



Form ADV  
Part 2A Brochure  
March 28, 2024

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## Mack Real Estate Credit Strategies, L.P. MREG Fund Management LLC

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This brochure ("Brochure") provides information about the qualifications and business practices of Mack Real Estate Credit Strategies, L.P. and its relying adviser, MREG Fund Management LLC (collectively, the "Advisers"). This Brochure also provides certain information about the qualifications and business practices of the Advisers' affiliate, Claros REIT Management LP. If you have any questions about the contents of this Brochure, please contact us at +1 (212) 484-0050. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

The Advisers are registered investment advisers. Registration as an investment adviser with the SEC does not imply a certain level of skill or training.

Additional information about the Advisers is also available on the SEC's Investment Adviser Public Disclosure website, which can be found at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## 2. Material Changes

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This Brochure, dated March 28, 2024, serves as an update to our prior brochure, dated March 31, 2023 (the “**Prior Brochure**”). Since the Prior Brochure, we have made clarifying changes and provided additional information in several sections of this Brochure, including revised disclosure on the advisory business, enhanced disclosure on fees and expenses, new and updated risk disclosures, additional disclosures concerning affiliates of the Advisers, and new and enhanced disclosures regarding the conflicts of interest, or issues that present the appearance of conflicts of interest, faced by the Advisers. In addition, we routinely make updates throughout this Brochure including to improve and clarify the description of our business practices, compliance policies and procedures, as well as to respond to evolving regulations and industry best practices. We do not consider any of these revisions or updates to be indicative of any material changes to our business or the governing agreements between the Advisers and their Clients (as defined below). Please review this Brochure carefully and in its entirety.

Currently, copies of this Brochure may be requested by contacting Kimberly Yuhas, the Advisers’ Chief Compliance Officer (“**CCO**”), at (212) 484-0025 or at [kyuhas@mackregroup.com](mailto:kyuhas@mackregroup.com).

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## 4. Advisory Business

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### Our Firm Profile

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Mack Real Estate Credit Strategies, L.P. ("**MRECS**"), a Delaware limited partnership, is a privately owned federally registered investment adviser formed in 2014. MRECS is under common control with MREG Fund Management LLC ("**MFM**"), a relying adviser of MRECS formed in 2014, and Claros REIT Management LP ("**CRM**"), which was formed in 2015 and was a relying adviser of MRECS prior to August 3, 2020, at which time it filed for its own registration as an investment adviser with the SEC. MRECS, MFM, and CRM share the same principal office and place of business. The principal owners of MRECS are MRECS Holdings LLC and Richard Mack. The principal owners of MFM are MREG Management LLC, Richard Mack, and Solon Mack Partners LLC (which is controlled by Stephen Mack and Robert Feidelson).

This Brochure primarily concerns MRECS and MFM, to which we refer in this Brochure individually as an "**Adviser**" and collectively as the "**Advisers**." Terms such as "**we**," "**our**" and "**us**" generally refer to the advisory business of MRECS and MFM; however, in certain circumstances, this Brochure applies to our advisory business as a whole and therefore such terms are intended to address the Advisers and CRM collectively. As used herein, any references to "**or**" shall mean "**and/or**" and any references to "**including**" shall mean "**including but not limited to**."

Pursuant to a services agreement, certain personnel of MRECS allocate a portion of their business time and attention to CRM. We recommend that you refer to the Form ADV Part 2A brochure for CRM (the "**CRM Brochure**") for additional information about the advisory services provided by CRM.

### Our Advisory Services

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The Advisers provide a range of investment advisory activities related to investments in real estate and real estate-related securities. Generally, MRECS provides advice with respect to a broad strategy of investing in commercial real estate credit through loan originations, preferred equity investments, recapitalizations, loan acquisitions, public real estate securities, and other potential investments, in each case as MRECS deems appropriate depending on market conditions and client investment guidelines or other parameters. MFM provides advice primarily with respect to controlling equity investments in real estate, including land, development projects, and operating assets, in which Mack Real Estate Group, LLC ("**MREG**" or the "**Firm**") or a commonly controlled affiliate typically serves as the general partner or in a similar capacity. Real estate investments are generally made through partnerships, joint ventures, and other similar structures with third parties. However, each Adviser may provide advice with respect to other types of investments.

At present, the Advisers provide advice to certain private funds (including related co-invest vehicles) and, to a limited extent, separately managed accounts (collectively, the "**Clients**").<sup>1</sup> The Advisers are affiliated with entities that serve as the general partners and/or managing members to the Clients (each, a "**General Partner**" and collectively, the "**General Partners**"), and the Clients are typically controlled by their respective General Partners. Each General Partner is subject to the Investment Advisers Act of 1940, as amended (the "**Advisers Act**"), pursuant to the Advisers' registration in accordance with SEC guidance. In

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<sup>1</sup> "**Client**" means any private fund or similar pooled investment vehicle for which the Advisers provide investment advice and/or make investment recommendations on a discretionary or non-discretionary basis. The investors and other persons who invest in the Clients are generally referred to herein as "investors" or "limited partners." Unless otherwise expressly stated herein, the term "Client" does not refer to "investors" or "limited partners."

the future, we intend to advise other funds and one or more of the Advisers may provide services to other commingled investment vehicles, separately managed accounts, or other investment vehicles on bespoke investment strategies.

The information provided above about our investment advisory services is qualified in its entirety by reference to the applicable Governing Documents (as defined below).

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### **Customization of Our Advisory Services**

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Our advisory services are generally tailored to meet the specific investment objectives and requirements of each Client as set forth in the governing documents establishing our relationship with such Client. These documents may include an investment advisory agreement, a management agreement, a private placement memorandum, and/or other formation documents, as amended from time to time (collectively, the “**Governing Documents**”). The Governing Documents of each Client typically define a strategy and often impose certain investment restrictions such as the type and geographic location of investments, size, maximum leverage, and the percentage of the Client’s assets that can be invested in a single asset. Any such restrictions apply to the relevant Client as a whole. We do not provide investment advice to underlying investors in our Clients based on their individual needs. However, at times we enter into side letter agreements with certain investors, without the approval of any other investor, which expand or otherwise modify such investors’ rights or obligations concerning a particular Client subject to the Client’s Governing Documents and applicable law. As an example, certain side letters provide the relevant investors with insight into our investment process that is not provided to other investors.

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### **Wrap Fee Program Participation**

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We do not provide services under any wrap fee program.

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### **Assets Under Management**

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As of December 31, 2023, MRECS and MFM managed approximately \$1,492,595,705 of Client regulatory assets under management (“**RAUM**”) on a discretionary basis and approximately \$851,725 of Client RAUM on a non-discretionary basis. Please note that this figure is an unaudited estimate.

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## **5. Fees and Compensation**

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### **Advisory Fees**

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We generally receive an asset- or equity-based management fee (“**Management Fee**”) from each Client and, for certain of our Clients, an annual performance-based fee or allocation of profits (also sometimes called a “carried interest,” “promote,” or “incentive fee”) (“**Performance Compensation**”). Specific fee arrangements are set forth in the relevant Governing Documents for each Client. However, we may negotiate different fee arrangements with any Client or with any investor in any of the Clients that we manage, subject to applicable tax, legal and regulatory considerations. We waive Management Fees and Performance Compensation, in whole or in part, for some (but not necessarily all) of our principals, employees, affiliates, and family members as to the investments they make in a Client.

The description of our fees and compensation herein is intended to provide a brief summary of the more typical fee structures of the Clients and is not intended to depict every scenario, including where such

structures may differ. For specific details regarding all fees and expenses for a particular Client, please refer to the respective Client's Governing Documents.

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### **Management Fee**

The Advisers generally receive a Management Fee of up to 1.50% per annum, calculated based upon capital commitments or invested capital depending on our negotiated agreements with a Client and its underlying investors. For some Clients, the fee varies based upon whether their active investment period has expired. For example, the Management Fee may be charged based upon (x) capital commitments, during the Client's investment period and (y) invested capital, following the expiration of the Client's investment period. In addition, for some Clients, the Management Fee is charged based upon a blended calculation with specified rates applicable to (x) uncontributed capital commitments and (y) invested capital. The Management Fee may be paid in advance or arrears. For certain Clients, Management Fees borne by the investors are subject to a sliding scale discount provided in respect of larger capital commitments and may also be customized with respect to an underlying investor.

The Advisers are typically permitted in their discretion to waive or reduce the Management Fee applicable to any investor, or all investors, in each Client. Investors should refer to the respective Client's Governing Documents for detailed information regarding the calculation or payment of Management Fees for that Client. Please see **Item 6** for more information concerning the Advisers' Performance Compensation.

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### **Fee Payment**

Management Fees are generally calculated and payable quarterly, either in advance or in arrears, and Performance Compensation is generally calculated upon certain realizations or events, in each case as agreed with each Client or any investor. Please see **Item 6** for more information concerning Performance Compensation.

In some cases, a Client may have the right to terminate an investment management agreement with us. In the event we have received Management Fees exceeding the amount of fees to which we are entitled through the date of termination, such excess amount would be credited to the relevant Client in accordance with its Governing Documents and applicable law. Management Fees are borne by the respective investment vehicle and in most cases are not reflected prior to determining any incentive allocation.

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### **Other Fees/Expenses**

Our Clients typically bear all expenses related to their investments and operations, directly (or indirectly, in the case of joint venture expenses and any promote or other fee paid to a third-party joint venture partner) or by reimbursing the Advisers or General Partner, except to the extent that a borrower or other counterparty agrees to pay such expenses. These expenses reduce returns to Clients as well as the amount of capital available to be deployed in new investments for a Client. Depending on each Client, such expenses can include, but are not limited to, the following: (i) all costs and expenses associated with the organization and formation of a Client or General Partner, as well as any related holding companies or parallel vehicles, including without limitation legal and accounting expenses associated with the organization and formation of such vehicles (excluding placement agent fees), unless a cap has been established; (ii) expenses incurred in connection with the sourcing, evaluating, structuring, and negotiating of any potential investment and the acquisition, management, monitoring, holding, financing, refinancing, servicing, reorganization, proposed disposition, and disposition of investments, including

without limitation due diligence costs, closing costs, legal, hedging or financing, valuation, banking, travel and entertainment expenses, “broken deal” costs, and insurance costs (including without limitation premiums for title insurance); (iii) litigation-related and indemnification expenses (including discovery requests); (iv) ordinary administrative expenses of the Clients, including fees and expenses related to auditing, accounting, legal, appraisals, tax preparation, fund administration, custodial, fund compliance, reporting and communication, annual meetings, technology, environmental, consultants, as well as other professional service providers and similar costs; and (v) costs and expenses incurred in connection with managing and facilitating stakeholder relationships, including attendance at or sponsorship of civic events in such communities, as well as contributions to charitable initiatives or other non-profit organizations, to the extent we believe such activities could, directly or indirectly, enhance the value of the Client’s investments or otherwise serve a business purpose for, or be beneficial to, the Client or its investments.

In addition to the compensation we receive for performing investment management services, affiliates of the Advisers are retained by certain Clients and/or investment-level subsidiaries for other services that are typically performed at the property level, including but not limited to construction management, development, asset management, property management, leasing, and accounting services. These services would otherwise be provided by an unaffiliated third party, the nature of which varies Client to Client and are provided based on each investment’s individual operational needs. In addition, certain Clients pay the Advisers an acquisition fee calculated as a specified percentage of the acquisition price of each real estate investment made by the Client during its investment period. Any fees, costs, expenses, and benefits incurred in connection with such services are borne directly or indirectly by the Clients in accordance with their Governing Documents and/or by providing the investors of certain Clients an opportunity to object to such fees and expenses or request that a third-party quote be obtained. Please see **Item 10** for additional information.

Typically, where fees, costs, and expenses are incurred for the benefit of one Client, portfolio investment, co-investor, third party, or Adviser (each, an “**Allocable Party**”), the Advisers will allocate 100% of such fees, costs and expenses to such Allocable Party, subject to the terms of the Governing Documents and the Advisers’ policies and procedures. Where fees, costs, and expenses are common to more than one Allocable Party, such fees, costs, and expenses are generally allocated between the relevant Allocable Parties in proportion to their participation in a specific investment, in proportion to their respective net asset values or equity commitments under management, or in such other manner the Advisers determine to be fair and equitable, in accordance with the Clients’ Governing Documents and our policies and procedures.

The Advisers may determine an allocation of expenses to be fair and equitable even where a Client is required to bear more than its proportional share of such fees or expenses relative to other Allocable Parties receiving the same service or participating in the same transaction, which may be a result of the methodology used and/or based on the number of Allocable Parties the Advisers select to bear the expense in its initial allocation determination. When making expense allocation determinations, the Advisers generally will allocate an expense to one or more Allocable Parties that are in existence and identified as such at the time the expense allocation determination is made. Accordingly, it can be expected that, in certain cases, Allocable Parties that were not in existence or otherwise identified as Allocable Parties at the time an expense is allocated will ultimately benefit from a particular expense, without having borne any portion of such expense, and in such cases the Advisers will not re-allocate the expense to each such future Allocable Party, and any such future Allocable Party will benefit at the expense of other Allocable Parties, including the Clients.

From time to time, the Advisers and their personnel and related parties receive intangible and other benefits, discounts and perquisites arising or resulting from their activities on behalf of the Clients, the value of which will not offset or reduce Management Fees or otherwise be shared with the Clients or investors. Please see **Item 11** – “Other Benefits” for examples of such benefits, discounts and perquisites received by the Adviser, its affiliates and their personnel and related parties.

### **Sales Compensation**

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Neither the Advisers nor any of its supervised persons receive brokerage commissions or other compensation for, or in connection with, the sale of securities or other investment products.

We utilize unaffiliated third-party solicitors (“**Placement Agents**”) in offering certain Clients to investors. Placement Agents generally receive fees and/or other compensation with respect to all or certain of the investors to the Clients that the Placement Agent refers or introduces to the Advisers. Placement Agents will receive a designated and agreed upon fee, or such other compensation as agreed with the Placement Agent. Investors that are introduced or referred by Placement Agents should carefully review the applicable documents and information provided to them by the Placement Agent for details regarding the specific fees or other compensation relating to their investment, including fees or commissions that are charged directly by the Placement Agent. Accordingly, a Placement Agent could be influenced by its interest in such fees and commissions. Affiliates and employees of certain Placement Agents may, from time to time, invest in our Clients on their own behalf. Please see **Item 14** for additional information concerning Placement Agents.

The information provided above about our fees and compensation is qualified in its entirety by reference to the applicable Governing Documents of the Clients.

## **6. Performance-Based Fees and Side-By-Side Management**

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As noted in **Item 5**, we receive Performance Compensation from certain Clients. Performance Compensation arrangements vary from Client to Client, and Clients only bear a performance-based fee or incentive allocation in relation to underlying investors who meet any applicable eligibility requirements for bearing such fee or allocation.

The Advisers are typically entitled to receive Performance Compensation amounting to 10% to 30% of investment profits, or of investment profits in excess of one or more specified hurdles, pursuant to a distribution waterfall described in the Client’s Governing Documents. Such fees generally require (i) invested capital to be returned to the Client or its underlying investors, and (ii) a specified preferred return (typically 6% or higher) to be received by the Client or its underlying investors, in each case prior to the Adviser’s receipt of Performance Compensation. The specific manner of calculation and the application of Performance Compensation is disclosed in each Client’s Governing Documents that provide for such distributions, as applicable.

Performance Compensation may be negotiated in certain circumstances, generally depending on the nature of the Client’s underlying strategy, the services to be provided by the Advisers, and such other factors that the Advisers and underlying investors deem relevant at the time a Client is formed. In addition, the Advisers are generally permitted to waive or reduce the Performance Compensation applicable to any or all investors in each Client or agree with an investor to waive or alter the Performance Compensation as to that investor. We typically waive Performance Compensation, in whole or in part, for some (but not



necessarily all) of our current and former employees, certain affiliates, and family members that have made commitments to a Client. Investors should refer to the respective Client's Governing Documents for information regarding the manner in which Performance Compensation is borne by that Client.

A primary concern with the use of Performance Compensation arrangements is that they can create an incentive for the Advisers to engage in riskier investment behavior due to the higher return potential associated with many high-risk investments. Also, an Adviser has an incentive to favor (i.e., spend more time and resources or allocate specific investment opportunities anticipated to be more profitable than others) the accounts of Clients subject to Performance Compensation over accounts not subject to Performance Compensation, or subject to a preferable fee, in order to maximize the potential fee revenue from the account subject to the Performance Compensation. In addition, the method of calculating Performance Compensation can create conflicts of interest, or the appearance of conflicts, between the Advisers or the General Partner and the investors in a Client with respect to the management and disposition of investments and the determination of the timing and amount of distributions by a Client.

In order to manage such conflicts of interest, and issues that present the appearance of conflicts, we have adopted a number of policies and procedures, including (i) the Code of Ethics, and (ii) certain investment allocation policies and procedures that provide an allocation process designed to treat all Clients fairly and equitably in accordance with their Governing Documents. In addition, we believe that the interests between the Advisers, General Partners, Clients, and investors are further aligned by the capital contributions made by certain principals and affiliates of the General Partners and Advisers. We reserve the right to amend our policies and procedures from time to time without notice to, or the consent of, the Clients or any other person, subject to any express contractual obligations that may apply. Please see **Item 11** for additional information relating to how we generally address conflicts of interest.

## **7. Types of Clients**

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We currently advise only certain private pooled investment vehicles, including private investment funds, co-investment vehicles, and separately managed accounts. However, we intend to provide advisory services to other investment vehicles, including other private pooled investment vehicles, in the future. Investors in our Clients generally include, without limitation, high-net worth individuals, pension plans, trusts, financial institutions, sovereign wealth funds, insurance companies, family offices, and other U.S. and non-U.S. entities. Current and former employees and certain affiliates of the Advisers also invest in the Clients in certain circumstances. Each investor is required to meet certain suitability requirements.

The Clients that we manage in the United States ordinarily take the form of limited partnerships or limited liability companies that rely on an exemption from registration under the Investment Company Act of 1940, as amended. To the extent we manage pooled investment vehicles that are organized outside the United States, we expect that they would ordinarily take the form of corporations or limited partnerships.

We do not impose a standard set of minimum fees or other conditional requirements for any Client relationships. With respect to the Clients, in some cases there is a minimum capital commitment from each underlying investor. However, a Client's Governing Documents typically provide that we may accept lesser commitments in our sole discretion, and from time to time we have accordingly waived the applicable minimum capital commitment.

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

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### **MRECS**

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MRECS evaluates and makes a variety of commercial real estate debt investments. As more fully described in each Client's Governing Documents, MRECS may employ some or all of the following strategies as MRECS deems appropriate for market conditions and the relevant Client objectives, among other parameters: (i) direct mezzanine/preferred equity investments; (ii) unlevered transitional investments; (iii) unlevered first lien investments; (iv) recapitalizations; (v) construction/land lending; (vi) "stretch senior" investments/control of the capital stack; (vii) acquisition of legacy loans; and (viii) public real estate securities. We seek to hedge or otherwise mitigate interest rate, credit, currency, and investment-related risks to the extent applicable and appropriate in light of the overall objectives of our Clients. Leverage may be utilized in accordance with the relevant Governing Documents. We may also seek additional strategic investment opportunities on behalf of the Client in a manner consistent with their investment objectives.

### **MFM**

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MFM generally focuses on making equity investments in real estate, including the acquisition of real estate, actively managing, repositioning, and otherwise adding value to such real estate, and selling such real estate. MFM also acquires land and adds value to such land through developing real estate, as well as by modifying and improving buildings owned by the Clients. MFM generally has a long investment horizon. Accordingly, it is the long-term, real return growth prospects that are among the most critical to MFM's current investment strategy and decision-making, not short-term rates of return.

### **Material Risks**

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Investing in securities involves risk of loss that investors should be prepared to bear. The following is a summary of some of the material risks associated with the strategies expected to account for a significant portion of our Clients and underlying investments. This summary does not attempt to describe all of the risks associated with all of the Clients or to provide a complete description of any of the individual risks referenced. Although no summary can fully describe all the risks associated with an investment in the Clients, investors should also consult with the applicable Governing Documents of the respective Client for a further description of the risks associated with an investment therein.

There is no guarantee that any investment strategy we use will be effective, and investors should evaluate their ability to maintain their investment in light of the investor's own time horizon and risk profile.

### **Real Estate Risks**

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#### *Overview*

All of our investment strategies involve real estate, primarily of a commercial nature (including multifamily rental housing). Real estate values have historically experienced significant, cyclical fluctuations that may result in substantial losses to the Clients and investors. Values and cash flows may be affected by a number of factors, including changes in the general economic climate, local market conditions (including the availability of space of a particular kind relative to demand), attractiveness and location of properties in which we invest and comparable properties, occupancy rates and the financial condition of tenants, construction risks, operating expenses (including the ongoing need for capital repairs and improvements),

quality of property management services and general maintenance, interest rates and the condition of debt capital markets, property and other taxes, fiscal policies and governmental regulations (including zoning, building codes, rent control, environmental regulations and other applicable laws, regulations and policies), potential liabilities associated with property development, management, and ownership, and other factors beyond our control such as civil unrest, natural disasters, pandemics, and acts of war or terrorism. Certain of these risks are discussed in additional detail below.

#### *Risk of Loss of Capital*

Investing in securities involves the risk of loss of capital. Investors that cannot bear the loss of their entire investment in one of our Clients should not make such an investment. While we believe that our investment processes, strategy, and research techniques mitigate the investment risk through a careful selection of investment opportunities, no guarantee or representation is made that we will achieve a Client's investment objectives or that we will avoid a loss of capital.

#### *Suitable Investments*

We may not be able to continue to find suitable investments, generate sufficient revenue to make or sustain distributions to investors, or implement our operating policies and strategies as described in the applicable Governing Documents. Our ability to generate attractive risk-adjusted returns over the long term is dependent on our ability to generate sufficient cash flow to pay distributions to investors. There can be no assurance that we will be able to generate sufficient revenues from operations to pay our operating expenses and make distributions to investors. Our Clients' results of operations and cash flows depend on several factors, including the availability of attractive risk-adjusted investment opportunities for the origination and/or acquisition of target assets, the ability of an Adviser to identify and consummate investments on favorable terms or at all, the level and volatility of interest rates, the availability of adequate short- and long-term financing, conditions in the financial markets, and general economic conditions.

#### *Illiquidity of Investments; Lack of Transferability*

Investments the Advisers make on behalf of the Clients generally have limited liquidity. The ability to dispose of these investments, including loans and hard real estate assets, may be limited and some investments (such as real estate joint ventures) are subject to specific transfer restrictions. Accordingly, a Client may be unable to vary its portfolio of investments in response to changes in economic or other conditions that affect the market value of investments in real estate and real estate debt (including changes in interest rates, operating conditions in particular markets, the condition of financial markets, the number of active participants in the markets for real estate securities, and their general activity levels). A decrease in liquidity may in and of itself have an adverse effect on the market value of certain investments. Partly as a result of the foregoing, as well as general market inefficiencies respecting credit-impaired investments, carrying values determined by the relevant Adviser may not necessarily be indicative of actual results or amounts to be realized from investments. In addition, no assurances can be given that the fair market value of any investments held by a Client will not decrease in the future or that the Client will recognize full value for any investment that it sells. In some cases, the sale of such investments may be prohibited or limited by contract for a time, and so we may not be permitted to sell such investments at a time we might otherwise desire to do so.

### *Interest Rate Risk*

Interest rate levels have a variety of impacts on investments made for our Clients, some of which can be positive and others adverse. For example, an increase in interest rates will increase a Client's cost of debt financing and reduce amounts available for other purposes, including distributions to investors. In addition, increasing interest rates generally causes outstanding fixed-rate debt securities and interests in fixed rate loans to decline in value. In general, interest rate increases and rising inflation can be expected to materially adversely affect portfolios of real estate debt, decrease the likelihood of successful workouts of distressed debt and increase the likelihood of defaults and foreclosures. The fact that such debt is often originated on a floating rate basis may mitigate, but does not eliminate, such risk.

### *Inflation*

Certain countries, including the United States, have experienced and could in the future experience substantial, and in some periods extremely high, rates of inflation. Inflation and rapid fluctuations in inflation rates have had and may continue to harm the economies and securities markets (both public and private) of certain countries in which the Clients may invest. High rates of inflation can have a material adverse effect on the investments of the Clients.

### *"Spread Widening" Risk*

For reasons potentially but not necessarily attributable to the other risks set forth herein, the prices of the debt instruments and other securities in which we invest for our Clients may decline substantially. It may not be possible to predict, or to hedge against, such "spread widening" risk. Additionally, the perceived discount in pricing of debt instruments may still not reflect the true value of the real estate assets underlying such debt instruments, and therefore further deteriorations in value with respect thereto may occur following a Client's investment therein.

### *Use of Leverage*

Investments are often leveraged, including by way of embedded leverage within the capital structure of a particular property or the entities that own it. Although the use of leverage can enhance returns, offer the opportunity for increased appreciation, and increase the number of investments that can be made, borrowings (or investments in securities of issuers with leveraged capital structures) may also substantially increase the risk of loss and exposure of investments to adverse economic factors such as significant rising interest rates, severe downturns in the economy, and deteriorations in the condition of an investment or the industry, and such investments may be subject to restrictive financial and operating covenants. Borrowings may require the increased use of cash flow for debt service rather than distributions or other purposes. There can be no assurance that a Client will have sufficient cash flow to meet its debt service obligations and, as a result, a Client's exposure to losses may be increased due to the illiquidity of its investments generally. Similarly, investments may be made in entities that are unable to generate sufficient cash flow to meet principal and interest payments on their indebtedness to a Client (or indirect obligations to a Client arising from such indebtedness). Accordingly, the value of such an investment could be significantly impaired or even reduced to zero due to credit deterioration. The use of leverage is subject to the terms in an individual Client's Governing Documents and other governing instruments or policies including, as applicable, specified limitations on recourse borrowings. In some cases, leverage utilized by subsidiary entities does not count against recourse limits established at the fund level even if such borrowings are cross-collateralized by multiple investments and a substantial

portion of a Client's asset value is at risk, although such borrowings subject the Client to similar risks that would exist if these borrowings were incurred at the Client level.

#### *Highly Competitive Market for Investment Opportunities*

The activity of identifying, completing and realizing attractive investments is long and complex and involves a high degree of uncertainty, especially for timing. In addition, searching for appropriate investments is highly competitive. Even if investment opportunities are identified, there can be no assurance that the Clients' bids to acquire interests in such investments will succeed; and, upon a successful bid, legal or contractual transfer restrictions, including rights-of-first-refusal, change-of-control, and similar provisions applicable to such investment may prevent a Client from acquiring all or a portion of such investment. In addition, we may be unable to obtain as favorable terms as we would otherwise in a less competitive investment environment. The availability of investment opportunities generally will be subject to market conditions as well as the prevailing regulatory or political climate. The Clients will be competing with other investors, private equity funds, financial institutions and corporate or strategic buyers, some of which will have greater resources than the Clients, for the investments that the Clients will make. Furthermore, additional private funds with similar investment objectives may be formed in the future by other unrelated parties. As a result, there can be no assurance that the Clients will be able to identify and complete investments that satisfy their investment objectives or realize the value of those investments, or that they will be able to fully invest their commitments. Even so, investors will need to pay Management Fees based on aggregate commitments during the commitment period. The difficulty identifying and gaining access to attractive investment opportunities also applies to the management teams of investments, who may not be able to fully invest all the capital committed to those investments by a Client. The Clients and the investments may incur significant expenses investigating potential investments that are ultimately not consummated, including expenses relating to due diligence, transportation, legal expenses and the fees of other third-party advisors.

#### *Global Economic Conditions; Market Dislocation*

General global economic conditions may affect a Client's activities. Interest rates, general levels of economic activity, fluctuations in the market price of securities, and participation by other investors in the financial markets may affect the value and number of investments made by a Client. The instability in the securities markets may increase the risks in portfolio investments made by a Client. If a Client's investments participate in such markets, the results of their operations may suffer. In addition, if marketplace events continue (or worsen), this may harm the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Any resulting economic downturn could adversely affect the financial resources of a Client's investments and the Advisers' ability to make principal and interest payments on, or refinance, outstanding debt when due. In the event of such defaults, a Client could lose both invested capital in and anticipated profits from those investments.

In addition, current global economic conditions could materially and adversely affect, among other things: (i) the ability of a Client, its investments, or their respective affiliates to access credit markets on favorable terms or at all in connection with the financing or refinancing of investments, (ii) the ability or willingness of certain counterparties to do business with a Client or its affiliates, and (iii) a Client's exposure to the credit risk of others in its dealings with various counterparties (for example, in connection with joint ventures or the maintenance with financial institutions of reserves in cash or cash equivalents).

### *Development and Construction Risks*

Debt or equity investments in the development and construction of real estate assets are subject to a variety of specialized risks that may adversely affect a Client's financial performance. In addition to other general real estate risks described herein, the risks associated with property renovation, development, redevelopment and construction include construction delays or cost overruns that may increase project costs and decrease potential profits; delays in obtaining, or the inability to obtain zoning, occupancy and other required government entitlements, variances, permits and authorizations; the inability to repay construction or land loans at maturity; liability under completion, performance, payment or other guarantees which may be issued; and the inability to rent space, or sell units, in newly developed projects.

### *Credit Risk of Tenants*

Clients invest debt or equity capital in properties for which tenant leases (as opposed to capital appreciation) will generate a significant portion of the cash flows required to make the investment successful. In such cases, Clients are subject to the credit risk of the relevant tenants. In particular, local economic conditions and factors affecting the industries in which these tenants operate may affect the tenants' ability to make lease payments. In the event that tenants default on their leases and fail to make rental payments when due, there could be a significant decrease in a Client's performance and, potentially, there can be second-order effects such as the inability to meet the Client's obligations under any debt financing. In addition, it may not be possible to secure replacement tenants in a timely manner or on comparable terms if tenants default on their leases.

### *Potential Environmental Liability*

Under various laws and regulations, an owner or lender to an owner of real property can have significant liability for contamination found on such property including being liable for the costs of removal or remediation of hazardous substances on or within such property. Such laws often impose liability without regard to whether the owner knew of, or was responsible for, the presence and/or origin of such hazardous substances. Customary due diligence efforts may not identify all potential environmental issues. The cost of any required remediation and the owner's liability with respect thereto could exceed the value of the property, the aggregate assets of the owner and any reserves or insurance proceeds available for such liability. Environmental laws may impose joint and several liability, which can result in a party being obligated to pay for greater than its share, or even all, of the liability involved. The presence of hazardous substances, or the failure to properly remediate contamination from such substances, can also adversely affect the owner's ability to sell the real estate or to borrow using such property as collateral and may have a significant adverse effect on the investment returns derived from such property. The presence of hazardous substances may lead to claims by private plaintiffs of personal injury, property damage or other claims as well as liens on the property in favor of the government for costs it incurs in connection with the contamination.

### *Distressed Investments*

The Advisers could invest Client capital in nonperforming, underperforming or undercapitalized real estate companies or other troubled assets which involve a heightened degree of financial risk and are experiencing or are expected to experience severe financial difficulties that may never be overcome and, as a result, may lead to a loss of some or all of the equity invested. Such investments may have been originated by financial institutions that are insolvent, in serious financial difficulty, or no longer in

existence; and, as a result, the standards by which such investments were originated, the recourse to the selling institution, or the standards by which such investments are being serviced or operated may be adversely affected. In addition, certain investments may become subject to compromise and/or discharge under the U.S. Bankruptcy Code, which entails additional risks of loss.

#### *Investments through Joint Ventures*

Certain Clients invest as a co-venturer with an unaffiliated third party, and such investments involve unique risks as compared to independent investments. These risks include the possibility that a Client will not be able to fully implement the strategic decisions that are optimal for its interests because of limitations on the Client's control of the investment under applicable agreements with a co-venturer. In addition, a co-venturer may at any time fail to fund its share of required capital contributions or default on other obligations, as a result of encountering financial difficulties or otherwise, in which event our Client may be required to make additional capital contributions to replace the shortfall and may face delays in the event of the insolvency of a co-venturer. Co-venturers can have economic or business interests or goals which are inconsistent with those of the relevant Clients and may be in a position to take action contrary to the Clients' objectives, such as forcing an untimely sale of an investment. In some cases, a Client may be liable for the actions of a third-party co-venturer. If we are unable to agree on a course of action with a co-venturer, the deadlock could delay the execution of the business plan for the investment or require the Client to invoke a "buy-sell" provision so that one party is obligated to buy the investment and the other is obligated to sell. As a result of these and similar risks, a Client may be unable to timely exit or fully realize its expected return on any such investment with a third party. From time to time, the Advisers also take certain actions for reputational or business reasons, such as to maintain strategic business relationships with actual or potential co-venturers, including but not limited to engaging service providers that are affiliated with such co-venturers, on behalf of a Client or underlying investment.

#### *Hedging Policies and Risks*

In connection with certain types of investment exposure, as applicable, Clients may employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices, and currency exchange rates. While Clients may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices or currency exchange rates may result in a poorer overall performance for Clients that enter into hedging transactions. In addition, in the event that a hedge fails to perform as anticipated (which can occur if the performance of the hedge becomes uncorrelated with the target investments due to various market factors), a Client may suffer substantial losses. Small hedging errors may be further amplified by leverage, and there can be no assurance that a hedging strategy will be effective.

#### *Limited Diversification; Concentration of Investments*

Each Client's investments can be concentrated in certain markets, property types, and borrowers, among other factors, and will be subject to risk of default. While we intend to diversify a Client's portfolio of investments, in certain circumstances we have criteria outlined in our investment guidelines that can be changed with the requisite approval, including by a limited partner advisory committee. We are not required to observe specific diversification criteria other than what is specified in our guidelines. Therefore, the portfolio of target assets may at times be concentrated in certain property types that are subject to higher risk of achieving their stated business plans or other concentration risk or supported by properties concentrated in certain geographic locations. Accordingly, the aggregate returns realized by a

Client may be substantially adversely affected by the unfavorable performance of a small number of portfolio investments.

## **Risks Related to Lending**

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### *General Risks of Real Estate Collateral*

Making loans secured by real estate (or equity interests in the owners of real estate) is subject to all of the risks inherent in investing in real estate and real estate-related investments as described above. There can be no assurance of profitable operations for any real estate property or the repayment of any debt investment that is secured by such property or equity interests. The cost of developing or operating a property may exceed the available cash flows generated from such activities or require a Client to advance funds to protect an equity investment, forego the receipt of interest income on debt investments and/or dispose of commercial real estate collateral on disadvantageous terms.

### *Loans to Properties in Transition*

Loans on properties in transition often involve a greater risk of loss than loans on stabilized properties. The typical borrower under a loan on a transitional asset has usually identified an undervalued asset that has been under-managed and/or is located in an improving market, which can give rise to the following risks without limitation: (i) the market in which the asset is located fails to materialize according to the borrower's projections; (ii) the borrower fails to improve the quality of the asset's management or value of the asset; or (iii) the borrower underestimates costs or the time it takes to execute the business plan. In addition, borrowers usually use the proceeds of a conventional mortgage to repay a loan secured by a transitional property after such property is stabilized. Loans on transitional assets are therefore subject to risks of a borrower's inability to obtain permanent financing to repay a Client's transitional loan. Other risks may include environmental risks, delays in legal and other approvals (e.g., for condominiums), other construction and renovation risks, and subsequent leasing of the property not being completed on schedule. Accordingly, the borrower may not receive a sufficient return on the asset to satisfy our loan or may elect to abandon its equity in the project entirely, and the Clients may not recover some or all of the loan's unpaid principal balance and interest thereon.

### *Regulatory Changes Impacting Lenders*

In recent years, the financial services industry as well as the activities of private funds and their managers have been subject to increasing regulatory scrutiny in the United States and in other jurisdictions. Such scrutiny and accompanying regulatory changes may result in new business opportunities for non-traditional market participants (such as non-bank lenders) but may also increase the exposure of our Clients to potential liabilities and increase the cost of doing business. Clients that engage in lending activities, for example, may become subject to future legal, regulatory, or governmental developments that have an adverse effect on their ability to achieve their investment objectives.

### *Construction Lending*

There are increased risks involved with construction lending activities. Construction lending generally is considered to involve a higher degree of risk than other types of lending due to a variety of factors, including the difficulties in estimating construction costs and anticipating construction delays and, generally, the dependency on timely, successful completion and commencement of operations post-completion of construction. Since these loans generally entail greater risk than mortgage loans on income-



producing property, we may need to increase our allowance for loan losses to account for the likely increase in probable incurred credit losses associated with these loans. Further, as the lender under a construction loan, we may be obligated to fund all or a significant portion of the loan at one or more future dates. We may not have the funds available at those future date(s) to meet funding obligations under the loan. In that event, we would likely be in breach of the loan unless we are able to raise the funds from alternative sources, which we may not be able to achieve on favorable terms or at all.

#### *Investments in Commercial Mortgages and Mezzanine Loans*

Certain Clients originate or acquire commercial mortgage and mezzanine loans secured by commercial property and related assets. Such loans are subject to the risks of default, bankruptcy, fraud, and loss, among others. Clients bear the risk of loss of principal and non-payment of interest and fees to the extent of any deficiency between the value of the collateral (whether in the form of a mortgage or a pledge of equity) and the total principal amount, unpaid interest, and other amounts owed under a loan. In addition, the exercise of foreclosure and other remedies may involve unforeseen expenses and lengthy delays during which time property values may decline.

Commercial mortgage loans generally are not amortizing or do not fully amortize, which necessitates the sale of the property or refinancing of the “balloon” amount at or prior to maturity of the mortgage loan. Accordingly, Clients bear the risk that borrowers will be unable to refinance or otherwise repay the loan at maturity. On the other hand, Clients also bear the risk that a borrower will prepay a loan by refinancing it earlier than expected. In such cases, a Client may (but will not necessarily) be entitled to receive “yield maintenance” or similar payments protecting the lender’s profit expectations from the loan.

Investments in subordinated debt involve the general real estate risks as well as additional risks relating specifically to subordinated interests. Subordinate loans such as junior participations in mortgages and mezzanine loans (and participations therein) have a significantly higher risk of credit loss compared to senior loans, and in some cases may have a “first loss” subordinate holder position. If a default occurs, the net proceeds from a foreclosure or restructuring may not be sufficient to cover the expenses of foreclosure and payment in full of the debt. In such event, the holders of subordinate loans would realize a loss of up to 100% of their invested equity before the senior lender(s) suffer any loss.

#### *Loans to Income-Producing Properties*

Certain Clients also make loans with respect to income-producing properties. The ability of a borrower to repay a loan secured by an income-producing commercial property generally depends upon the successful operation and financial performance of the property because there is usually no recourse to a borrower’s unrelated income or assets. If the net operating income of the property is reduced, the borrower’s ability to repay the loan may be impaired. Net operating income of an income-producing property can be affected by the property location and condition, quality of property management and maintenance, changes in operating expenses, supply of space in the relevant market relative to demand, the tenant mix, the financial performance of tenant businesses, interest rates, taxes, changes in law or regulation, environmental issues and overall economic conditions, natural disasters, pandemics, civil disturbances and acts of terrorism, among other factors.

### *Lender Liability Risks*

A number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed, “lender liability”). Lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in creation of a fiduciary duty owed to the borrower, its other creditors, or shareholders. Under common law principles that, in some cases, form the basis for lender liability claims, if a lending institution (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower; (ii) engages in other inequitable conduct to the detriment of such other creditors; (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors; or (iv) uses its influence as an equity holder to dominate or control a borrower to the detriment of the other creditors of such borrower, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called “equitable subordination.” Some Clients could be subject to such claims.

### *Benchmark Rate Risk*

Prior to June 30, 2023, certain investments held by the Clients had floating interest rates based on the London Inter Bank Offered Rate (“LIBOR”). LIBOR is an estimate of the interest rates to borrow U.S. dollars, sterling, euros and certain other currencies in the London unsecured interbank market and was widely used as a reference for setting the interest rate on loans, bonds and derivatives globally. Consistent with prior announcements by the U.K.’s Financial Conduct Authority (“FCA”), the representative settings for all Swiss franc, euro, British pound sterling, Japanese yen, and U.S. dollar LIBORs are no longer available as of June 30, 2023, while synthetic 3-month British pound sterling LIBOR and 1-, 3- and 6-month U.S. dollar LIBOR settings are expected to cease at the end of March 2024 and September 2024, respectively.

On March 15, 2022, the United States enacted the Adjustable Interest Rate (LIBOR) Act of 2021 (“LIBOR Act”). The federal LIBOR Act preempts similar state legislation (including that enacted in New York) and provides one national approach for replacing U.S. dollar LIBOR as a reference interest rate in certain contracts, including those with no fallback provisions or with fallback provisions that identify neither a specific replacement rate nor a “determining person” as defined in the legislation, once U.S. dollar LIBOR is no longer published or is no longer representative. The U.S. Federal Reserve has adopted the final rule that implements the LIBOR Act, which established certain Secured Overnight Financing Rate (“SOFR”)-based benchmark replacements for contracts governed by U.S. law that reference overnight and one-, three-, six- and 12-month tenors of U.S. dollar LIBOR that do not have suitable fallback provisions after June 30, 2023. As a result of the transition away from LIBOR as a benchmark reference for interest rates, certain investments held by the Clients now have floating interest rates based on SOFR or, if otherwise provided in the underlying contracts, other alternative benchmark rates.

### *SOFR Risk*

SOFR is a relatively new index rate calculated based on short-term repurchase agreements backed by U.S. Treasury Instruments. While LIBOR is an unsecured rate, SOFR is a secured rate. SOFR, unlike LIBOR, reflects actual market transactions. Accordingly, SOFR is not the economic equivalent of LIBOR. Consequently, there can be no assurance that SOFR will perform in the same way as LIBOR would have at any time, including, without limitation, as a result of changes in interest and yield rates in the market, monetary policy, bank credit risk, market volatility or other global or regional events.

Additionally, because SOFR is published by the Federal Reserve Bank of New York based on data received from other sources, we have no control over its determination, calculation, or publication. There can be no assurance that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of the Clients. If the manner in which SOFR is calculated is changed, that change may result in a reduction of the amount of interest payable on SOFR-linked floating rate instruments and the trading prices of such instruments. Additionally, daily changes in SOFR have, on occasion, been more volatile than daily changes in other benchmark or market rates. Although occasional, increased daily volatility in SOFR would not necessarily lead to more volatile interest payments, the return on and value of SOFR-linked floating rate instruments may fluctuate more than floating rate instruments that are linked to less volatile rates. All of the foregoing risks may affect the performance of the applicable investments made by the Clients, which in turn may adversely affect the performance of the Clients.

#### *Alternative Benchmark Rate Risk*

As stated above, some of the investments held by the Clients may have floating interest rates based on alternative benchmark rates other than SOFR. Such alternative benchmark rates, like SOFR, may not have been widely used by market participants until relatively recently, and they may not perform exactly the same as LIBOR because they are calculated and administered differently. Generally, the use of alternative benchmark rates (including SOFR) may (i) cause the value of the interest rate on such bonds and loans to be uncertain or to be relatively lower or more volatile, (ii) result in uncertainty as to the functioning, liquidity, or value of such bonds and loans, and/or (iii) involve actions of regulators or rate administrators that adversely affect certain markets or contracts underlying such bonds and loans. All of the foregoing could adversely affect the return on and value of the related floating rate instruments in which the Clients invest.

### **Risks Related to Structured Products/Securitizations**

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#### *Structured Products*

The Advisers may cause a Client to invest from time to time in structured products, to the extent permissible under the Governing Documents of the relevant Clients, including in subordinate classes of commercial mortgage-backed securities, collateralized loan obligations, collateralized debt obligations and other similar structured products. These investments may include certificates issued by a structured investment vehicle that holds pools of commercial mortgage loans, loans or other debt, as applicable.

Investments in structured products are subject to a number of risks, including risks related to the fact that the structured products will be leveraged. Utilization of leverage is a speculative investment technique and will generally magnify the opportunities for gain and risk of loss borne by an investor investing in the subordinated debt securities. Many structured products contain covenants designed to protect the providers of debt financing to such structured products. A failure to satisfy those covenants could result in the untimely liquidation of the structured product and a complete loss of the investment.

The value of an investment in a structured product will depend on the investment performance of the assets in which the structured product invests and will, therefore, be subject to all of the risks associated with an investment in those assets. These risks include the possibility of a default by, or bankruptcy of, the issuers of such assets or a claim that the pledging of collateral to secure any such asset constituted a fraudulent conveyance or preferential transfer that can be subordinated to the rights of other creditors of the issuer of such asset or nullified under applicable law.

## *Securitizations*

The Advisers may, on behalf of certain Clients, seek to securitize certain portfolio investments to generate cash for funding new investments. This would involve creating a special-purpose vehicle, contributing a pool of the Client's assets to the entity, and selling interests in the entity on a non-recourse basis to purchasers. Typically, the Client would expect to retain all or a portion of the equity in the securitized pool of portfolio investments. The securitization of a Client's portfolio might magnify its exposure to losses because any equity interest it retains in the issuing entity would be subordinate to the notes issued to investors and the Client would therefore absorb all of the losses sustained with respect to a securitized pool of assets before the owners of the notes experience any losses. The inability to securitize a Client's portfolio may hurt the Client's performance and, at the same time, the securitization of portfolio investments might expose the Client to losses, as the residual portfolio investments not sold will tend to be riskier and more likely to generate losses.

### **Risks Related to CMBS**

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#### *Commercial Mortgage-Backed Securities*

Certain Clients may invest in commercial mortgage-backed securities ("**CMBS**"), which entitle the holders thereof to receive payments that depend primarily on the cash flow from a specified pool of commercial or multifamily mortgage loans or other certificated interests in commercial and multifamily mortgage loans (collectively, "**Underlying CMBS Assets**"). Consequently, CMBS will be affected by payments, defaults, delinquencies and losses on such Underlying CMBS Assets. CMBS Assets may be secured by one or more of the following income-producing property types: office, retail, multifamily, hotel, industrial, self-storage, warehouse, nursing homes, and senior living centers. Because CMBS issuers have no significant assets other than the Underlying CMBS Assets and because of the significant credit risks inherent in the underlying collateral, credit risk is a correspondingly important consideration with respect to the related CMBS. Certain Underlying CMBS Assets may be delinquent, in default or in foreclosure.

Holders of CMBS bear various risks, including credit risks, market risks, structural risks, interest rate risks, liquidity risks, operations risks, and legal risks. Credit risk arises from losses due to defaults by the borrowers in the underlying collateral and the related servicer's failure to perform as required under the related pooling and servicing agreements, including its failure to make required advances. Market risk and structural risk arise from the cash flow characteristics of CMBS and the market for similar CMBS. The cash flow for CMBS is determined by credit performance, the allocation of the resulting cash flow and the allocation of losses and expenses. For the holder of CMBS, interest rate risk depends on the expected life or repricing of such CMBS. Liquidity risk can arise from increased perceived credit risk of delinquencies and losses on securitized pools of similar assets. Operations risk arises from the potential for misrepresentation of loan quality or terms, misrepresentation of the nature and current value of the assets and inadequate controls over disbursements and receipts. Legal risk can arise as a result of the procedures followed in connection with the origination or servicing of Underlying CMBS Assets. Structural risks and related legal risks can arise from the characterization of the transfer of such Underlying CMBS Assets to the CMBS issuer, the issuance of CMBS, and the tax status of the CMBS or the CMBS issuer.

Commercial real estate lending generally is viewed as exposing a lender (and the related CMBS) to a greater risk of loss than certain other forms of lending because it typically involves making larger loans to single borrowers or groups of related borrowers. In addition, in the case of certain Underlying CMBS Assets, repayment of loans secured by commercial and multifamily properties depends upon: (i) the ability of the related real estate project to generate income sufficient to pay debt service, operating expenses,

and leasing commissions; (ii) to make necessary repairs, tenant improvements, and capital improvements; and (iii) in the case of loans that do not fully amortize over their terms, to retain sufficient value to permit the borrower to pay off the loan at maturity through a sale or refinancing of the mortgaged property.

## **Other Risks**

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### *Early Termination of a Fund*

Under the limited partnership agreement or similar agreement, a Client can be dissolved and terminated prematurely, and so may be unable to accomplish its objectives and may be required to dispose of its investments at a disadvantageous time or make an in-kind distribution (causing limited partners or members not having their capital invested or deployed in the manner originally contemplated).

### *Prior Investment Performance Not Indicative of Future Results*

The performance of prior investments made by the Advisers or any of their affiliates is not indicative of a Client's future results. While we intend to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurance that the historical internal rate of return ("IRR") generated by prior investments will be achieved by any Client. On any given investment, total loss of the investment is possible.

### *Dependence on Key Personnel*

The success of a Client depends in substantial part upon the skill and expertise of the members of our investment team and the other individuals employed to assist them. There can be no assurance that members of the investment team will continue to be employed by the Advisers. The loss of service to a Client of certain members of the investment team or other key personnel could have a material adverse effect on the success of such Client.

### *Accuracy of Third-Party Information*

We select investments for the Clients, in part, based on information and data made available directly or indirectly by third parties. We may be unable to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information may not be available.

### *Failure to Make Capital Contributions*

A Client can be materially and adversely affected by the failure of a limited partner to meet its contribution or other payment obligations (whether arising through a limited partner's default, its excuse or exclusion from one or more investments, or a permitted withdrawal or removal from the fund). If a limited partner makes no contribution or payment to a Client for any reason, the other limited partners may need to fund the shortfall, with the consequence that the non-defaulting limited partners may have greater exposure to a Client's investments or liabilities than they otherwise would. A limited partner's failure to make any contribution or payment to a Client for any reason could also cause the Client to be unable to meet its obligations when due, which could materially and adversely impair the Client's ability to execute on its investment strategy or to otherwise continue operations. In such event, a Client may face significant liabilities or penalties that could materially reduce the returns to the participating limited partners (including non-defaulting limited partners). A substantial default by (or discontinued participation of) one

or more limited partners would leave a Client with less available capital commitments and would limit opportunities for investment diversification and likely reduce returns to the Client and investors.

#### *Consequences of Failure to Pay Contribution in Full*

If a limited partner pays no installment of its commitment, a General Partner typically has the right to enforce certain remedies. Those remedies may include causing the defaulting limited partner to (i) forfeit all or a portion of its interest, including any future profits that otherwise would have been allocable to the defaulting limited partner, and (ii) while the default amount remains outstanding, lose its voting rights for any matter to come before the limited partners. A General Partner may require that the rest of the defaulting limited partner's commitment be cancelled and may designate a person or entity to assume the entire unpaid balance of the defaulting limited partner's commitment and succeed to all the rights of the defaulting limited partner's interest. A General Partner will retain the discretion to employ any available legal or equitable remedies for a limited partner's default as it may determine case-by-case in its sole discretion. There is no requirement that remedies be applied consistently among defaulting limited partners, and a General Partner may determine for various reasons to apply different remedies to different defaulting limited partners.

#### *Mandatory Withdrawal*

A General Partner may have the authority to require a limited partner to withdraw from a Client prior to its termination and liquidation if the General Partner determines that the continued participation in the Client of such limited partner could materially adversely affect the Client or in certain other circumstances as further described in the limited partnership agreement (for example, by causing the Client to be registered as an investment company under the 1940 Act or causing the Client's assets to be treated as "plan assets" under ERISA). A limited partner required to withdraw early from a Client could suffer a material loss on its investment.

#### *Regulatory Status*

MRECS is registered as an investment adviser under the Advisers Act (with MFM as relying adviser) and, as such, is subject to the Advisers Act. Failure to comply with the requirements imposed on us because of current registrations or as a result of future registrations may have a material adverse effect on the Advisers' ability to perform their duties to the Clients. The Advisers' ability to source and execute transactions for the Clients may also be adversely affected by negative publicity arising from any regulatory compliance failures, other inappropriate behavior or any other publicity attributed or related to the Advisers, any affiliate of Advisers or any of their respective investment professionals.

#### *Effect of Fees and Expenses on Returns*

A Client will pay certain fees and will bear all expenses related to its operations. Such fees are expected to reduce the actual returns to investors. Most of the fees and expenses will be paid whether or not a Client produces positive investment returns. If a Client or underlying investment does not produce positive investment returns, such fees and expenses could reduce the amount of the investment recovered by a limited partner to an amount less than that invested in the Client by such limited partner.

### *Co-Investments*

With respect to co-investment vehicles, any fees received by an Adviser are negotiated on a vehicle-by-vehicle basis, which can include commitment-based fees, performance-based fees or allocations, expense reimbursements or other administrative fees. Any such management fees or administrative fees received by an Adviser relating to a co-investment vehicle do not offset management fees paid to the Adviser by the Clients.

### *Disease, Epidemics, and Other Public Health Issues*

The impact of disease and epidemics may have a negative impact on our business, our Clients, and their performance and financial position. The 2019 coronavirus outbreak (COVID-19), renewed outbreaks of other epidemics or the outbreak of new epidemics could result in health or other government authorities requiring the closure of offices or other businesses and could also result in a general economic decline. Such events may adversely impact economic activity through disruption in supply and delivery chains. The operations of the Advisers, Clients, and underlying investments could be negatively affected if personnel are quarantined as the result of a contagious illness. Similarly, travel restrictions or operational issues resulting from the rapid spread of contagious illnesses may have a material adverse effect on business and results of operations. A resulting negative impact on economic fundamentals and consumer confidence may negatively impact market value, increase market volatility, cause credit spreads to widen, and reduce liquidity, all of which could have an adverse effect on our business, our Clients and our Clients' investments. The duration of the business disruption and related financial impact caused by a widespread health crisis cannot be reasonably estimated. Our operations and business results, including with respect to any particular Client or investment, could be materially adversely affected.

### *Data Privacy and Protection Laws and Regulations*

The Advisers and their respective affiliates receive, store, handle, transmit, use and otherwise process information related to our investments and prospective investments, including from and about actual and prospective investors (and the beneficial owners of investors), as well as our employees, job applicants, contractors and representatives of companies we do business with (collectively, "**Confidential Information**"). As a result, the Advisers and their respective affiliates are, and may further in the future become subject to U.S. federal and state laws, rules and regulations related to data privacy, data protection and information security which may apply to personal information provided by, or on behalf of, any investor. For instance, in the United States, the federal Gramm-Leach-Bliley Act of 1999 ("**GLBA**") and Regulation S-P adopted by the SEC pursuant to the GLBA, imposes certain privacy obligations on covered financial institutions that offer financial products or services, including to notify customers of their privacy policies and establish sufficient safeguards of its Confidential Information. Moreover, at the state level, the California Consumer Privacy Act, as amended by the California Privacy Rights Act (collectively, the "**CCPA**") introduces individual privacy rights for California residents and increases the privacy and security obligations of covered entities handling certain information. Since the CCPA went into effect, comprehensive privacy statutes that share similarities with the CCPA have been enacted in several other states, while other states are reviewing or proposing the need for greater regulation of the collection, sharing, use and other processing of information about individuals.

We may be required to modify our data collection, practices, and policies, and incur substantial costs and expenses in an effort to comply with such laws. These requirements, and their application, interpretation, and amendment are constantly evolving and developing. Increasing laws and regulations could increase

our potential exposure to regulatory enforcement and/or litigation. Compliance with existing and emerging data privacy and security laws, regulations, and industry standards could result in increased compliance costs and lead to changes in business practices and policies. Any actual or perceived failure to protect the confidentiality of client or other personal information could adversely affect our reputation, lead to private litigation against us, and require additional investment in resources, impact strategies, and availability of previously useful data, any of which could materially and adversely cause the Advisers and affiliates to incur regulatory penalties, reputational damage, additional compliance costs, or financial loss.

### *Risks of Artificial Intelligence (“AI”)*

The Advisers’ ability to use, manage, and aggregate data may be limited by the effectiveness of its policies, systems, and practices that govern how data is acquired, validated, used, stored, protected, processed and shared. Failure to manage data effectively and to aggregate data in an accurate and timely manner may limit the Advisers’ ability to manage current and emerging risks, as well as to manage changing business needs and to adapt to the use of new tools, including AI.

While the Advisers, under certain circumstances, restrict certain uses of third-party and open source AI tools, the Advisers’ affiliates, consultants, or employees, as well as unaffiliated third parties such as joint venture partners, may use these tools, which could pose additional risks relating to the protection of the proprietary data or Confidential Information of the Advisers or their affiliates (including the Clients and underlying investments), including the potential exposure of such information to unauthorized recipients, which could adversely affect the Advisers, Clients, or underlying investments. Use of AI tools could result in allegations or claims against an Advisers, a Client, or an underlying investment related to violation of third-party intellectual property rights, unauthorized access to or use of proprietary information, or failure to comply with open-source software requirements, among other things. Additionally, AI tools could produce inaccurate, misleading, or incomplete responses that could lead to errors in decision-making, portfolio management, or other business activities, which could have a negative impact on the Advisers or on the performance of a Client or its investments. Such AI tools could also be used against the Advisers, a Client, or the investments in criminal or negligent ways.

As the use and availability of AI tools has grown, the U.S. Congress and a number of federal and state agencies have been examining AI tools and their use in a variety of industries, including financial services, and have proposed a variety of rules and other guidance regarding the use of AI. AI similarly faces an uncertain regulatory landscape in many foreign jurisdictions. Ongoing and future regulatory actions with respect to AI may alter, perhaps materially, the ability of the Advisers, Clients, or underlying investments to utilize AI, and may have a materially adverse impact on their ability to continue to operate as intended.

### *Cybersecurity and Identity Theft*

Cybersecurity incidents and cyber-attacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. We rely on the Internet, computer networks, and various software and hardware (collectively, “**IT Systems**”) for both internal and external-facing operations. We manage certain IT Systems, but also rely on third-party service providers and vendors to manage certain other IT Systems, as well as to provide products and services critical to our business. All IT Systems are subject to certain cybersecurity threats, risks and vulnerabilities. While we have taken steps to protect our IT Systems and Confidential Information, threat actors are increasingly sophisticated, using advanced tools and techniques to circumvent security controls, obfuscate data access and delete forensic evidence, which can impact our ability to timely and effectively detect, investigate



and mitigate attacks and incidents. Additionally, continued remote and hybrid working arrangements present potentially increased risks associated with the prevalence of social engineering attacks and vulnerabilities inherent in many non-corporate and home networks.

Service providers of the Advisers or the Clients, particularly fund administrators, may process, store and transmit Confidential Information. The Advisers' IT Systems, which contain Confidential Information, are increasingly subject to risk of cyberattacks, damage or interruption from computer viruses (for example, ransomware), network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, software "bugs" and vulnerabilities, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes, typhoons, earthquakes, wars, terrorist attacks, and other similar events. Measures designed to manage risks relating to these types of events cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and can be difficult to detect for longer periods of time. If these systems are compromised, become inoperable for extended periods of time, or cease to function properly, a Client may have to make a significant investment to fix or replace them. The failure of these systems or of disaster recovery plans for any reason could cause significant interruptions in our operations and result in a failure to maintain the security, confidentiality, or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors), which could prevent the Clients and Advisers from executing their investment strategy or accessing an account, leading to financial losses. A cybersecurity incident could have numerous material adverse effects, including on the operations, liquidity, and financial condition of a Client. If any security systems, counter measures, or other controls designed to mitigate cyber-related risks are compromised, disrupted, or cease to function properly, we may incur significant costs and liability due to the theft of Client assets (including proprietary information and intellectual property) or numerous other events including, but not limited to: disruption to our operations or those of any Clients, investments, or critical third parties; litigation and regulatory enforcement; fines and penalties; increased preventative and protective costs; increased remediation and compliance costs; increased insurance premiums; reputational damage, including the loss of current and future investors; and the loss of liquidity. Any of the foregoing could materially impact our business prospects or financial position, as well as a Client's ability to achieve its investment objectives and conduct its operations. There is no guarantee that any insurance policy would partially or fully cover such exposure.

#### *Business Continuity Plans ("BCP")*

In the event of unforeseen catastrophic events, such as natural disasters, terrorist attacks and epidemics, we would begin our BCP to safeguard the employee resources necessary to continue to meet investment and investor needs. The BCP is tested to ensure that appropriate measures are put in place to measure any such catastrophic events. Despite such measures, we cannot predict the level of disruption that such catastrophic events may have on our operations or the ability of the plan to succeed in a time of crisis, and such plans may still result in reduced collaboration and communication, which could severely impair our business and operations. If personnel, as a result of working remotely, rely more heavily on external sources for information and technology systems for their business-related communications and information sharing, we may be more vulnerable to cybersecurity risks, and could have more difficulty resuming normal operations if we are the target of a cyber incident or attack. Similar types of operational risks are also present for the investments in which the Clients invest, which could have material adverse consequences for such companies and may cause the Clients' investments to lose value.

### *Climate Risks*

Global climate change could have an adverse effect on property and security values. A rise in sea levels or a storm-driven increase in coastal flooding can cause such properties to lose value or become unmarketable altogether. Large wildfires driven by high winds and prolonged drought can devastate entire communities and could be very costly to any business found to be responsible for the fire. These losses could adversely affect real estate property values, mortgage and mezzanine lenders, the value of mortgage-backed securities, and insurers, among others. Since property and security values are driven largely by buyers' perceptions, it is difficult to know the time period over which these effects might unfold. Economists warn that, unlike other declines in the real estate market, it is possible that properties in coastal flood zones will never recover their value. In addition, voluntary initiatives and mandatory controls have been adopted or are being discussed worldwide to reduce emissions or "greenhouse gases" such as carbon dioxide, a by-product of burning fossil fuels, and methane, the major constituent of natural gas, which many scientists and policymakers believe contribute to global climate change. These measures, and other programs addressing greenhouse gas emissions, could reduce demand for energy or raise prices, and could have an adverse impact on our investments and Clients.

### *Acts of War or Terrorism and Related Geopolitical Risks*

On February 24, 2022, Russian troops began a full-scale invasion of Ukraine and, as of the date hereof, the countries remain in active armed conflict. Around the same time, the United States, the United Kingdom, the European Union, and several other nations announced a broad array of new or expanded sanctions, export controls, and other measures against Russia, Russian-backed separatist regions in Ukraine, and certain banks, companies, government officials, and other individuals in Russia and Belarus. The ongoing conflict and the rapidly evolving measures in response could be expected to have a negative impact on the economy and business activity globally, and therefore could adversely affect the performance of our Clients and/or investments. The severity and duration of the conflict and its impact on global economic and market conditions are impossible to predict, and as a result, could present material uncertainty and risk with respect to the Clients and the performance of its investments and operations, and the ability of our Clients to achieve its investment objectives. Other similar conflicts pose the same potential risks and uncertainty with respect to the achievement of investment results.

### *Israel-Hamas War*

On October 7, 2023, the Hamas militant group breached the fences separating Israel and Gaza and carried out a violent terrorist attack. The foregoing attack sparked an armed conflict, which is currently ongoing, between Hamas and other Palestinian militant groups and Israel, known as the 2023 Israel-Hamas war. Although a state of hostility has existed in varying degrees of intensity between various Arab countries and Israel, the current conflict between Israel and Hamas has escalated to a heightened level not seen in recent years and may escalate further. Additionally, while Israel has entered into peace agreements with both Egypt and Jordan, and several other Middle Eastern and North African countries have normalized relations with Israel, the 2023 Israel-Hamas war has created tremendous unrest and uncertainty in the region, which may threaten any such peace agreements. A further expansion of the hostilities between Israel and Palestine could have significant international ramifications. The 2023 Israel-Hamas war could potentially have a significant adverse impact and result in significant losses to the Clients, including those described above in "*Acts of War or Terrorism and Related Geopolitical Risks.*" The ultimate impact of the Israel-Hamas war and its effect on global economic and commercial activity and conditions, and on the

operations, financial condition, and performance of the Clients or any particular industry, business or investee country, and the duration and severity of those effects, is impossible to predict.

#### *United Kingdom Exit from the European Union*

The United Kingdom ("**U.K.**") left the European Union ("**E.U.**") on January 31, 2020 (commonly referred to as "**Brexit**"). During an 11-month transition period, the U.K. and the E.U. agreed to a Trade and Cooperation Agreement, which set out the agreement for certain parts of the future relationship between the E.U. and the U.K. From January 1, 2021, E.U. laws ceased to apply in the U.K. However, many E.U. laws have been transposed into English law and these transposed laws will continue to apply until such time that they are repealed, replaced, or amended. Depending on the terms of any future agreement between the E.U. and the U.K. on financial services, substantial amendments to English law may occur, and it is impossible to predict the consequences on the Clients and their investments. Such changes could be materially detrimental to investors.

Although one cannot predict the full effect of Brexit, it could have a significant adverse impact on the U.K., European, and global macroeconomic conditions, and could lead to prolonged political, legal, regulatory, tax, and economic uncertainty. This uncertainty is likely to continue to impact the global economic climate and may impact opportunities, pricing, availability, and cost of bank financing, regulation, values, or exit opportunities of companies or assets based, doing business, or having service or other significant relationships in, the U.K. or the E.U., including companies or assets held or considered for prospective investment by the Clients. The volatility and uncertainty caused by the withdrawal may adversely affect the value of the Clients' investments and the ability to achieve the investment objectives of the Clients.

#### *Recent Regulatory Developments for Private Funds and their Advisers*

In recent years, the SEC has proposed and adopted, and continues to adopt, various changes to the rules relating to private funds and their advisers. On August 23, 2023, the SEC adopted previously proposed new rules and amendments to existing rules under the Advisers Act specifically related to advisers of private funds (collectively, the "**Private Funds Rules**").

The Private Funds Rules will impose new and substantial requirements on advisers and the funds they advise, including with respect to quarterly reporting, restricted activities, preferential treatment of investors, audit requirements, adviser-led secondaries and annual compliance reviews. The Private Funds Rules, in addition to any other new rules adopted by the SEC, are expected to significantly impact the business of the Advisers and its affiliates, a Client and/or its investments. As a result of the new rules, the Advisers will under certain circumstances be restricted or refrain from providing information regarding a Client in response to investor requests. The Advisers will be required to circulate to all investors the material terms of any preferential treatment agreed in connection with investments in a Client (i.e., all side letter terms), without regard to any most favored nation provision. This may ultimately impact the Advisers' decisions with respect to agreeing to certain preferential rights. The Private Funds Rules also include certain audit requirements, which may require the Advisers to select a different auditor or obtain an additional audit, even if the Advisers do not believe it is in the best interest of a Client or its investors to do so. Further, many provisions of the Private Funds Rules require the Advisers to make a variety of subjective determinations as to whether and how such rules apply to a Client and the Advisers' related obligations. Such determinations can give rise to conflicts of interest, or may present the appearance of conflicts, including for example with respect to whether certain fees and expenses may be charged to a Client, whether certain provisions may have a material negative impact on certain investors and whether

certain allocations are fair and equitable. The compliance burdens and associated costs including, without limitation, insurance expenses, are also expected to increase. The Advisers also will be subject to increased risk of exposure to additional regulatory scrutiny, litigation, censure and penalties for noncompliance or perceived noncompliance as a result of the Private Funds Rules, and any noncompliance or perceived noncompliance with such rules may negatively impact a Client's reputation as well as its investment activities, which could thereby materially reduce returns to investors.

Several trade groups representing private fund managers have filed a legal challenge to the Private Funds Rules and other legal challenges may be forthcoming. Regardless of the outcome of these lawsuits, the implementation of these new rules is expected to create additional burdens for advisers to private funds.

#### *Financial Institution Risk; Distress Events*

An investment in a Client can be subject to the risk that one of the Client's banks, brokers, hedging counterparties, lenders or other custodians of some or all of the Client's assets (each, a "**Financial Institution**") fails to perform its obligations or experiences insolvency, closure, receivership or other financial distress or difficulty, similar to that experienced by Silicon Valley Bank and Signature Bank in March 2023 (each, a "**Distress Event**"). In the event a Financial Institution experiences a Distress Event, we may not be able to access deposits, borrowing facilities or other services for an extended period of time or ever. In such cases, the Clients may be forced to delay or forgo investments or to call capital when it is not desirable to do so, resulting in lower performance for the Clients. 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 our ability to manage clients and investments, which could result in significant losses and unconsummated investment acquisitions and dispositions. Such losses have the potential to result in a Client having to pay fees and expenses in the event the Client 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 Client to acquire or dispose of investments at prices that the relevant General Partner or Adviser believes reflect the fair value of such investments. Although we expect 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. One or more investors or a Client's General Partner could also be similarly affected and unable to fund capital calls, further delaying or deferring new investments. In addition, a Client's General Partner may not be able to identify all potential solvency or stress concerns with respect to a banking institution or to transfer assets from one bank to another in a timely manner in the event a banking institution comes under stress or fails.

***The above summary does not represent a complete description of the risks associated with any particular investment strategy. Prospective and existing investors are urged to review the more detailed information in the relevant Governing Documents for each of the Clients that we manage.***

## 9. Disciplinary Information

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There are no items required to be reported in response to this item.

## 10. Other Financial Industry Activities and Affiliations

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Neither we nor any of our affiliates or management persons is currently registered as a broker-dealer, futures commission merchant, introducing broker, commodity trading adviser, or commodity pool operator, nor do any such persons have an application pending or otherwise in process for the purpose of seeking registration as any of these types of firms. Further, none of our management persons are registered as or currently seeking registration as associated persons of any of these types of firms.

### *Affiliated Service Providers*

Mack Real Estate Development, LLC ("**MRED**") is the Firm's affiliated development subsidiary, which provides development services (such as entitlement, planning, and building) to real property assets typically held by Clients advised by MFM. Mack Property Management L.P. ("**MPM**") is the Firm's affiliated property management subsidiary, which provides property management services to real property assets typically held by Clients advised by MFM. MREG provides certain asset management services (such as construction management and leasing) to real property assets typically held by Clients advised by MFM. Such aforementioned services (collectively, "**Affiliate Services**") are provided to the assets owned by the Clients for a fee. The amount of such fee is permitted in each Client's Governing Documents, or, for certain Clients, the Advisers provide the investors in such Client an opportunity to object to such fees or request that a third-party quote be obtained. Moreover, affiliated service providers and their personnel are entitled to certain benefits in connection with certain of the services described in this paragraph.

The Advisers are subject to conflicts of interest, or issues that present the appearance of conflicts, when Affiliate Services are provided for a fee to the Clients or their underlying assets. In addition, certain employees providing investment advisory and/or management services to the Clients on behalf of the Advisers will also be involved in the business and operations related to certain Affiliate Services, which could give rise to conflicts of interest in allocating costs and dedicating time and resources among Clients and/or their respective investments.

### *Affiliated General Partners*

Affiliates of the Advisers serve as General Partners to various Clients. Affiliates of the Advisers (including the General Partners) could also invest directly or indirectly in the Clients. In addition, employees could also invest directly in the Clients (or indirectly through an affiliate or a co-investment vehicle).

Affiliates of the Advisers also serve as general partners of various affiliated joint ventures, and as such are entitled to receive certain fees. The allocation of investment opportunities between Clients and those affiliated joint ventures can create conflicts of interest, or the appearance of conflicts. Such investment allocation decisions are generally determined by the investment objectives of the Clients.

### *Business Activities and Outside Business Activities of Related Persons*

Certain employees are permitted to serve on boards of directors, executive committees, or advisory boards at various unaffiliated companies and organizations. In addition, certain employees may serve

from time to time on condominium boards of certain assets held by Clients, business improvement districts in areas where the Clients invest, and other similar activities. Serving in such a capacity could expose the employee, and by association the Advisers and the Clients, to certain conflicts of interest, or the appearance of conflicts.

#### *Affiliated Investment Adviser*

CRM is affiliated with each of the Advisers and is a related adviser of MRECS pursuant to Rule 203A-2(b) of the Advisers Act. We and our affiliated investment advisers operate as a single advisory business and, in addition to the Clients and General Partners, may share common owners, officers, partners, employees, consultants, or persons occupying similar positions. All of the Advisers are under common control and subject to a single Code of Ethics and compliance program adopted pursuant to the requirements of the Advisers Act. Please see **Item 11** for more information.

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

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As SEC-registered investment advisers, we have adopted a Code of Ethics ("**Code**"). All of the Advisers are under common control and subject to a single Code and compliance program adopted pursuant to the requirements of the Advisers Act. The Code is a means of memorializing our vision of appropriate and professional conduct in carrying out the business of providing investment advisory services. Our Code addresses issues such as the following:

- Standards of conduct and compliance with applicable laws, rules, and regulations;
- Protection of material non-public information;
- Conflicts of interest;
- Employee disclosure and reporting of personal securities holdings and transactions;
- Our policy on Initial Public Offerings ("**IPOs**") and private placements;
- The reporting of violations of the Code;
- Educating employees about the Code; and
- Enforcement of the Code.

The Code is distributed to each of our associated persons at the time of hire and annually thereafter. Our supervised persons have signed a written acknowledgement attesting to their understanding of the Code and acceptance of its terms. A copy of our Code is available to all current and/or prospective investors upon request to our CCO.

We or our related persons generally have a pecuniary interest in the Clients that we manage, either directly, through a side-by-side investment vehicle, or by virtue of participation in Performance Compensation. Consequently, we generally participate alongside our Clients in transactions effected on behalf of Clients. We do not believe that any such scenarios cause a conflict of interest between us and any Client, but rather function to better align the interests of our Clients and underlying investors with our own interests since our own capital (or the capital of our principals) is being invested alongside the capital of our Clients. Neither we nor any of our affiliates engages in principal transactions with Clients in the ordinary course. To the extent that a Client transaction would constitute a "principal transaction" due to our ownership interest or that of our related persons, we would effectuate such transaction in compliance with Section 206(3) of the Advisers Act and the Governing Documents of the relevant Clients.

Each of our access persons must pre-clear any purchase, sale or other transactions in certain securities described in our Code (including real estate-related securities, securities offered through private placements, and IPOs) when made through personal accounts in which such access person has a beneficial ownership interest. Our CCO or their designee would generally deny any pre-clearance request if (i) the securities (or the securities of a related issuer) are being considered for an investment by a Client, (ii) such securities are held by a Client, (iii) we are in possession of material non-public information regarding the issuer, or (iv) the access person is seeking to make profits based on short-term swings (e.g., “day trading”). Our personal trading policy seeks to ensure that the best interests of our Clients are always served over those of our own or individual access persons and to promote compliance with federal securities laws.

## **Conflicts of Interest**

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The Advisers are part of a real estate investment management enterprise with multiple business, financial, and other interests that could conflict with those of a Client and its underlying investors. The following is a summary of some of the most significant conflicts of interest, or issues that present the appearance of conflicts of interest, associated with the Advisers, their Clients, and the investments that they manage.

This summary does not attempt to describe all such conflicts, nor does it provide a complete description of any of the individual conflicts referenced. Although no summary can fully describe all of the conflicts of interest, or issues that present the appearance of conflicts of interest, associated with an investment in the Clients, each Client’s Governing Documents contain a more complete description of the conflicts of interest associated with an investment in the applicable Client.

### *Advice to Certain Clients May Conflict With Other Clients*

An Adviser, its affiliates, or any of their associated persons may give advice or take action for one Client (or account) that differs from, conflicts with, or is adverse to, advice given, or action taken on behalf of, another Client (or account). Similarly, situations can arise where an Adviser, its affiliates, or any of their associated persons gives advice or takes action for one Client (or account) that conflicts with, or is adverse to, advice given, or actions taken on behalf of, another Client (or account) due to contractual requirements relating to underlying investments. Moreover, if the strategies employed for the Clients conflict with one another, it could affect the availability, price, and performance of the assets in which such Clients invest.

Conflicts, or the appearance of a conflict, could also arise to the extent the Advisers, their affiliates or personnel hold an outsized economic position in any of the participating Clients. In such cases, the Advisers could be incentivized to manage such arrangements in a manner that would enhance the returns of the Clients in which the Advisers and/or its related parties hold a substantial portion of the equity, even to the detriment of other Clients.

### *Investments by the Advisers, General Partners, and their Personnel*

Conflicts of interest, or the appearance of conflicts, can arise as a result of the relationships between the Advisers, the Clients, and their affiliates, including the personal accounts of our principals, officers, and employees. There may also be circumstances in which some the Advisers, General Partners, principals, or employees hold interests in an investment that are structured differently, have different seniority, and/or have different terms than that made by a Client in the same investment, or one closely related thereto. Therefore, the interests of the Client and an Adviser (or our affiliates, and any principals or employees of an Adviser or its affiliates) may not always be aligned, which may give rise to conflicts of interest, or issues that present the appearance of conflicts, and the actions taken for the Client may be adverse to the

Advisers (or such affiliates, principals and/or employees), or vice versa. Conflicts of interest, or the appearance of conflicts, may also arise due to the fact that we and/or our affiliates (and any principals or employees of an Adviser or its affiliates) hold investments in some Clients that we manage but not in others or have different levels of investments in such vehicles. We have adopted policies and procedures designed to mitigate such conflicts and we seek to ensure that appropriate disclosures, recusals, and other requirements are made or adopted to address them as circumstances may warrant. In some cases, the Governing Documents of a Client set forth specific restrictions with respect to the other business activities and investments in which an Adviser, its affiliates, and/or their respective associated persons may engage.

The General Partner of a Client may, in its discretion, under certain circumstances elect to increase its commitment to such Client prior to its final close without the consent of the limited partners, which will dilute the interests of the limited partners. Although the General Partner will pay interest in respect of prior capital contributions in the same manner as is paid by the limited partners, the General Partner has information about the Client's investments, including regarding their valuation and performance expectations, which the limited partners do not have and that information may inform its decision whether to increase its capital commitment. Therefore, the General Partner's decision to increase its subscription can create a conflict of interest, or the appearance of a conflict, because such decision can result in the General Partner receiving value that would have otherwise benefitted limited partners.

From time to time, related persons of the Advisers are also permitted to invest separately for their own account in a wide range of assets, including real estate assets (subject to the Advisers' Code of Ethics), some of which will involve conflicts of interest, or give rise to the appearance of a conflict. In addition, certain of our principals and employees invest in other private investment vehicles managed by other advisers. There can be no assurance that conflicts of interest arising out of such activities will be resolved in favor of the Clients. Investors will not receive any benefit from such investments, and the financial incentives of the Advisers or their related persons in such investments could be greater than their financial incentives in relation to a Client or the Clients.

#### *Material Non-Public Information*

From time to time, we come into possession of material, non-public information, which may limit our ability to buy a security and prevent a Client that already holds such security to be frozen for a time with respect to such security.

#### *Co-Investment*

For some Clients, the Advisers grant co-investment rights to investors or other third parties, including preferential rights with respect to investments made by that Client. Except to the extent otherwise agreed with an investor, the Advisers' allocation of co-investment opportunities is entirely and solely in the discretion of the respective Advisers, and it is expected that many investors who may have expressed an interest in co-investment opportunities will not be allocated any co-investment opportunities or will, in certain circumstances, receive a smaller amount of co-investment opportunities than the amount requested. Furthermore, co-investments offered by the Advisers will be on such terms and conditions (including with respect to Management Fees, Performance Compensation, and other fees applicable to co-investors) as the Advisers determine to be appropriate in their sole discretion on a case-by-case basis, which can be expected to differ among co-investors with respect to the same co-investment. In most cases, the Advisers expect that proposed participants in co-investments will not bear broken-deal expenses (including any expenses relating to the organization of such vehicle that was not ultimately



formed), with the result that only the Client, rather than the proposed co-investment vehicle, will bear all such broken-deal expenses. A Client and co-investors will often have different investment objectives and limitations, such as return objectives and maximum hold period. As a result of the foregoing, the Advisers have conflicting incentives in making decisions with respect to such opportunities.

#### *Third-Party Special Member*

With respect to certain Clients, a third-party service provider to the Client also holds a membership or limited partnership interest that make it a “special member” or “special partner” of the applicable Client (a “**Special Member**”). The Special Member has certain consent rights with respect to the applicable Client, including without limitation the right to consent to certain conflicts of interest as set forth in the Governing Documents of such Client. The Special Member and/or its affiliates hold investments in other investment products sponsored by the Advisers or their affiliates. Such existing relationships may impact the independence of the Special Member with respect to decisions it makes in its capacity as an administrator, servicer, consultant, or other service provider to a Client as well as with respect to decisions it makes in its capacity as a Special Member with respect to conflicts of interests.

#### *Diverse Interests of Underlying Investors*

The underlying investors in the Clients that we manage have investment, tax, and other interests with respect to their investments that can conflict, or appear to conflict, with the interests of other investors, the Advisers, their affiliates, principals, or employees. These conflicting interests may relate to or arise from, among other things, the nature of the investments made by the Client, the structuring or the acquisition of investments, and the nature and timing of disposition of investments. As a consequence, conflicts of interest, or the appearance of conflicts, can arise in connection with decisions made by an Adviser, including with respect to the nature or structuring of investments, which may be more beneficial for one investor than for another, especially with respect to the tax situation of an investor or other person. In addition, a Client may make investments that have a positive or negative impact on related investments made by investors in separate transactions inside or outside the scope of their relationship with the Adviser. In selecting and structuring investments appropriate for a Client, each Adviser will consider the investment objectives of the Client and its investors as a whole, not the investment, tax, or other objectives of any investor individually nor the tax or other objectives of the Advisers or their affiliates, principals, or employees.

#### *Incentive Fees and Performance Allocations*

An Adviser’s potential receipt of Performance Compensation (in the form of incentive fees, carried interest, performance allocations or otherwise) can create an incentive to make riskier or more speculative investments on behalf of a Client than the Advisers might otherwise make in the absence of such Performance Compensation. In addition, for some Clients, in some circumstances, the determination of certain fees would rely upon valuations determined by the Advisers or an affiliate thereby creating a conflict of interest, or the appearance of a conflict, when valuing investments that are not readily marketable or are difficult to value. From time to time, the Advisers engage third parties, as deemed necessary or appropriate, to calculate the value of certain investments, but there can be no assurance such calculations will reflect values accurately.

### *Impairment of Assets*

The valuation of partially realized or unrealized investments from time to time may be zero or close to zero. Because the Management Fee payable to the Advisers, at certain times during the life of certain Clients, is based on capital invested by the Clients relative to such investments, in such instances the Management Fee paid with respect to such investment will be higher than if the Management Fee payable were based on the fair value of such investment.

The Advisers have discretion in determining whether and when an investment has been permanently written down, whether in whole or in part, which can impact the calculation of Management Fees for certain Clients during certain periods. As provided in the Clients' Governing Documents, following the investment period of a Client, the Management Fees with respect to such Client are typically calculated based on invested capital, which is reduced by any investments that are permanently written down. As a result, a conflict of interest, or the appearance of a conflict, exists because the Advisers have an incentive to refrain from or delay permanently writing down investments in order to ensure the Management Fee base does not decrease, which would result in higher Management Fees ultimately paid to the Advisers. In general, the Advisers evaluate several criteria in determining whether to permanently write down an investment (in whole or in part), including, without limitation, the valuation of the aggregated amount of invested capital versus the aggregate cost of the investment, the length of time the investment has been marked down, impact of market conditions, the fair value of the underlying collateral versus a loan's cost basis, the fair value of a credit investment versus its cost basis, and the anticipated need for additional capital and/or recovery path for the investment. The Advisers may change these criteria in their sole discretion from time to time and the Advisers have flexibility in determining the applicability and weight of these factors. The Advisers have ultimate discretion in determining whether an investment should be permanently written down and, as a result, are permitted to determine that even extremely distressed investments should not be permanently written down. There can be no assurance that an investment, in hindsight, should have been permanently written down or should have been permanently written down at an earlier date.

### *Related Party Services and Payments*

As described in **Item 5** and **Item 10** above, and as set forth in relevant Governing Documents and/or as otherwise annually disclosed to investors, we and our affiliates perform (or may perform) additional services for which we or our affiliates receive fees or expense reimbursements from Clients (directly or through portfolio entities in which our Clients invest). These additional services include construction management, property management, asset management, legal, tax, accounting, marketing/leasing, financing, development, pre-development, and any other services, in each case that would otherwise be provided by an unaffiliated third party. Any such services and the manner for determining fees and expenses are disclosed in each Client's Governing Documents, as applicable. In some cases, fees are charged based upon an agreed upon schedule or based upon obtaining the approval of designated investors (such as the members of a limited partner advisory committee). In other cases, we may be permitted to exercise discretion in determining applicable fees subject to a requirement that the terms and conditions of the additional services taken as a whole not be less favorable to the Client than those that could be obtained in a transaction with an unaffiliated person. In such cases, our determination of the fees applicable to such services would be based on various factors, including but not limited to (i) time spent by our affiliated personnel providing such services and (ii) our knowledge of rates charged by similar service providers that we believe generally represent applicable (or similar) market rates for similar services. However, relevant comparisons may not be available for a number of reasons, including, without

limitation, due to a lack of a substantial market of providers or users of such services or the confidential or bespoke nature of such services (e.g., different assets in different markets may require different services at different times and bear different fees as a result). Moreover, there can be no guarantee that a Client would independently retain a third-party service provider of similar quality and/or cost.

The opportunity to earn these fees or have expenses reimbursed creates a conflict of interest, or the appearance of a conflict, between us and/or our affiliates, on the one hand, and the relevant Clients and their investors, on the other hand, since we may have less of an incentive than we otherwise would to ensure that any such fees are charged at competitive rates, and since the payment of fees and expenses by our Clients increases our revenue (or the revenue of our commonly controlled affiliates). However, we believe that we and our affiliates provide a high level of service with detailed attention to the assets of our Clients that adds value and which we believe is a competitive advantage.

In certain circumstances where the Advisers commit or have committed to seek “market” or “arms-length” rates or terms, the Advisers will do so in their sole discretion, seeking rates that they have determined in their sole discretion to be reflective of the range of rates in the applicable or related markets. The Advisers reserve the right to deem third-party investment in a transaction to be verification that the transaction was entered into at a value that is “arms-length.” Consequently, the Advisers undertake no minimum amount of benchmarking, and to the extent that the Advisers engage in any such benchmarking (if at all), they do not represent that it ultimately will be accurate, comparable, or relate specifically to the assets, services, geographies, or comparable markets to which such rates or terms relate. Where such rates or terms include hourly components, the Advisers reserve the right to rely on approximations or estimates of time for purposes of allocating or charging for services. Any methodology, or choice among methodologies, involves potential conflicts of interest. Whether or not the Advisers have a relationship or receive financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost. To the extent the Clients engage in a long-term or recurring contract with an Adviser-affiliated service provider, the Advisers may not seek to benchmark or otherwise renegotiate the original fee arrangement for a significant period of time.

#### *Other Related Party Transactions or Arrangements*

Certain of our principals, employees or affiliates may personally hold a financial interest in an entity that is later engaged by a Client or an underlying asset to perform certain services, including those listed above. Though we anticipate such engagement would be made on arm’s-length terms, there may be a conflict of interest, or the appearance of a conflict, similar to those described above with respect to affiliated service providers.

In addition, from time to time, certain affiliates of the Advisers will rent out or provide short-term leasing with respect to an underlying asset of a Client to related persons of such affiliates or of the Advisers. Though such transactions are generally intended to be made on arm’s-length terms, there may be a conflict of interest, or the appearance of a conflict.

#### *Allocation of Investment Opportunities*

Each Adviser provides investment advisory services to more than one Client. While each Client typically has a distinct investment strategy, some Clients have a degree of overlap in their respective strategies, and participation in a specific investment opportunity could be appropriate for more than one Client. It is

our policy to allocate investment opportunities among Clients on a basis that we determine in good faith to be appropriate, taking into consideration factors including, but not limited to, the following:

- each Client's investment mandate and Governing Documents and the scope of a Client's investment mandate including whether mandates are identified as primary or secondary, and whether the mandate is limited or otherwise restricted to specific types of investments/assets;
- the relative amounts of capital available for investment (taking into account applicable commitments and reserves) and any restrictions on investment;
- the sourcing of the transaction;
- the size of the transaction;
- the amount of potential follow-on investing that may be required for such investment and other portfolio investments;
- the nature of the investment focus of each Client;
- portfolio balance and diversification;
- whether there are any established guidelines regarding rotation;
- avoiding allocations that could result in *de minimis* or odd lot investments;
- the involvement of respective teams of investment professionals; and
- any other factors deemed applicable in good faith.

If such circumstances arise, we will allocate the opportunity in accordance with the factors outlined above and in accordance with the MRECS Investment and Co-Investment Allocation Policy (the "**MRECS Allocation Policy**"), which may not result in a *pari passu* allocation to all Clients. Accordingly, even Clients sharing similar strategies will not hold the same securities or instruments or achieve the same performance. MFM currently does not maintain a written allocation policy given the limited overlap of investment strategies between Clients, but this could change in the future. Our allocation policies and procedures change from time to time without notice, without the consent of or notice to any Client, but subject to any Governing Documents in place with such Clients and consistent with the disclosures provided to investors. However, we will endeavor to treat the Clients in a fair and equitable manner, and at all times we are bound by the applicable Governing Documents of our Clients, and our fiduciary duties.

From time to time, certain investment opportunities involve interests in investments of one or more Clients that are part of a restructuring or similar transaction. In such instances, investors in the Clients involved in such a transaction may be given priority rights to roll over their existing interests or otherwise reinvest in such investment opportunities (for instance, through a newly formed "continuation fund"). As a result, other Clients may not be allocated all or any portion of such an investment opportunity, even if such opportunity falls within a Client's investment objectives or strategy.

#### *Reallocation of Investment Opportunities*

The Advisers from time to time could consider an investment opportunity for one Client and then subsequently determine to have another Client make the investment. In making any such reallocation determination, the Advisers will consider a variety of factors, including those set forth above under "*Allocation of Investment Opportunities*." Conflicts of interest, or issues that present the appearance of conflicts of interest, can arise in connection with such a reallocation, including those set forth above under "*Allocation of Investment Opportunities*." Such conflicts can exist because the investing Client will benefit from the initial evaluation, investigation, and due diligence undertaken by the Advisers on behalf of the Client for which the investment was initially considered. In some cases, such reallocation may occur after a significant period of time has passed and the Client to which the investment was originally allocated has

incurred substantial out-of-pocket expenses in connection with the evaluation, investigation, and diligence of such investment. The investing Client may not be required to reimburse the original Client (in whole or in part) for such expenses. In the event that the investing Client does reimburse the original Client for out-of-pocket expenses incurred in connection with the evaluation, investigation, or diligence of such investment, the investing Client typically will not pay interest on such amounts reimbursed to the original Client. The Advisers experience conflicts, or the appearance of conflicts, in connection with causing one Client to incur expenses that may ultimately benefit another Client. The Advisers similarly experience conflicts, or the appearance of conflicts, in determining the need for, calculating the amount of, and effecting any reimbursement, in connection with reallocation, as such arrangements may involve the discharge of a liability that one Client owes to another Client. In such cases, these determinations, calculations, and terms are not arm's length arrangements and there can be no assurance that the allocation of such expenses is in the Clients' best interest. There can also be no assurance that the amounts reimbursed to the original Client will be commensurate with the benefit received by the investing Client.

#### *Allocation of Personnel*

Our principals and employees allocate their business time and services among Clients, which can create conflicts of interest, or the appearance of conflicts. Such persons may work on other projects, including other Clients as well as other existing and potential business activities. The fact that fee levels may vary among Clients and their underlying investors can create an incentive to focus additional time or effort on Clients that pay relatively higher fee rates.

#### *Conflicts Relating to a Subscription Credit Facility*

Certain of our Clients use subscription-based credit facilities, which (along with other forms of leverage) typically generate a higher reported IRR for the underlying investors than if such credit facility had not been utilized and instead the investors' capital had been contributed at the inception of an investment. As a result, use of a subscription-based credit facility will impact calculations of returns and will result in a higher or lower reported IRR than if the amounts borrowed had instead been funded through capital contributions made by the investors to a Client. Subject to the limitations in each of the Clients' Governing Documents, the use of a subscription-based credit facility by the Clients is within our sole discretion, and the permitted duration for such borrowings and other terms varies by Client as a function of the Client's Governing Documents and other facts and circumstances. In addition, because amounts borrowed under a subscription line typically are secured by pledges of the relevant General Partner's right to call capital from the limited partners, such limited partners may be obligated to contribute capital on an accelerated basis if a Client fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder.

#### *Service Providers*

We and our Clients engage common service providers from time to time. In such circumstances, there may be a conflict of interest, or the appearance of a conflict, between us and the Clients in determining whether to engage such service providers, including the possibility that an Adviser may favor the engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by the Clients. In particular, we and our Clients will generally engage common legal counsel and other third-party advisers in a particular transaction, including transactions in which there are conflicts of interest, or issues that present the appearance of conflicts. In the event of a significant dispute or divergence of interests

between a Client and an Adviser and/or its affiliates, the parties may engage separate counsel in our sole discretion. Moreover, in litigation and certain other circumstances, separate representation may be required.

In certain circumstances, service providers or their affiliates charge different rates or have different arrangements for services provided to the General Partner of a Client, the Advisers, or their affiliates (other than a Client) as compared to services provided to a Client (or in the case of our lending business, a borrower), which may result in more favorable rates or arrangements than those payable by a Client or a borrower.

#### *Other Benefits*

From time to time, the Advisers, their affiliates, and their personnel or related parties receive intangible and other benefits, discounts and prerequisites arising or resulting from their activities on behalf of a Client, the value of which will not offset or reduce Management Fees or otherwise be shared with a Client or the investors. For example, airline travel or hotel stays will result in “miles,” “points,” rebates, or similar credit in loyalty or status programs. Such benefits will, whether or not *de minimis* or difficult to value, inure exclusively to the benefit of the Advisers, their affiliates, their personnel, or related parties receiving it, even though the cost of the underlying service may be borne by a Client. Similarly, the Advisers, their affiliates, their personnel, or related parties also receive discounts on products and services provided by underlying assets and customers or suppliers of such underlying assets.

Additionally, the Advisers may cause the Clients to participate in dealings between different properties or other investments where there is a sharing or exchanging of resources. For example, dirt from one construction site at an underlying property held by one Client can be transported and utilized by an underlying property held by another Client. Though we anticipate such dealings would be made on arm’s-length terms, there is no guarantee such events will be conducted on an arm’s length basis or that any efforts will be made to identify third party purchasers in lieu of such sharing or exchanging of resources.

#### *How We Address Conflicts of Interest*

As a matter of general policy, all employees are required to identify and report any conflicts of interest, or issues that present the appearance of conflicts, in connection with the services we perform for Clients. Conflicts of interest generally are discussed and resolved on a case-by-case basis by members of senior management of the Advisers, taking into consideration the interests of the relevant parties and the circumstances giving rise to the conflict. We address conflicts by disclosing conflicts of interest, or issues that present the appearance of conflicts (and the material facts relating to such conflicts), to our Clients and underlying investors, and seeking investor consents, as and to the extent necessary or appropriate. While the Advisers seek to manage any conflicts in an appropriate manner, the resolution of any particular conflict may have consequences that are (or are considered to be) adverse to the interests of a Client.

In addition, we have designated a CCO to be responsible for the overall implementation and oversight of our compliance program. Our CCO has the authority to delegate certain supervisory responsibilities to other supervised persons within the Firm in order to ensure that our overall system of supervision is being carried out adequately and in a timely manner.

## 12. Brokerage Practices

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To the limited extent that the Advisers transact in exchange-traded securities or acquire other instruments that require the use of a financial intermediary, such as a broker-dealer, each Adviser will select an intermediary that it believes is able to provide best execution for its clients. Unless otherwise specified in the Governing Documents of a Client or underlying investor, each Adviser is generally authorized to make the following determinations, subject to each client's investment objectives and restrictions, without obtaining prior consent from its underlying investors: (i) which securities or other instruments to buy or sell; (ii) the total amount of securities or other instruments to buy or sell; (iii) the executing broker or dealer for any transaction; and (iv) the commission rates or commission equivalents charged for transactions.

In return for effecting securities transactions through certain broker-dealers, we or certain of our supervised persons may receive certain support services that may assist us in our investment decision-making process for many or all clients.

In certain circumstances, firms like ours may receive client referrals as a result of recommending particular broker-dealers or other service providers. However, we do not participate in any formal arrangements under which we receive client referrals from any particular broker-dealer in return for selecting or recommending such broker-dealer.

Neither we nor any of our affiliates engages in cross trades with clients in the ordinary course. To the extent a cross trade is executed, we would effectuate such transaction in compliance with Section 206(3) of the Advisers Act, the Governing Documents of the relevant Clients, and in accordance with our policies and procedures.

In the course of carrying out trading and investing responsibilities for our Clients, "trade errors" may occur — *i.e.*, errors in executing specific trading instructions. Examples of trade errors include: (i) buying or selling an asset at a price or quantity that is inconsistent with the specific trading instructions generated by a particular strategy; or (ii) buying rather than selling a particular asset (and *vice versa*). In accordance with our agreements with our Clients, we treat all trade errors (whether they result in gains or losses) as for the account of our Client, unless they are the result of conduct on our part that is inconsistent with the standard of care set forth in the Governing Documents of the relevant Client. Accordingly, we will generally not be obligated to reimburse Clients for the results of any trade errors.

## 13. Review of Accounts

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Our Clients generally hold real estate debt and equity investments. These positions are monitored by our investment teams and members of senior management on an ongoing basis. Our investment committees, which include members of senior management, oversee each Client's investments and meet as necessary to review general portfolio composition, investment opportunities, market conditions, recent activities, as well as conflicts of interest and issues that present the appearance of conflicts of interest. We also may periodically review on an expedited basis the assets of a Client following a unique occurrence in the financial industry or real estate market generally, or specifically concerning an individual asset.

Investors in our private fund Clients generally receive quarterly reports, which include unaudited financial statements. The specifics of each report may vary as agreed with each individual Client or the underlying investors. Certain investors in our private fund Clients may also request and receive additional or more

frequent information relating to the investments held by, or other matters relating to, the Clients in which they invest. Further information regarding the reporting provided to investors in each Client that we manage is available in the relevant Client's Governing Documents.

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

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From time to time, in accordance with applicable law, the Advisers retain and compensate Placement Agents or other third-party solicitors for introducing or referring new investors to Clients. Placement Agents may receive compensation based on the commitment amounts of the investors they solicit. For certain Clients, Placement Agents will receive a designated and agreed upon fee, or such other compensation as agreed with the Placement Agent. Any fees and expenses payable to such Placement Agents will typically be borne by the Advisers or General Partners. In some cases, such fees and expenses may be payable by a Client, but if so, will be offset or otherwise applied to reduce the Management Fee. Investors that are introduced or referred by Placement Agents should carefully review the applicable documents and information provided to them by the Placement Agent for details regarding the specific fees or other compensation relating to their investment, including fees or commissions that are charged directly by the Placement Agent.

Agreements with Placement Agents give rise to conflicts of interest, and issues that present the appearance of conflicts, given that the Placement Agent has a financial incentive to introduce new investors to the Advisers. Please see **Item 5** for additional information.

## **15. Custody**

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All securities investments for which we have custody of Client assets are held in custody by unaffiliated qualified custodians such as broker/dealers or banks (other than certain non-transferable securities that are not required to be held in custody by a bank or custodian). With respect to such Clients, we satisfy our obligations under Rule 206(4)-2 of the Advisers Act by causing an annual audit to be performed in accordance with U.S. generally accepted accounting principles by an independent public accountant that is registered with the Public Company Accounting Oversight Board. In addition, each such Client distributes audited financial statements to its investors within 120 days of the end of its fiscal year.

## **16. Investment Discretion**

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Generally, we have the discretion to determine, without obtaining the consent of a Client or its underlying investors, the particular investments to be bought and sold by such Client and the manner in which existing investments are managed, subject to certain agreed upon investment objectives, guidelines, and limitations regarding concentration and diversification, geography, and type of permitted investments, among other things. A Client's Governing Documents typically provide us with the express authority to make all decisions concerning the investigation, evaluation, selection, negotiation, structuring, financing, commitment to, monitoring of, and disposition of investments, subject to any specified conditions or limitations. In addition, from time to time we may enter into investment management agreements that provide for greater discretion on the part of the underlying investor(s).



## **17. Voting Client Securities**

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The Advisers primarily invest on behalf of the Clients solely in real estate and real estate-related assets that typically do not require proxy voting. However, to the extent that our Clients do acquire securities that require proxy voting, we would typically have the authority and responsibility for voting and providing/withholding consents with respect to such securities. In taking action in connection with a proxy solicitation, we are guided by general fiduciary principles, and we vote or provide/withhold consent in the manner we believe is consistent with efforts to achieve a Client's stated investment objectives. We retain the discretion to take no action with respect to a proposed vote or consent if we determine that doing so is in the best interests of a Client (for example, where an Adviser determines that the cost of voting exceeds the expected benefit to the Client). This policy also applies to any consents requested in matters such as bankruptcy or insolvency, covenant waivers in connection with debt, approvals regarding the restructuring of debt and other rights and remedies with respect to securities.

We recognize that conflicts of interest, or the appearance of a conflict can arise when exercising voting or consent authority. A conflict of interest, or the appearance of a conflict, may also exist when a Client's best interests are contrary to our best interests due to some relationship between us and/or one of our associated persons and the party that is soliciting the consent.

It is our policy to act in the best interests of our Clients regardless of the existence of any conflict of interest. If we determine that a conflict exists, or may be perceived to exist, when exercising voting or consent authority, we will address such matters on a case-by-case basis in a fair and equitable manner, subject to legal, regulatory, contractual or other applicable considerations. If it is determined that any such conflict is not material, we may vote notwithstanding the existence of the conflict. If it is determined, however, that such a conflict of interest is material, we will generally seek to mitigate the conflict by either appointing an independent third party to act, or by disclosing the conflict to the affected Client and giving the Client the opportunity to act directly. Under certain circumstances, we may refrain from exercising our voting or consent authority.

Existing and prospective investors in a Client can request information from us about how we exercise proxy voting authority with respect to securities held by such Client. We will provide a copy of our proxy voting policy to any existing or prospective investor upon request.

## **18. Financial Information**

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We (i) do not require or solicit prepayment of fees six months or more in advance, (ii) are not aware of any financial condition that is reasonably likely to impair our ability to meet contractual commitments to our Clients and (iii) have not been the subject of a bankruptcy proceeding at any time during the past ten years.