Liability. The Funds will often seek to obtain the right to appoint one or more representatives to the board of directors (or similar governing body) of the companies in which it invests. Serving on the board of directors (or similar governing body) of a portfolio company exposes a Fund's representatives, and ultimately the Fund, to potential liability. Not all portfolio companies will obtain insurance with respect to such liability, and there can be no guarantee that the insurance that portfolio companies do obtain will be sufficient to adequately protect officers and directors from such liability. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from a Fund's investment activities.

Limitation of Recourse and Indemnification. The relevant Fund's Governing Documents limit the circumstances under which a General Partner and its affiliates will be held liable to a Fund. As a result, investors can have a more limited right of action in certain cases than they would have in the absence of such provision. In addition, the relevant Fund's Governing Documents will provide that such Fund will indemnify the General Partner and its affiliates for certain claims, losses, damages and expenses arising out of their activities on behalf of the Fund. Such indemnification obligations have the potential to materially impact the returns to investors.

Litigation. In the ordinary course of its business, it is possible that a Fund will be subject to litigation from time to time. The outcome of such proceedings has the potential to materially adversely affect the value of a Fund and can continue without resolution for long periods of time. Any litigation can consume substantial amounts of the Firm's and the principals' time and attention, and that time and the devotion of these resources to litigation can, at times, be disproportionate to the amounts at stake in the litigation.

Advisory Board. When a Fund's Governing Documents establish an advisory board, that Fund's General Partner will appoint one or more investor representatives to the advisory board. The relevant Fund's Governing Documents provide that to the fullest extent permitted by applicable law, none of the advisory board members shall owe any fiduciary duties to a Fund or any other

investor. In addition, representatives of an advisory board can have various business and other relationships with Equity International and its partners, employees and associates. These relationships can influence their decisions as members of the advisory board. To the extent that an investor is not directly represented by a member of the advisory board, such investor will have no influence over matters submitted to the advisory board for review or approval. On any issue involving actual conflicts of interest, Equity International will be guided by its good faith discretion.

In addition, members of one Fund's advisory board are a member of another Fund's advisory board. In such instances, a conflict of interest could be deemed to exist if an advisory board member is requested to provide its consent with respect to transactions which involve such conflicts of interest between two or more Funds on which such advisory board members serve, and such members would be unlikely to recuse themselves from any such vote. To the extent members of an advisory board vote regarding conflicts or otherwise participate in matters involving a vote or action, such members may not vote solely in accordance with their interests related to one Fund vis a vis another Fund, including for example, if such a member is required to vote on issues regarding conflicts between the Funds. Such members are unrestricted from voting and have the potential to affirmatively vote in a manner that is in their own interest and adverse to the interest of other investors. Finally, advisory board members may choose to abstain from voting on certain issues, which means that certain votes and issues could be decided only by non-abstaining members and less than a complete group of advisory board members.

Risk Management; Operational Controls. The operational controls and risk management techniques used by the Funds involve third parties over whom Equity International does not exercise control, including outsourced providers of legal, information technology and custody services. The proper operation of a Fund and safekeeping of its assets depend on the performance and financial wherewithal of these third parties, as well as the continued operation and security of their systems. The operational controls and risk management techniques Equity International uses also necessarily include subjective elements, making the judgment and discretion of the Firm's professionals fundamental to the risk management process. The greater the importance of subjective factors, the more challenging it becomes for the Firm to control for risk, which in turn increases the likelihood of unpredictable results with respect to a portfolio company and a Fund's overall performance.

Additional operational risks arise from such factors as processing errors, human errors, inadequate or failed internal or external processes, failures in systems and technology (including those highlighted below under "Cybersecurity Risk and Identity Theft"), changes in personnel, errors caused by third parties or other disruptive events. While Equity International has adopted a business continuity program designed to minimize the disruption these events could otherwise cause to normal business operations, business continuity programs are inherently limited. For example, the Firm could experience unanticipated contingencies or the planned controls and oversight may not function as intended. In addition, certain circumstances, including natural disasters, war, terrorism, public health crises, power or utility shortages and other system failures and malfunctions, could prevent the Firm and its service providers from performing certain tasks, potentially for extended periods of time, including funding an investment, finalizing valuations, making a distribution or reporting to investors. Disruption to third parties, especially critical service providers, such as the Funds' auditors, external counsel, financial institutions,

administrator, and custodian, can result in disruptions in the Funds' operations. Any such failure could cause losses to a Fund.

Cybersecurity Risk and Identity Theft. Cybersecurity incidents, cyber-attacks, denial of service attacks, ransomware attacks and social engineering attempts (including business email compromise attacks and wire fraud attacks), both generally and within the financial services industry, have been occurring globally at a more frequent and secure level and will likely continue to increase in frequency in the future. The Funds, their portfolio companies, their service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These information and technology systems are subject to a number of different threats or risks that could adversely affect the Funds and their investors, despite the efforts of Equity International and its service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Funds and their investors. For example, these systems are subject to damage or interruption from computer viruses, ransomware attacks, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. The use of internet or cloud-based programs, technologies and data storage applications generally heighten these risks, and the risks of attack are expected to be heightened in remote work environments. Third parties would potentially also attempt to fraudulently induce employees, customers, third-party service providers or other users of such systems to disclose sensitive information in order to gain access to Equity International's data or that of Fund investors.

To the extent that a portfolio company is subject to cyberattack, or other unauthorized access is gained to a portfolio company's systems, such portfolio company could be subject to substantial losses in the form of stolen, lost or corrupted: (i) customer data or payment information; (ii) customer or portfolio company financial information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; or (v) other items. In certain events, a portfolio company's failure or deemed failure to address and mitigate cybersecurity risks would be the subject of civil litigation or regulatory or other action. Any of such circumstances could subject a portfolio company, or the Funds, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at Equity International, or one of its affiliates or service providers holding its financial or investor data, Equity International, its affiliates or a Fund would also be at risk of loss.

Although Equity International has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, Equity International, the Funds and/or a service provider thereof would have to make a significant investment to fix or replace system components. The successful penetration or circumvention of the security of these systems, or a failure of these service providers' systems and/or of disaster recovery plans for any reason could cause significant interruptions in Equity International's, the Funds' and/or a service provider's operations. This could result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors) and proprietary and/or confidential information relating to portfolio companies, the inability to access

electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system and costs associated with system repairs. Data taken in such breaches can be used by criminals in identity theft, to commit insider trading, in obtaining loans or payments under false identities and other crimes that could affect the investors directly as well as affect the value of assets in which a Fund invests. Such a breach or failure could harm Equity International's, the Funds' and/or a service provider's reputation, subject any such entity and their respective affiliates to legal claims, compliance costs and otherwise affect their business and financial performance. In addition, Equity International would likely incur substantial costs related to forensic analysis of the origin and scope of a cybersecurity breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, adverse investor reaction or litigation which costs, under certain circumstances, would be borne by a Fund.

Early-Stage Investments. The Funds are permitted to invest in small or early-stage companies that have inherently greater risk than more established businesses. Accordingly, the growth of these companies often requires significant time and effort resulting in a longer investment horizon than can be expected with lower risk investment alternatives. Such investments can experience failure or substantial declines in value at any stage. There is no assurance that such investments by a Fund will be successful.

Uncertain Economic, Social and Political Environment. Consumer, corporate and financial confidence can be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence can lead to or extend a localized or global economic downturn. A climate of uncertainty can reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses in an uncertain environment or economic downturn can have an adverse effect on the economy generally and on the ability of a Fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This can slow the rate of future investments by a Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn can have an adverse effect upon a Fund's portfolio companies.

Public Company Holdings. A Fund's investment portfolio is permitted to contain securities and debt issued by publicly held companies. Such investments have the potential to subject such Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of a Fund to dispose of such securities and debt at certain times, increased likelihood of shareholder litigation and insider trading allegations against such companies' executives and board members, including the principals, and increased costs associated with each of the aforementioned risks.

Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes. There continue to be discussions regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. In particular, the SEC has increased emphasis on investment adviser and private fund regulation and has both adopted and proposed a number of new rules that impose significant

changes on private fund advisers and their management of private funds. Such changes are expected to materially impact Equity International, the Funds and/or the investments, as well as increasing their expenses. Significant time and resources are expected to be required to comply with new regulations. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on the Funds' activities, including the ability of the Funds to effectively and timely address such regulations, implement operating improvements or otherwise execute their investment strategy or achieve their investment objectives.

On August 23, 2023, the SEC adopted new rules and amendments (collectively, the "Private Fund Rule") to existing rules under the Advisers Act specifically related to advisers to private funds. In particular, the Private Fund Rule (i) requires quarterly reporting by registered private fund advisers to investors concerning performance, fees and expenses; (ii) requires registered investment advisers to obtain an annual audit for private funds; (iii) requires registered investment advisers to obtain a fairness opinion or a valuation opinion and make certain disclosures in connection with adviser-led secondary transactions; (iv) imposes limitations and new disclosure requirements regarding preferential treatment of investors in private funds in side letters or other arrangements with the adviser; and (v) prohibits advisers to private funds from taking certain actions without providing disclosures to investors and, in some cases, without obtaining investor consent. The Private Fund Rule is expected to have a significant effect on Equity International, the Funds and their operations, including increased compliance burdens and associated regulatory costs, increased investor reporting and disclosures to investors, enhanced risk of regulatory action and additional regulatory uncertainty. Significant time and resources are expected to be required to comply with the Private Fund Rule, which potentially will detract from the time and resources dedicated to the Funds.

Geopolitical Risks and Force Majeure. An unstable geopolitical climate and continued threats of terrorism could have a material adverse effect on general economic conditions, market conditions and market liquidity. U.S. military actions around the globe; the threat or occurrence of terrorist attacks in the future; rising oil, energy and other commodity or material prices (including those resulting from the unavailability thereof); and the United States' military, economic and political responses to terrorism all can have material consequences on the U.S. and global economies. Equity International is not able to predict the extent, severity or duration of the effect of any past or future terrorist attacks and related events or quantify the impact that these events can have on investment objectives or the markets where an underlying Fund investment will be located. For example, the United States and governments globally have seen a rise in populist and nationalist tendencies, with political parties espousing such themes gaining strength in local and national elections. The continued threat of terrorism and the impact of military or other action have led to and will likely lead to increased volatility in prices for certain commodities and could affect certain portfolio companies' financial results. Additionally, a serious pandemic or a natural disaster could severely disrupt the global, national and/or regional economies. A resulting negative impact on economic fundamentals and consumer confidence has the potential to increase the risk of default of particular portfolio investments, negatively impact market value, increase market volatility and cause credit spreads to widen, and reduce liquidity, all of which could have an adverse effect on a Fund's returns and ability to make new investments. No assurance can be given as to the effect of these events on the value of or markets for portfolio investments.

Additionally, the Funds or portfolio investments can be affected by force majeure events such as events beyond the control of the party claiming that the event has occurred including, without limitation, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism and labor strikes. Some force majeure events may adversely affect the ability of a party, including a Fund, portfolio company or a counterparty to a Fund or a portfolio company, to perform its obligations until it is able to remedy the force majeure event. In certain circumstances, a Fund or a portfolio company may be a party to a contract which does not provide a remedy in favor of the Fund or such portfolio company if a force majeure event occurs. In this event, the Fund or such portfolio company may be required to continue to comply with its obligations (including, but not limited to, payment or performance of its obligations) under the contract even though it may not receive some or all of the benefits to which it is entitled under such contract. Such a circumstance can cause the Fund or such portfolio company to suffer economic loss, and such loss has the potential to be exaggerated if a force majeure event subsists for an extended period of time.

Certain force majeure events, such as war or an outbreak of an infectious disease, could have broader negative impact on the world economy and international business activity generally or in any of the countries in which a Fund has invested. A resulting negative impact on economic fundamentals and consumer confidence can increase the risk of default with respect to particular investments, negatively impact market value, increase market volatility and cause credit spreads to widen and reduce liquidity, each of which could have an adverse effect on the performance of portfolio investments, the Funds' returns and the ability of a Fund to make and/or dispose of portfolio investments. No assurance can be given as to the effect of these events on the value of, or markets for, portfolio investments, or a Fund's or a portfolio investment's ability to recover therefrom.

Financial Institution Risk; Distress Events. An investment in a Fund is subject to the risk that one of the Fund's banks, brokers, hedging counterparties, lenders or other custodians of some or all of the Fund's assets (each, a "Financial Institution") fails to perform its obligations or experiences insolvency, closure, receivership or other financial distress or difficulty (each, a "Distress Event"). Distress Events can be caused by factors including eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance or accounting irregularities. In the event a Financial Institution experiences a Distress Event, Equity International, the Funds and/or their portfolio companies may not be able to access deposits, borrowing facilities or other services for an extended period of time or ever. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by organizations such as the Federal Deposit Insurance Corporation ("FDIC"), in the case of banks, or the Securities Investor Protection Corporation ("SIPC"), in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose increased risk of loss. Although in recent years governmental intervention has resulted in additional protections for depositors, there can be no assurance that governmental intervention will be successful or avoid the risk of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

Any Distress Event has a potentially adverse effect on the ability of Equity International to manage the Funds and their investments, and on the ability of Equity International, any Fund and/or portfolio companies to maintain operations, which in each case could result in significant losses

and unconsummated investment acquisitions and dispositions. Such losses have the potential to include a Fund to pay fees and expenses in the event the Fund is not able to close a transaction (whether due to the inability to draw capital on a credit line provided by a Financial Institution experiencing a Distress Event, the inability of investors to make capital contributions or otherwise), as well the inability of a Fund to acquire or dispose of investments at prices that the relevant General Partner believes reflect the fair value of such investments and/or the inability of Equity International and/or the portfolio companies to make payroll, fulfill obligations and maintain operations. Although Equity International expects to exercise contractual remedies under the agreements with Financial Institutions in the event of a Distress Event, there can be no assurance that such remedies will be successful or avoid losses or delays. In addition, in the event Equity International determines to change Financial Institutions, there is a risk that the transfer of cash or other assets, especially if done in an expedited manner, will result in a technical violation of Advisers Act Rule 206(4)-2 (the “Custody Rule”), even if performed in the Firm’s best judgment of its efforts to fulfill its obligations and maintain operations, including its ability to close transactions, make payroll or otherwise.

Many Financial Institutions require, as a condition to using their services or otherwise, that Equity International and/or the relevant Fund maintain all or a set amount or percentage of their respective accounts or assets with such Financial Institution or its affiliate(s) (each, a “Custodian”), which heightens the risks associated with a Distress Event with respect to such Custodians. Although Equity International seeks to do business with Custodians that it believes are creditworthy and capable of fulfilling their respective obligations to the Funds, Equity International is under no obligation to use a minimum number of Custodians with respect to any Fund, or to maintain account balances at or below the relevant insured amounts.

Inflation. The U.S. economy is currently in a period of high inflation. Investments could have revenues linked to some extent to inflation, including, without limitation, by government regulations and contractual arrangement. As inflation rises, an investment could earn more revenue but could incur higher expenses. As inflation declines, an investment might not be able to reduce expenses commensurate with any resulting reduction in revenue. Furthermore, wages and prices of inputs increase during periods of inflation, which can negatively impact returns on investments. Accordingly, there can be no assurance that a higher rate of inflation will not have a material adverse effect on the Funds’ investments.

Economic Disruptions Due to Public Health Emergencies. Pandemics and other widespread public health emergencies, such as, and including but not limited to the recent global spread of COVID-19 (the “coronavirus”) have shown an ability to result in a broad-based economic decline and significant market volatility. Pandemics present economic threats that are subject to frequent and rapid change and therefore present material uncertainty and risk with respect to the Funds’ performance and financial results.

Environmental, Social and Governance Matters. While Equity International does not pursue ESG or impact focused Funds, it recognizes that, for many investors, environmental, social or governance (“ESG”) concerns and the societal impact of their portfolios is an important consideration which cannot be viewed in isolation from overall investment performance. Therefore, the Firm can take certain ESG considerations into account in its investment decision and oversight process and will, in appropriate circumstances, endeavor to incorporate similar

considerations into the Firm's ongoing management decisions with respect to certain portfolio companies. However, ESG is only one of the many factors Equity International will consider in making investment decisions, and unless otherwise required pursuant to a Fund's Governing Documents, the weight placed on any such ESG considerations will be in Equity International's sole and absolute discretion. Further, applying ESG standards to investment decisions is qualitative and subjective by nature, and there is no guarantee that the criteria utilized by Equity International or any judgment exercised by Equity International will reflect the beliefs or values of any particular investor or group of investors. Finally, an assessment of ESG factors is not necessarily determinative and Equity International's investment decisions will always be subject to being made in a manner that is consistent with the Firm's fiduciary duty to act in the best interests of the Fund's investors. Investments made by the Funds are not required, and may not, create positive ESG-related impacts.

In evaluating an investment and executing its ownership strategy, Equity International expects to depend upon information and data provided by a number of sources, including the relevant investments and/or various reporting sources which could be incomplete, inaccurate or unavailable, and which could cause Equity International to incorrectly assess a company's ESG practices and/or related risks and opportunities.

To the extent that Equity International engages with companies on ESG-related practices and potential enhancements thereto, there can be no guarantee that (i) such engagements will achieve either or both of the desired financial and social impact results and/or (ii) the market or other stakeholders (community members, portfolio company employees, customers, etc.) will view any such changes as desirable (either socially or to a Fund's financial health).

Further, ESG practices are evolving rapidly and there are different principles, frameworks, methodologies, and tracking tools being implemented by other asset managers, and Equity International's adoption and adherence to various such principles, frameworks, methodologies and tools is expected to vary over time. Additionally, market pressures, including the potential adverse reaction by investors and other participants in the investment industry to the application of ESG factors to investment processes could result in tensions, conflicts of interest or other potential issues as private fund sponsors navigate how to balance competing interests with respect to ESG considerations. There is also a growing regulatory interest across jurisdictions in improving transparency regarding the definition, measurement and disclosure of ESG factors. Equity International's ESG policy and ESG practices could become subject to additional regulation in the future, and the Firm cannot guarantee that its current approach will meet future regulatory requirements or predict the manner in which any such future requirements (including any enforcement with respect thereto) could affect a Fund or its investments, including with respect to future administrative burdens and costs.

The following risk factors are applicable only to the Equity International Funds:

Non-U.S. Investments. The Funds invest substantially all of the aggregate Commitments in portfolio companies operating primarily in emerging markets. Such investments are typically subject to certain additional risks due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, differences in accounting and valuation standards, lack of information regarding portfolio

companies, capital repatriation regulations (as such regulations can be given effect during the term of a Fund), the application of complex U.S. and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on a Fund and/or its investors with respect to the Fund's income and possible non-U.S. tax return filing requirements for a Fund and/or its investors.

Certain of the countries and regions in which a Fund invests have experienced, and can, in the future experience, fluctuation and instability (including deterioration) in their economies (ranging from mild to severe), which in some cases include extremely high inflation or collapses in real estate prices, credit markets, stock prices, currencies and/or consumer spending. It is possible that governments of emerging market countries will intervene to change monetary, fiscal, credit, tax and other policies to influence the economy of such countries (which changes can be retroactive in effect). Any investment in a non-U.S. country involves the risk of adverse social and political developments, including nationalization, confiscation without fair compensation, political and social instability and war. Certain countries in which a Fund invests have experienced in the past, are experiencing currently and/or will in the future experience social and political instability that has the potential to adversely affect a Fund's investments in such countries. A portfolio company can also be adversely affected by inflation, exchange rate fluctuations, negative diplomatic developments, exchange controls and restrictions on remittances abroad, expansion or contraction of the economy, as measured by GDP growth rates, energy rationing, fiscal or monetary policy and amendments to the tax legislation, interest rates, difficulty enforcing legal rights, liquidity of domestic and foreign capital and lending markets, expropriation of privately owned land and environmental and sanitary laws and regulations.

Thus, such uncertainties and other future events in the economies of emerging market countries can have a material adverse effect on the business and results of operations of a portfolio company.

Additionally, the market prices of securities in countries in which a Fund's portfolio companies operate are influenced by economic and market conditions in other countries, particularly other emerging market countries, as well as the U.S. Although economic conditions in these other countries can differ significantly from economic conditions in countries in which such portfolio companies operate, the reaction of investors to events in these other countries can have an adverse effect on the market value of securities of a portfolio company. Crises in other emerging market countries have the potential to diminish investors' interest in securities of issuers operating in countries in which a portfolio company operates.

Furthermore, investments in companies operating in emerging and developing market countries can require significant government approvals under corporate, securities, exchange control, foreign investment and other similar laws and can require financing and structuring alternatives that differ significantly from those customarily used in more developed countries. When a Fund invests in non-U.S. portfolio companies, contracts and other agreements governing the rights of the Fund will, at times, be written in a local language and the Fund will have to rely on translations of such documents, errors in which could restrict the ability of the Fund to understand and enforce its rights. To the extent a dispute with local partners, portfolio companies or other local third parties results in litigation, there can be no guarantee that a local court would not exhibit bias against foreign litigants.

Hedging Arrangements. Equity International is permitted to (but is not obligated to) endeavor to manage a Fund's or any portfolio company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. A Fund can incur costs related to such hedging arrangements, undertaken in exchange-traded or over-the-counter ("OTC") contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements can result in losses greater than if hedging had not been used.

In some cases, particularly in OTC contexts, hedging arrangements will subject a Fund to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts can expose a Fund to additional liquidity risks if such contracts cannot be adequately settled.

Real Estate Investment in Non-U.S. Markets. The real estate market in non-U.S. markets is highly fragmented, and often lacks high-entry barriers that would restrict new competitors from entering the market. Such increased competition can erode future profitability by increasing land acquisition costs, or making it impracticable to acquire new land for real estate development on advantageous terms. Increased competition can also cause significant overbuilding which can result in increased vacancy rates, decreased sales volumes or prices and decreased rental rates. Competition can also reduce the prices that prospective portfolio companies of the Funds would otherwise be able to realize for real estate assets and by increasing marketing costs. Some of the competitors of a Fund's future portfolio companies might obtain access to financial resources under better conditions than such portfolio companies and, consequently, establish a capital structure that is better able to adapt to market pressures, principally in periods of instability in the real estate markets of emerging markets.

Distressed Investments. The Funds are permitted to invest in the securities and obligations, including debt obligations that are in covenant or payment default, of companies experiencing significant financial difficulties and material operating issues, including companies that have been, are or will become involved in bankruptcy proceedings or other restructuring, recapitalization or liquidation processes. Investments in such companies involve a substantial degree of risk that is generally higher than the risk involved in investing in companies that are not in financial or operational distress. Given the heightened difficulty of the financial analysis required to evaluate distressed companies, there can be no assurance that the Firm will correctly evaluate the value of the assets of a distressed company securing its debt and other obligations, or correctly project the prospects for the successful restructuring, recapitalization or liquidation of such company. Therefore, in the event that a portfolio company does become involved in bankruptcy proceedings or a restructuring, recapitalization or liquidation is required, a Fund has the potential to lose some or all of its investment or perhaps will be required to accept illiquid securities with rights that are materially different than the original securities in which the Fund invested.

Non-Controlling Investments in Non-U.S. Markets. The protections afforded to minority shareholders under laws of non-U.S. countries are often different from those in the U.S. In particular, the legal framework and case law pertaining to disputes between shareholders and companies and their directors, officers or controlling shareholder, if any, are generally less

developed than U.S. law and there can be different procedural requirements for bringing shareholder lawsuits, such as shareholder derivative suits, which differ from those investors are familiar with under U.S. and other laws. As a result, in practice it can be more difficult for a Fund, as a minority shareholder of its portfolio companies, to enforce its rights against a company and its directors, officers or controlling shareholders in such countries than it would be for shareholders of a U.S. company.

Foreign Taxation Risk. The after-tax results of operations of a Fund and the after-tax returns to investors will depend, in part, on the application of tax laws, regulations and tax treaties to such Fund, its portfolio companies and to investors. Taxation of proceeds from investments (such as capital gains, dividends, interest, rental income and services income generated from investments in portfolio companies or from direct investments) received by foreign investors varies among the countries in which the portfolio companies invest and, in some cases, can be higher (or lower) than in the U.S. In addition, many countries have continually evolving tax laws and procedures. Such laws permit retroactive taxation so that a Fund or the portfolio companies could in the future become subject to unanticipated local tax liabilities. The results of operations and returns of a Fund and the portfolio companies could be adversely affected by any future changes in such tax laws, regulations or tax treaties. In addition, certain foreign jurisdictions impose tax liabilities or reporting obligations on indirect restructurings or transfers of interests in portfolio companies located in such jurisdictions (including through a restructuring of a Fund's investment in a portfolio company, or through a transfer of an investor's interest in a Fund).

Potential Conflicts of Interest

The material conflicts of interest that a Fund encounters include those discussed below and elsewhere in this Brochure. The following summary is not intended to be an exhaustive list of all conflicts or their potential consequences. Identifying potential conflicts of interest is complex and fact intensive and it is not possible to foresee every conflict of interest that will arise during a Fund's life. Investors should be aware that Equity International, its personnel and its affiliates will likely in the future engage in further activities that can result in additional conflicts of interest not addressed below. There can be no assurance that Equity International will identify or resolve all conflicts of interest and, if resolved, that such conflicts will be resolved in a manner that is favorable to the Funds. In particular, Equity International expects in the future to identify additional conflicts of interest that currently are not apparent to the Firm or to the broader alternative investments industry, as well as conflicts of interest that arise or increase in materiality as the Firm adapts to dynamic markets and an evolving regulatory environment. To the extent that Equity International identifies conflicts of interest in the future, the Firm may, but is under no obligation to, disclose these conflicts and their implications to investors through a variety of channels, including in subsequent Brochures or in other written or oral communications to the advisory boards or to investors more generally. However, investors are not entitled to receive notice or disclosure of the actual occurrence of conflicts nor do investors have any right to consent to conflicts as they arise except as otherwise required by law or in the Governing Documents.

Investment Allocation. From time to time, Equity International is presented with investment opportunities that would be suitable for more than one of the Funds. The Firm generally will not commence the operation of a new pooled investment fund with objectives substantially similar to those of the Funds until the end of the investment period or such earlier time as described in each

Fund's Governing Documents. During the investment period of each Fund, all appropriate investment opportunities will be pursued by Equity International principals through the Funds, subject to certain limited exceptions. Equity International's principals and investment staff will continue to manage and monitor such investments until their realization.

In determining which investment vehicles should participate in such investment opportunities, Equity International and its affiliates are subject to potential conflicts of interest among the investors in such vehicles. Equity International is committed to allocating investment opportunities among the Funds in a manner that it determines is fair and equitable and consistent with its fiduciary obligations and the Governing Documents of the Funds. To determine whether and to what extent the Funds will participate in an investment opportunity, Equity International generally assesses whether an investment opportunity is appropriate for each relevant Fund and also considers certain factors, including, but not limited to, the amount of available capital Commitments of the applicable Fund(s), anticipated future capital requirements of an investment opportunity, expected time to obtain liquidity, limitations in the Governing Documents of the applicable Funds, investment guidelines, diversification guidelines, investment strategies and objectives, legal, tax and regulatory considerations and any other factors deemed relevant by Equity International.

Equity International's allocation of investment opportunities among the Funds is not always proportional. Therefore, such allocations have the potential to be more advantageous to one Fund relative to another Fund. While Equity International will allocate investment opportunities in a way that it believes in good faith is fair and equitable to each Fund, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or terms on which the allocation is made, will be as favorable as they would be if the potential conflicts of interest did not exist.

It is Equity International's policy to allocate follow-on investments to the Fund that owns the applicable portfolio company. If a follow-on investment is to be made in a portfolio company owned by more than one Fund, such follow-on investment is typically made in the same proportions as the original investment, unless Equity International determines another proportion is appropriate. As a result of the foregoing policies, one Fund can invest in opportunities that another Fund has declined, or can decline to invest in opportunities in which another Fund has invested. Where necessary, Equity International will consult with and/or receive consent to conflicts from the requisite percentage interest of investors in, or an advisory board consisting of, investors or investor representatives in the applicable Funds and/or Co-Investment Funds.

Investor Transfer of Interest. In certain cases, Equity International will have an opportunity (but, subject to any applicable restrictions or procedures in the relevant Governing Documents, no obligation) to identify one or more secondary transferees of interest in a Fund. In the case of ordinary transfers, Equity International will not receive compensation for identifying such transferees and will use its discretion to select such transferees based on eligibility and other factors, and unless required by the relevant Governing Documents, will determine in its sole discretion whether the opportunity to receive a transfer of Fund interests should be offered to one or more existing Fund investors. On occasion, a General Partner or members of a General Partner have purchased the interest of a Fund investor.

Time and Attention. Certain Equity International personnel currently manage and/or are otherwise affiliated with several other businesses, investment funds and investments besides the Funds (which affiliations include holding trusteeships, directorships or officer positions with public entities), and such persons will on occasion be required to direct certain investment opportunities to those businesses, investment funds, investments and other entities. Such personnel will spend a portion of their business time and attention pursuing investment opportunities for these other businesses, investment funds and investments (other than on behalf of the Funds) and managing and monitoring such other businesses, investment funds and investments (including participation in corporate governance with respect to entities that such personnel are affiliated with). The Funds will have no interest in such opportunities, investments or entities.

Tom Heneghan, the CEO of Equity International, is the Chairman of the board of directors of Equity LifeStyle Properties, serves on the board of directors of Farmland Partners Inc. (NYSE: FPI) and serves on the board of Chai Trust Company, LLC, an Illinois trust company, that acts principally as the managing member or trustee of a number of entities and trusts, respectively, established by or for the benefit of the Zell Family. The Zell Family are owners of a majority in interest of the Management Company via Equity Casa Grande.

Based on the foregoing, Mr. Heneghan, as well as other members of the Equity International team, have the potential to encounter potential conflicts of interest in connection with their Fund-related activities.

Unless restricted by the Governing Documents or Equity International's policies, Equity International personnel are permitted to serve on boards or act in other roles unaffiliated with Equity International, the Funds or their portfolio companies, including boards of charitable and educational institutions, public companies and former portfolio companies, and receive compensation in connection with such services and roles. Such companies are not portfolio companies of a Fund and, as a result, any compensation received by an employee is not subject to the Management Fee offset described above, or otherwise shared with the Funds and/or investors.

Transactions with Affiliates. Equity International is subject to various conflicts of interest due to the fact that services are provided to the Funds by certain associated entities of the Firm. Certain associated entities of Equity International provide accounting, reporting and other administrative-type functions that would otherwise be performed for the Funds by third parties and, in such event, the Funds are permitted to reimburse such associated entities at cost for such services (including reasonable "employment costs" and related overhead expenses as determined by the relevant Fund General Partner). To date, the Funds have not reimbursed such associated entities for the cost of such services. In addition, the Funds retain certain associated entities of Equity International to provide services with respect to Fund investments that would otherwise be performed for the Funds by third parties.

Industry Relationships. As with many other private fund sponsors, as part of Equity International's business, Equity International and its personnel have developed relationships with third parties which have the potential to raise conflicts of interest. Such third parties include investment bankers, lenders, consultants, professional advisors (such as attorneys and accountants), investors, co-investors, current and former directors, officers and employees of current and former portfolio companies and former employees and members of Equity International as well as family members

or close contacts of such persons. Certain of these third parties will, on occasion: (i) introduce investment opportunities to Equity International; (ii) arrange for, or facilitate the financing of, the purchase or recapitalization of current and potential portfolio companies; (iii) introduce portfolio companies to potential acquisition or merger candidates; (iv) facilitate the disposition of portfolio companies; or (v) provide investment banking, consulting, legal or advisory services to Equity International, the Funds or portfolio companies. Such third parties also on occasion provide goods or services to or have business, personal, political, financial or other relationships with the principals. In other instances, such third parties provide personal banking, private wealth or lending arrangements (including lending arrangements with respect to personal investments in or through Equity International's entities) to Firm personnel and their estate planning vehicles. In addition, such third parties are sometimes investors in one or more Funds; co-invest in one or more portfolio companies; or provide other significant business or investment services to Equity International, the Funds and/or their portfolio companies. Such third parties can be entitled to receive a portion of a Fund's proceeds in connection with the sale of a particular portfolio company. Such third parties can also on occasion receive discretionary bonuses, transaction-based fees and/or directors' fees from, participation and/or profits or equity interests in a portfolio company or holding company in exchange for providing their services and such discretionary bonuses, fees, participation and/or profits or equity interests are not subject to the Management Fee offsets described in Item 5 above. These relationships have the potential to influence Equity International in deciding whether to select or recommend any such third party to perform services for the Funds or a portfolio company. Compensation in the form of profits or equity interests in a portfolio company or immediate holding company will generally have a dilutive impact on a Fund's investment. The cost of any services provided by such third parties will generally be borne by the Funds or its portfolio companies, as applicable.

Valuation of Assets. There is not expected to be an actively traded market for most of the securities owned by the Funds. The Firm has established a valuation policy, which it will follow when performing portfolio company valuations. Each General Partner will determine the value of the relevant Fund's investments that are not readily marketable based on ASC 820 guidelines as promulgated by the Financial Accounting Standards Board and any subsequent valuation guidelines required of an investment fund reporting under generally accepted accounting principles as promulgated in the United States. There can be no assurance that the relevant General Partner will have all the information necessary to make valuation decisions in respect of these investments, or that any information provided by third parties on which such decisions are based will be correct. There can be no assurance that the valuation decision of a General Partner with respect to an investment will represent the value realized by the relevant Fund on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation. When estimating fair value, the relevant General Partner will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. Valuations are subject to multiple levels of review for approval. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values can differ from values that would have been determined had an active market existed for such securities and can differ from the prices at which such securities are ultimately sold. The exercise of discretion in valuation by a General Partner can give rise to conflicts of interest, including in connection with determining the amount and timing of distributions of Carried Interest and the calculation of Management Fees.

In particular, 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, Equity International will have an incentive to make determinations that result in the continued payment of the, or a higher, 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. Absent bad faith or manifest error, valuation determinations in accordance with Equity International's valuation policy will be conclusive and binding. Moreover, because Equity International will determine in its discretion the value of any such assets, Equity International will have an apparent conflict of interest in making that determination, given the potential impact of such valuations on a Fund's performance results. Generally, there will be no retroactive adjustment in the valuation of any investment or the fees and/or performance-based compensation paid to the Firm to the extent any valuation proves to not accurately reflect the realizable value of an investment.

Contingent Liabilities Upon Disposition. In connection with the disposition of an investment, the Funds and the General Partners are at times required to make (and/or be responsible for another person's or entity's breach of) representations and warranties, *e.g.*, about the business and financial affairs of the applicable portfolio company, the condition of its assets and the extent of its liabilities, in each case generally in the nature of representations and warranties typically made in connection with the sale of similar businesses, and can be responsible for the content of disclosure documents under applicable securities laws. The Funds and the General Partners can also, under certain circumstances, be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents are inaccurate. Additionally, the Funds and/or General Partners can be subject to certain contingent liabilities with respect to taxes attributable to a particular portfolio company, including withholding or holdbacks of taxes arising from the disposition of a portfolio company, as well as taxes arising with respect to restructurings of holding company structures formed by a Fund for purposes of making a particular investment. These arrangements can result in contingent liabilities, which would be borne by a Fund and, ultimately, its investors.

Fund and Portfolio Company Expenses. The Funds will pay and bear all expenses related to their operations, including Management Fees and the costs of holding, monitoring, maintaining and disposing of portfolio companies, including investment banking fees and consulting fees, whether or not a Fund makes any profits. While it is difficult to predict the future expenses of a Fund, such expenses can be substantial and have the potential to surpass the Fund's operating income. The amount of these partnership expenses will reduce the actual returns realized by investors on their investment in a Fund (and can, in certain circumstances, reduce the amount of capital available to be deployed by a Fund for investments). Fund expenses include recurring and regular items, as well as extraordinary expenses for which it is sometimes hard to budget or forecast. As a result, the amount of each Fund's expenses ultimately called or called at any one time have the potential to exceed expectations. Further, the Funds will continue to incur expenses throughout the life of a Fund, including during the Fund's extension wind-up, and liquidation period.

In addition, the Funds, through portfolio companies or directly, bear the cost, including compensation, of directors, executives or consultants to portfolio companies, which can include former senior principals or employees of Equity International, in connection with management or consulting services provided by such persons. Any such cost will generally not offset Management

Fees paid to Equity International. When such persons are former senior principals or employees of Equity International, Equity International could have a potential conflict of interest in approving such arrangement, although it seeks to do so generally at market rates for the services provided. There can be no assurance, however, that such rates are the lowest cost available.

Expense Allocations. Subject to any relevant restrictions or other limitations contained in the relevant Fund's Governing Documents, Equity International will allocate fees and expenses in a manner that it believes in good faith is fair and equitable under the circumstances and considering such factors as it deems relevant, but in its sole discretion. In exercising such discretion, Equity International can be faced with a variety of potential conflicts of interest. As a general matter, expenses incurred on behalf of multiple Funds will be allocated among such Funds. The allocations of such expenses are not always proportional. Investors in a Fund are typically allocated (or otherwise bear) their pro rata share of such fees and expenses, which are calculated based on Commitments, invested capital, available capital or other metrics as determined by Equity International in its sole discretion and in accordance with its policies and procedures regarding expense allocation.

Equity International and its affiliates will from time to time incur fees, costs and expenses, including in connection with transactions not consummated, on behalf of the Funds. To the extent practicable, any fees, costs and expenses that are incurred in connection with a consummated investment will be charged to the applicable portfolio company. To the extent such fees, costs and expenses are not charged to a portfolio company, they will be paid by each Fund that participated or was expected to participate in such investment. The Funds will typically bear a portion of any such fees, costs and expenses in proportion to the size of its actual or proposed investment, or in such other manner as Equity International considers, in good faith, to be fair and equitable.

There are occasions when one Fund (the "Payor Fund") pays an expense common to multiple Funds (the "Allocated Funds"). On such occasions, each Allocated Fund will reimburse the Payor Fund for its share of such expense, without interest, promptly after the payment is made by the Payor Fund. There are also occasions where the Firm or a Payor Fund pays an expense on behalf of a portfolio company. On such occasions, the portfolio company will reimburse the Firm or Payor Fund for the expense, without interest, and such reimbursement will not be subject to the Management Fee offset provision.

Some expenses are incurred on behalf of one Fund which have the potential to benefit other Funds. For example, information Equity International obtains in connection with a Fund's research, due diligence and investment activities will be valuable to other Funds. Additionally, tools and resources developed at Equity International's expense will be the intellectual property of Equity International and not the Fund.

A conflict of interest could arise in Equity International's determination whether certain costs or expenses that are incurred in connection with the operation of the Funds meet the definition of Fund operational expenses for which the Funds are responsible, whether such expenses should be borne by Equity International or the manner in which Equity International allocates expenses among the Funds. The Funds will be reliant on the determinations of Equity International or an affiliate in this regard. Because the allocation process can be subjective, from time to time, it is

possible that subsequent review of allocations could result in an identification of expenses that should have been allocated in a different manner, in which case measures would be undertaken to correct such circumstance, which might include a reversal of the original expense allocations, if possible, or such other equitable adjustment believed by Equity International to be the most appropriate corrective measure to ensure allocations are equitable on an overall basis in Equity International's good faith judgment.

Borrowing. The Funds from time to time borrow funds or enter into other financing arrangements for various reasons, including to pay Fund expenses, to pay Management Fees or to make or facilitate new or follow-on investments (including borrowings pending receipt of capital contributions from investors). If a Fund borrows in lieu of calling capital to fund the acquisition of an investment, the borrowing generally would be used for all investors in such Fund on a pro rata basis, including the General Partner. In addition, credit facilities for certain Funds are available to provide borrowed funds directly to the portfolio companies of such Funds, in which case such borrowed funds would be guaranteed by such Funds, as they would be for any other borrowing by the Fund for any other purpose. The cost and availability of leverage is highly dependent on the state of the broader credit markets (which can be impacted by regulatory restrictions and guidelines). As a result, at times it can be difficult for portfolio companies to obtain or maintain the desired degree of leverage. The availability of leverage also is subject to governmental and regulatory oversight, and certain governmental bodies (including the U.S. Federal Reserve System, the U.S. Office of the Comptroller of the Currency and the U.S. Federal Deposit Insurance Corporation) can restrict or otherwise discourage lending that results in companies carrying large amounts of debt.

Although borrowings by a Fund has the potential to enhance overall returns that exceed the Fund's cost of capital, such borrowings increase the potential exposure of a Fund to a particular investment above the level the Fund would have typically made had an investment been limited to equity. Any such borrowings would further diminish returns (or increase losses on capital) to the extent overall returns are less than the Fund's cost of funds. To the extent a Fund uses borrowed funds in advance or in lieu of capital contributions or a portfolio company borrows funds directly through the Fund facility, the Fund's investors generally make later capital contributions, but the Fund will bear the expense of interest on such borrowed funds. In addition, a Fund's use of borrowed funds has the potential to impact the calculation of net performance metrics (to the extent that they measure investor cash flows) and make net IRR calculations higher than they otherwise would be without Fund-level borrowing (especially where financing remains outstanding for longer durations), as these calculations generally depend on the amount and timing of capital contributions, which timing is delayed by virtue of the use of the line of credit. The Funds typically pay interest on amounts borrowed under the credit facility and also pay a fee on the undrawn portion of the credit facility. Funds customarily pay a one-time fee for establishing the credit facility as well as certain other one-time and recurring fees and expenses. While a Fund will bear the expense of borrowed funds, such borrowings can also increase the Carried Interest received by the Fund's General Partner by effectively reducing or eliminating the preferred return received by the investors and accelerating or increasing distributions of Carried Interest to the relevant General Partner. The General Partner therefore has a conflict of interest in deciding whether to borrow funds because the General Partner has the potential to receive disproportionate benefits from such borrowings.

Borrowing by a Fund will generally be secured by Commitments made by investors to such Fund and/or by the Fund's assets, and documentation relating to such borrowing can provide that during the continuance of a default under such borrowing, the interests of the investors can be subordinated to such Fund-level borrowing, and the lenders have the ability to call capital directly from the investors. Moreover, tax-exempt investors should note that the use of borrowings by the Fund has the potential to cause the realization of UBTI.

Additionally, the Governing Documents of certain Funds permit each such Fund's General Partner, or its affiliates, to lend money to the applicable Fund. Such lending arrangements create conflicts of interest between the applicable General Partner or affiliate and the Fund acting as borrower.

Use of Credit Facilities. The Funds are permitted to borrow funds pursuant to a revolving credit facility or other debt facility, including a facility based on the aggregate commitments available to be called. Utilizing the credit facility to borrow funds in advance or in lieu of calling capital affords the Firm flexibility to manage cash flows to and from a Fund's investors and ease the investors' burden of responding to multiple capital calls. A Fund's use of such facilities will be determined by Equity International, and the performance of a Fund can be impacted by how Equity International causes a Fund to utilize such facilities. Although the use of such a facility has the potential to increase a Fund's ability to swiftly invest capital, it also will cause the Fund to incur interest expense and other costs. Potential conflicts of interest are expected to arise in that the use of such facilities likely would delay the need for investors to make certain contributions to the Fund, which has the potential to enhance the Fund's performance figures and thereby benefit Equity International.

In borrowing on behalf of a Fund, Equity International is subject to potential conflicts of interest between repaying its obligations and retaining such borrowed amounts for the benefit of the Fund, and in circumstances where interest accrues on any such outstanding borrowings at a rate lower than the relevant Fund's preferred return, Equity International is expected to have incentives to cause the Fund to borrow in this manner rather than drawing down capital commitments. Where a preferred return begins to accrue after capital contributions are due (regardless of when a Fund borrows, makes the relevant investment, or pays expenses) and ceases to accrue upon return of these capital contributions, the use of borrowing to shorten the period between calling and returning capital limits the amount of time the preferred return will accrue. In circumstances where there is not a preferred return on funds borrowed in advance or in lieu of calling capital, Fund-level borrowing typically will reduce the amount of preferred return to which the investors would otherwise be entitled had Equity International called capital, and thus could result in Equity International receiving carried interest sooner than it would without borrowing. In addition, when the Management Fee is calculated as a percentage of invested capital, an investor would pay Management Fees on borrowed amounts used to fund investments that have not yet been realized even though such amounts would not accrue preferred return as described above. It is expected that the costs relating to the establishment and/or maintenance of a subscription line of credit will be significant, and there can be no assurance that the benefits to investors will be commensurate with such costs.

Bridge Financing. The Funds have the ability to draw on, and have at certain times drawn on, their respective line of credit to facilitate bridge financing to a Co-Investment Fund or a portfolio

company. In such circumstances, the Co-Investment Fund and/or portfolio company is not a guarantor on the line of credit although it does receive the benefit of the loan.

In the event a Fund borrows capital through a short-term loan facility to bridge an investment pending the receipt of capital contributions from the co-investment vehicle investors, subject to such Fund's Governing Documents, the Fund is generally entitled to receive (i) the principal amounts of the bridge financing (whether borrowed funds or capital contributions) and (ii) carrying cost generally equal to the preferred return of the Fund, plus expenses. In the event the bridge financing to the co-investment vehicle is not paid off within a specified period of time (as designated in the relevant Fund's Governing Documents) the bridge financing is treated as an ordinary Fund investment into the portfolio company or property.

Tangible and Intangible Benefits. In connection with its services to the Funds and their investments, Equity International expects to receive the benefit of certain tangible and intangible benefits. For example, in the course of Equity International's operations, including research, due diligence, investment monitoring, operational improvements and investment activities, Equity International and its personnel expect to receive and benefit from information, "know-how," experience, analysis and data relating to Fund or portfolio company (as applicable) operations, terms, trends, market demands, customers, vendors and other metrics (collectively, "the Equity International Information"). In many cases, Equity International Information will include tools, procedures and resources developed by Equity International to organize or systematize Equity International Information for ongoing or future use. Although Equity International expects its Funds and their portfolio companies generally to benefit from Equity International's possession of Equity International Information, it is possible that any benefits will be experienced solely by other or future Funds or portfolio companies (or by Equity International and its personnel) and not by the Fund or portfolio company from which Equity International Information was originally received. Equity International Information will be the sole intellectual property of Equity International and solely for the use of Equity International.

Additionally, Equity International and its employees receive certain intangible and/or other benefits or perquisites arising or resulting from their activities on behalf of a Fund, including benefits and other discounts provided from service providers. For example, airline travel or hotel stays incurred as Fund expenses often result in "miles" or "points" or credit in loyalty/status programs to Equity International and/or its employees, and such rewards or amounts will exclusively benefit Equity International and/or such employees and will not be subject to the offset arrangements or otherwise shared with such Fund, its investors or the portfolio companies.

Conflicts Related to the Interpretation of Governing Documents and Other Legal Requirements. The Governing Documents of each Fund and related documents are detailed agreements that establish complex arrangements among Equity International, the investors, the Fund, the General Partner and other entities and individuals. Questions can arise under these agreements regarding the parties' rights and obligations in certain situations, some of which will not have been contemplated at the time of the agreements' drafting and execution. In these instances, the operative provisions of the agreements, if any, can be broad, general, ambiguous or conflicting, and permit more than one reasonable interpretation. At times there will not be a provision directly applicable to the situation. While Equity International will construe the relevant agreements in good faith and in a manner consistent with its legal obligations (and, when appropriate, in

consultation with external legal counsel), the interpretations Equity International adopts will not necessarily be, and need not be, the interpretations that are the most favorable to the Funds or their investors.

Conflicts Related to the Withholding of Certain Information. The Governing Documents of the Funds generally permit the applicable Fund's General Partner to withhold information from designated investors in such Fund under specified circumstances. For instance, information will at times be withheld from investors that are subject to Freedom of Information Act or similar requirements. The relevant General Partner may also from time to time elect to withhold certain information from investors for reasons relating to the General Partner's public reputation or overall business strategy, despite the potential benefits to such investors of receiving such information.

Cross Fund Transactions. Equity International is permitted under the Fund Governing Documents to effect cross transactions between Funds. Such cross fund transactions create conflicts of interest because by not exposing such buy and sell transactions to market forces, it is possible that a Fund will not receive the best price possible or that Equity International will have an incentive to improve the performance of one Fund by selling underperforming assets to another Fund in order, for example, to earn fees. Additional information on the Firm's procedures related to cross fund transactions is contained in Item 11 below.

Employee and Affiliate Investors. It is expected that certain of Equity International's employees and affiliates will invest in a Fund directly or as part of a General Partner's commitment to a Fund. Subject to applicable law, the terms of an investment by an employee differ from, and are more favorable than, those of an investment by an external Fund investor. For example, employee investors generally will not be subject to a Management Fee and/or Carried Interest with respect to their investment and will generally receive information regarding investments at different times than other investors.

ITEM 9—DISCIPLINARY INFORMATION

The Management Company and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

ITEM 10—OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Neither Equity International nor any of its management persons are registered or have an application pending to register as a broker-dealer or a representative of a broker-dealer.

Equity International has no arrangements with a related person who is a broker-dealer, municipal securities dealer, government securities dealer or broker, investment company, other investment adviser, financial planner, futures commission merchant, commodity pool operator, commodity trading advisor, banking or thrift institution, accountant or accounting firm, lawyer or law firm, insurance company or agency, pension consultant, real estate broker or dealer or sponsor or syndicate of limited partnerships that are material to its advisory business, the Funds or their investors. Equity International has and will continue to develop relationships with professionals who provide services, including legal, accounting, banking, investment banking, tax preparation, insurance brokerage, information technology, compliance and other services. Some of these

professionals provide services to the principals, affiliates, the Funds or their portfolio companies. Additionally, some of these professionals are investors in the Equity International Funds, either personally or through their company, or otherwise have relationships with Equity International affiliates.

The General Partners qualify, and have filed for, an exemption from registration as a commodity pool operator with the National Futures Association and Commodity Futures Trading Commission (“CFTC”) pursuant to CFTC Regulation 4.13(a)(3) (*de minimis* amount of commodity interest trading). Similarly, the General Partners also qualify, and have filed for, an exemption from registration as a commodity trading advisor with the CFTC pursuant to CFTC Regulation 4.14(a)(8) (trading is *solely incidental* to investment advisory business).

The Management Company is affiliated with each of the General Partners and the Relying Adviser, all of which are subject to the Advisers Act pursuant to the Management Company’s registration in accordance with SEC guidance. The Management Company provides advisory services to the General Partners and other Equity International entities pursuant to management agreements. These General Partners operate as a single advisory business together with the Management Company and serve as managers or General Partners of Funds and other pooled investment vehicles and share common owners, officers, partners, employees, consultants or persons occupying similar positions. The General Partners do not have employees of their own.

The Management Company receives and provides certain non-discretionary advisory and back office services (Related Services) from other related persons, including Chai Trust Company, LLC. Chai Trust Company, LLC is an Illinois trust company which acts as the trustee principally for trusts or established for the members of the Zell Family. The Zell Family are owners of a majority in interest of the Management Company. Costs of any such services provided by Chai Trust Company, LLC are permitted to be borne by certain Funds pursuant to the Governing Documents of such Funds, however to date, the Management Company has borne all such costs.

Tom Heneghan, the CEO of Equity International, is the Chairman of the board of directors of Equity LifeStyle Properties, serves on the board of directors of Farmland Partners Inc. (NYSE: FPI) and serves on the board of Chai Trust Company, LLC., an Illinois trust company that acts as trustee principally for trusts established for members of the Zell Family.

From time to time, Equity International receives training, information, promotional material, meals, entertainment, gifts or other perquisites from vendors and others with whom the Funds does business or to whom Equity International makes referrals. At no time will Equity International accept any benefits, entertainment, gifts or other arrangements that are conditioned on directing business to a specific vendor. Similarly, Equity International employees have in the past, and expect in the future, to speak at and attend conferences and programs for potential investors interested in investing in private funds and other industry events that are sponsored by various investment bankers, broker-dealers or others. Through such capital introduction and other events, prospective investors have the opportunity to meet with Equity International. Neither Equity International nor any Fund compensates these investment bankers, broker-dealers or others for organizing such events or for investments ultimately made by prospective investors attending such events.

ITEM 11—CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Equity International has adopted the Equity International Code of Ethics (the “Code”) pursuant to Rule 204A-1 of the Advisers Act which sets forth standards of conduct that are expected of Equity International’s principals and employees and addresses conflicts that arise from personal trading, among other topics. The Code requires Equity International’s personnel to place Fund interests ahead of the Firm’s interests, to avoid taking advantage of his or her position and to maintain full compliance with the federal securities laws. The Code’s personal trading policies are designed to ensure that no Fund is disadvantaged by the transactions executed by Firm personnel and that personnel in no respect misappropriate any benefit belonging to a Fund.

Equity International personnel and their covered family members are prohibited from trading, either personally or on behalf of others, in securities while in possession of material nonpublic information regarding publicly traded securities or communicating material nonpublic information about such securities to others. The Firm maintains a restricted list of issuers about which it has or may have material nonpublic information. Supervised persons are permitted to make securities transactions in their personal accounts, subject to certain limitations. Specifically, the Code requires Firm personnel and their covered family members to:

- report certain personal securities transactions;
- pre-clear certain purchases of securities, including restricted list securities, initial public offerings and limited offerings; and
- comply with the policies and procedures reasonably designed to prevent the misuse of, or trading upon, material nonpublic information.

With respect to third parties that are not subject to the trading restrictions under Equity International’s Code and that may otherwise obtain sensitive and nonpublic information relating to a Fund deal (*e.g.*, co-investors, legal, financial, diligence, public relations and other similar service providers), such persons typically are subject to contractual provisions in confidentiality agreements or professional obligations that prohibit the misuse of any such information.

Personnel are required to certify their compliance with the Code upon hire and on an annual basis. Equity International personnel who violate the Code may be subject to remedial actions, including censure, fines, suspension or termination. A copy of the Code will be provided to any investor or prospective investor upon request to Equity International’s Chief Compliance Officer, at (312) 675-7400.

Certain Equity International principals, employees, their family members and affiliates of Equity International directly or indirectly own an interest in Funds or, as permitted by the terms of the applicable Fund’s Governing Documents, certain Co-Investment Funds. Equity International believes that such interests do not create a conflict of interest and instead operate to align the interests of principals and employees of Equity International with the Funds.

Equity International and its affiliates, principals and employees carry on investment activities for their own account and for family members, friends or others and give advice and recommend securities which differs from advice given to, or securities recommended or bought for, the Funds, even though their investment objectives will, in some cases, be the same or similar. In addition, Equity International or its affiliates recommend the purchase or sale of securities for Funds in which one or more of their partners, members, officers, directors, employees (and members of their families) or affiliates (“affiliated persons”), directly or indirectly, have a position or interest, or which an affiliated person buys or sells for himself or herself. Such transactions also include trading in securities in a manner that differs from or is inconsistent with the advice given to the Funds. Certain of these transactions require the consent of the applicable Fund or its advisory board. Further, principals, employees and affiliates are permitted to buy securities in transactions offered to but rejected by the Funds or that are outside the investment mandate of the Funds. The investment policies, fee arrangements and other circumstances of these investments can vary from those of the Funds. All such employee private investments are subject to pre-approval and review by the Chief Compliance Officer.

Section 206(3) of the Advisers Act generally prohibits investment advisers from engaging in principal, cross and agency cross transactions without the appropriate disclosure and consent. Equity International will only enter into a principal, cross or agency cross transaction with the appropriate disclosure and consent.

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account, knowingly buys a security from or sells a security to an advisory client. This extends to any affiliates or controlling persons of the adviser (*i.e.*, an owner, employee or affiliate of the adviser, such as a Fund General Partner). Cross trades between Funds can be deemed to be principal transactions if the adviser (and/or its affiliates, owners or controlling persons) owns, in the aggregate, 25% or more of either Fund. In the context of Equity International’s business, a principal transaction would most likely refer to the practice of warehousing an investment for the formation of a future Fund or Equity International or a Fund General Partner purchasing the interest of an existing investor.

Cross transactions occur when an adviser or an affiliate arranges (*i.e.* acts as broker) between two or more different funds or accounts that are managed by the same adviser or an affiliate. An adviser is not “acting as a broker” if the adviser receives no compensation (other than the advisory fee earned in the ordinary course of managing the asset) for effecting the transaction and therefore is not considered to be conducting a cross transaction under Section 206(3) of the Advisers Act. In the context of Equity International’s business, a cross transaction would occur when selling a portfolio company, investment or other asset from one Fund to another. Agency cross transactions can arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer, which is not applicable to Equity International.

In the event Equity International were to recommend a principal transaction or cross transaction, it would only be after: (i) the Firm has determined the transaction to be in the best interest of both participating Funds or clients; (ii) the transaction is permitted by the relevant Fund’s Governing Documents; (iii) proper disclosure is given to the relevant General Partner, advisory board or investors, as appropriate; (iv) consent is obtained from the appropriate parties; and (v) the Firm

ensures that best execution is achieved for the transaction.

ITEM 12—BROKERAGE PRACTICES

While Equity International generally focuses on securities transactions of private companies and generally purchases and sells such companies through privately-negotiated transactions, the Funds on occasion engage broker-dealers and investment bankers to perform various services for the Funds and portfolio companies, such as assisting in the purchase or sale of a private portfolio company, assisting in the purchase or sale of shares of securities of a public portfolio company or purchasing or selling publicly traded securities. Equity International has sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker-dealer or investment banker, if any, to be used to effect transactions for the Funds. In executing transactions, Equity International will seek best execution of the transaction. Best execution is a qualitative assessment that takes into account the full range and quality of a broker-dealer or investment banker's services and is satisfied by obtaining the most advantageous overall terms for the Fund(s) when weighing all factors relevant to the transaction. Best execution is therefore not necessarily determined by lowest possible commission rates.

Whether for private or public securities transactions, Equity International selects a broker-dealer or investment banker based on Equity International's best judgment of who can provide best execution and will consider a variety of factors, including but not limited to: Equity International's prior experience in working with the broker-dealer or investment banker; the broker-dealer or investment banker's execution capability, financial responsibility, reputation and expertise within the industry; the broker-dealer or investment banker's responsiveness to the Firm; the broker-dealer or investment banker's expertise in dealing with investments that are restrictive or illiquid in nature; the type and size of the transaction involved; the value of any research services provided; and the commission rate, among other factors.

Although Equity International generally seeks competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent, especially in private securities transactions that rely heavily on the specialty services or experience of a broker-dealer or investment banker that operate outside of a competitive bidding environment. Transactions that involve such specialized services on the part of the broker-dealer or investment banker can thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services. Equity International believes the commissions or mark-ups charged are competitive with those that other third parties charge.

Consistent with Equity International seeking to obtain best execution, brokerage commissions on Fund transactions are at times directed to broker-dealers in recognition of research, products or services not otherwise freely available to the public that is furnished by them (*i.e.*, "soft dollars"). Research provided by these broker-dealers is used to service Equity International's Funds as well as clients of its related person. Since Equity International does not frequently engage in public securities transactions, the brokerage commissions paid by Equity International clients will at times apply towards payment for research services that might not benefit such Funds.

Equity International does not receive referrals in connection with selecting or recommending broker-dealers for the Funds and does not engage in directed brokerage. In the event the Firm were to aggregate the purchase or sale of securities for the Funds, it would do so on a pro rata basis.

ITEM 13—REVIEW OF ACCOUNTS

The investments made by the Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. Equity International closely monitors companies in which the Funds invest. Decisions as to when to purchase or sell a portfolio company are made by the Management Company's investment committee. A team of investment professionals, which generally includes at least one principal and other investment professionals, reviews each Fund's portfolio on an ongoing basis to ensure that each Fund is maintained in accordance with its stated objectives.

Equity International will generally provide to investors, on behalf of the Funds, the following written reports: (i) annual audited financial statements prepared in accordance with U.S. GAAP as promulgated by the Financial Accounting Standards Board ("FASB"), accompanied by the report of the independent certified public accountant, within 120 days of fiscal year end (or earlier as agreed to in the relevant Governing Documents); (ii) unaudited financial statements for the first three quarters of each fiscal year; (iii) annual tax information necessary for each partner's U.S. tax returns (K-1); and (iv) annually a statement of the determination of the value of each investment as of the end of the preceding calendar year. All reports are provided in writing and delivered through the Firm's investor portal. The Firm also has contact with investors (*e.g.*, personal visits, video conference, telephone and email) throughout the year as requested and/or as conditions warrant.

In the course of conducting due diligence, internal reporting or otherwise, investors periodically request information pertaining to Equity International's investments. Equity International responds to these requests, and in answering these requests provides information that is not generally made available to other investors who have not requested such information. While Equity International does not have an obligation to update any such information provided, Equity International endeavors to provide the information requested in the most current form available. Additionally, upon request or pursuant to contractual obligations, certain existing investors receive additional information and reporting that other investors do not receive.

ITEM 14—CLIENT REFERRALS AND OTHER COMPENSATION

Equity International, its affiliates and Relying Adviser are permitted to receive transaction fees, monitoring fees and reimbursements from the portfolio companies held by the Funds. These fees are paid pursuant to separate agreements entered into with the portfolio companies to provide certain consulting services that Equity International believes will ultimately enhance the value of the companies and benefit the Funds and their investors.

These types of fee arrangements present potential conflicts of interest and provide Equity International with an incentive to recommend investments based on compensation received rather

than the best interests of the Funds. To help mitigate this potential conflict of interest, an allocable portion of such benefits received by Equity International or its employees, in connection with services rendered to portfolio companies or transactions of the Funds, are offset in part or in whole against (and therefore reduce) Management Fees payable by the Funds, to the extent described above in Item 5 and detailed in each Fund's Governing Documents. As some Funds do not pay Management Fees, any such reduction will not benefit such Funds.

From time to time, Equity International has entered into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a limited partner in a Fund. Unless otherwise specifically provided in the applicable Fund's Governing Documents, any fees or expenses payable to any such placement agents will generally be borne by Equity International either directly or indirectly through an offset against the Management Fee, although certain expenses incurred related to the services provided by these placement agent groups, including but not limited to travel, meal and entertainment expenses, are typically borne by the applicable Fund as organizational expenses. As some Funds do not pay Management Fees, any such reduction will not benefit such Funds.

ITEM 15—CUSTODY

Equity International is deemed to have custody of the Funds' assets because the General Partners are not operationally independent from Equity International: each General Partner generally has full discretion and control over Fund investments and cash, including the ability to deduct fees from Fund accounts. In order to comply with Advisers Act Rule 206(4)-2 (the "Custody Rule"), the Firm has elected to undergo annual financial audits by an independent public accountant registered with and subject to inspection by the Public Company Accounting Oversight Board for each of the Funds over which it is deemed to have custody. Copies of such audits are delivered to underlying investors within 120 days of year-end (or earlier as agreed to in the relevant Governing Documents). In addition, upon the final liquidation of a Fund, Equity International will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP with respect to such Fund to all underlying investors promptly upon completion of the audit. Investors in the Funds are encouraged to carefully review such financial statements.

Except in certain limited circumstances pertaining to certain privately offered securities to the extent permitted by the Advisers Act and as otherwise described in the compliance policies and procedures of Equity International, the Firm does not accept physical possession of Fund assets or securities; called capital is directly deposited or wired into the respective Fund's bank account and public securities are held with broker-dealers or transfer agents who act as custodians for such securities. In compliance with applicable regulations, Equity International receives custodial account statements from the Fund's qualified custodians on behalf of the Funds. More information regarding Equity International's qualified custodians is available in the Firm's Form ADV Part 1, Schedule D, Section 7.B.(1).

ITEM 16—INVESTMENT DISCRETION

Equity International has discretionary authority to manage investments on behalf of the Funds, subject to the limited restrictions contained in the relevant Fund's Governing Documents. Equity

International assumes this discretionary authority pursuant to the terms of (i) the Governing Documents, (ii) the investment management agreement between each Fund, the applicable General Partner and the Management Company and (iii) powers of attorney executed by the investors of each Fund. Equity International is not required to contact an investor prior to transacting any business once an investor executes these documents.

As a general policy, Equity International's only restrictions with respect to managing a Fund are contained in the relevant Fund's Governing Documents. As mentioned in Item 4 above, pursuant to the terms of the Governing Documents, Equity International has entered into side letter arrangements with certain investors whereby the terms applicable to such investor's investment in a Fund are altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other reasons.

ITEM 17—VOTING CLIENT SECURITIES

Equity International has adopted Proxy Voting Policies and Procedures (the "Proxy Policy") pursuant to Advisers Act Rule 206(4)-6 to address how it will vote proxies, as applicable, for the Funds' portfolio companies. The Proxy Policy seeks to ensure that Equity International votes proxies, shareholder consents or similar instruments in the best interest of the Funds with a goal towards maximizing overall value.

By virtue of the Governing Documents of each Fund, Equity International has the authority to vote client proxy statements on behalf of the Funds. Given the nature of Equity International's advisory business, the Funds seldom hold public securities; the majority of "proxies" received by Equity International are written shareholder consents or similar instruments for private companies. Specifically, from time to time, portfolio companies request Equity International (usually through the General Partner of the applicable Fund) to consent to certain issues pertaining to the portfolio company's business and requiring equity owner approval. In these cases, Equity International considers factors that could affect the value of the investment and will act in the manner that it believes maximizes the value of its long-term investment in portfolio companies.

Equity International generally believes its interests are aligned with those of the Funds' investors through the principals' beneficial ownership interests in the Funds. In the event that there is a conflict or potential conflict of interest in voting proxies, the Proxy Policy provides that Equity International can address the conflict using several alternatives, including by seeking the approval or concurrence of the applicable advisory board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. In general, investors cannot request that Equity International vote in a particular way on any specific proposal or when giving consent on a matter requiring the consent of shareholders.

Equity International does not consider service on portfolio company boards by Equity International personnel or third parties appointed by Equity International or Equity International's receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies.

If you would like a copy of Equity International's complete Proxy Policy or information regarding how Equity International voted proxies for particular portfolio companies, contact Equity

International's Chief Compliance Officer, at (312) 675-7400, and it will be provided to you at no charge.

ITEM 18—FINANCIAL INFORMATION

The Management Company does not require or solicit prepayment of more than \$1,200 in Management Fees or other fees more than six months or more in advance. Equity International has no financial commitment that impairs its ability to meet its contractual commitments to investors. The Management Company has not been the subject of a bankruptcy petition at any time during the past ten years. There are no other events requiring disclosure under this item of the Brochure.