

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

**ACORE CAPITAL, LP**

**39 Mesa Street, Suite 109**

**San Francisco, CA 94129**  
**<http://www.acorecapital.com>**

**March 29, 2024**



**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Acore Capital, LP. If you have any questions about the contents of this Brochure, please contact us at (415) 917-4403. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.**

ACore Capital, LP is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). However, such registration does not imply a certain level of skill or training.

Additional information regarding Acore Capital, LP is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2 MATERIAL CHANGES**

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This brochure, dated March 29, 2024 (this “**Brochure**”), serves as an update to our brochure dated September 15, 2023. This Brochure contains certain updates to the Prior Brochure, including, but not limited to: (i) updates to Item 5 to reflect revised disclosure relating to fees and expenses, (ii) updates to Item 8 to reflect new and updated risk factors related to ACORE’s (as defined below) investment strategy, including risk factors related to real estate, valuation of investments, foreclosure, benchmark rates, SOFR, alternative benchmark rates, artificial intelligence, and regulatory developments for private funds and their advisers and (iii) updates to Item 11 to reflect new disclosure regarding potential and/or actual conflicts of interest faced by ACORE related to transactions among and relating to Clients (as defined below) and allocating investment opportunities among Clients. We recommend that all recipients read this Brochure carefully and in its entirety.

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#### **ITEM 4      ADVISORY BUSINESS**

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ACORE Capital, LP (“**ACORE**”) is a Delaware limited partnership and a registered investment adviser that began operations in April 2015. ACORE provides investment advisory services to its clients with respect to real estate debt and securities investments, which include separately managed accounts (“**Separate Accounts**”) and private investment funds (each an “**ACORE Fund**”, and together with “**Separate Accounts**”, each a “**Client**” and collectively, the “**Clients**”).

ACORE is controlled by ACORE Capital GP, LLC, its general partner, which, in turn, is controlled by a seven-member board of directors (the “**Board**”). ACORE’s day-to-day investment management activities are undertaken by its principals (the “**Principals**”).

ACORE provides discretionary and non-discretionary investment advice to Clients for which it primarily originates, acquires and manages commercial real estate loans and securities and other commercial real estate-related debt investments. ACORE’s investment advisory services to its Clients consist of identifying and evaluating investment opportunities, negotiating, managing, financing and monitoring investments, and achieving dispositions for such investments.

ACORE’s investment advisory services to each Client are tailored in accordance with such Client’s investment strategy as set forth in the applicable private placement memorandum (or other applicable disclosure documents), partnership agreement or declaration of trust (or similar governing document) and/or investment management agreement (each a “**Governing Document**”, and collectively, the “**Governing Documents**”). ACORE’s advisory services are further described below under Item 8 “*Methods of Analysis, Investment Strategies and Risk of Loss.*”

All investors in the ACORE Funds participate in the overall investment program for the applicable ACORE Fund, but in certain cases, investors may be excused or excluded from a particular investment due to legal, regulatory or other applicable constraints. ACORE has entered into other written agreements (“**Side Letters**”), subject to any applicable requirements or limitations in the respective Governing Documents, with certain ACORE Fund investors that have the effect of establishing, supplementing or altering rights under the applicable Governing Documents or an investor’s subscription agreement. Separate Account Clients negotiate the terms of their investments on a case-by-case basis.

As of December 31, 2023, ACORE has \$20,108,824,063 in regulatory assets under management. Regulatory assets under management consist of \$6,241,434,920 of discretionary assets under management and \$13,867,389,143 of non-discretionary assets under management.

## **ITEM 5            FEES AND COMPENSATION**

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The following provides a general description of fees, compensation and expenses for ACORE Clients. With respect to any particular Separate Account Client, while the description below is generally applicable, fees and expenses can vary as they are individually negotiated. Additionally, ACORE Fund investors should review the applicable Governing Documents for further information.

### **Fees for Separate Accounts**

For its services provided to Separate Account Clients, ACORE generally is entitled to receive quarterly: (i) a management fee (“**Management Fees**”), which is based on the cost or value of the investments managed and payable in arrears or, at the time the investment is made, based on a stated rate; and (ii) if and to the extent earned, an incentive fee (the “**Incentive Fee**”), which is based on the performance of the applicable investments. ACORE in the past was and in the future may be in some instances also entitled to a fee based on the amount of the Client’s commitment. With respect to each of the foregoing, such fees are calculated in accordance with the terms and conditions set forth in the applicable Governing Documents.

Separate Account Client fees are either deducted from a client’s assets invested with ACORE at the payment date, withheld from distributions or invoiced at an appropriate time. Management Fees generally are prorated for any quarterly period that is less than a full three months. As further described in the applicable Governing Documents, Separate Account Clients that invest in illiquid investment strategies generally have a limited ability to withdraw from their account.

Further, the Incentive Fee charged by ACORE is, in some instances, subject to a clawback, depending upon the performance of the applicable investments following the payment of such Incentive Fee. Such clawback provisions, where applicable, are further described in detail in the applicable Governing Documents.

### **Fees for ACORE Funds**

ACORE receives management fees similar to what is described above for Separate Account Clients in connection with providing investment advisory services to an ACORE Fund. Such management fees payable to ACORE are and may in the future be reduced by the amount of any placement agent fees paid by such ACORE Fund (see Item 14 “*Client Referrals and Other Compensation*” below). The amount and manner of such reduction is and will be set forth in the Governing Documents of the applicable ACORE Fund. In addition, ACORE or an affiliate receives performance-based fees or carried interest distributions from ACORE Funds (see “*Performance-Based Fee and Side-by-Side Management*” below).

Due to the illiquid nature of certain investment strategies, ACORE Fund investors will generally have a limited ability to withdraw from their fund.

ACORE has in the past and may in the future form vehicles to permit ACORE Fund investors, Separate Account Clients or other third parties to co-invest with an ACORE Fund or Separate Account Client. Such vehicles may or may not be subject to management fees, performance-based fees or carried interest distributions. Where a vehicle bears management fees, performance-based fees or carried interest distributions, ACORE has in the past and may in the future agree to reduce those management fees, performance-based fees and/or carried interest distributions for certain strategic investors through Side Letter arrangements. To the extent any fees or carried interest distributions would be charged or received by ACORE with respect to co-invest vehicles, such fees or distributions will generally be negotiated on a vehicle-by-vehicle basis, but in some cases include commitment-based fees, management fees, performance-based fees and/or carried interest distributions, expense reimbursements or other administrative fees similar to those described in this Item 5.

Additional specific details of management fees, performance-based fees or carried interest distributions, fund expenses and fee waivers for ACORE Funds are and will be set forth in the ACORE Funds' respective Governing Documents.

Certain investors in an ACORE Fund or Separate Account, including for instance, related persons, employees and former employees of ACORE (as well as any related entity established by any of the foregoing, such as trusts, charitable programs, endowments or related programs, family investment vehicles and other estate planning vehicles) (collectively, "**ACORE Investors**"), may not pay management fees and/or are not subject to performance-based fees and/or carried interest distributions in connection with their investment. Furthermore, ACORE has in the past and may, from time to time in the future establish certain investment vehicles through which ACORE Investors or other third parties may invest alongside one or more ACORE Funds in one or more investment opportunities, which generally do not bear management fees and/or performance-based fees and/or carried interest distributions.

### **Additional Fees and Expenses**

The fees described above are not inclusive of all the fees and expenses which Clients would bear.

The following are examples of certain fees and/or expenses that Clients will bear (directly or indirectly), to the extent provided in the Client's Governing Documents: (i) all fees and expenses relating to the custody of a Client's assets; (ii) all expenses in respect of income taxes payable in respect of the investments made on behalf of a Client; (iii) fees and expenses which are directly attributable to the enforcement of a Client's rights and remedies with respect to any investment having been made on behalf of a Client; (iv) attorneys' fees and expenses in connection with

litigation with respect to any investments; (v) fees and expenses associated with borrowing and loan servicing fees; (vi) diligence and research-related expenses, including news and quotation equipment and services, and travel expenses, including in relation to researching potential or unconsummated investments (or other similar fees); and (vii) expenses related to negotiating, entering into, holding, monitoring, servicing, enforcing rights related to, and disposing of investments, including legal expenses, broken deal expenses, servicing fees, collateral manager expenses, margin and hedging expenses (in each case, including, for unconsummated transactions, expenses that would have been borne by co-investors or co-investment vehicles).

In addition, generally, and except as otherwise set forth in the Governing Documents of an ACORE Fund, ACORE Funds will also bear all offering and organizational expenses incurred in the formation of the ACORE Fund and applicable general partner, and the offering of interests or shares in the ACORE Fund, including all travel, printing, legal (including, but not limited to, fees, costs and expenses incurred in negotiating and entering into any depositary agreement, regulatory (including, but not limited to, fees and expenses related to registering the ACORE Fund for marketing in any jurisdiction), accounting, marketing, information technology systems and other expenses as further described in the Governing Documents of the applicable ACORE Fund. Organizational expenses in excess of amounts set forth in the Governing Documents, if any, ultimately will be borne by ACORE via an offset to the management fee. Except as otherwise set forth in the Governing Documents of an ACORE Fund, ACORE will ultimately bear all fees and out-of-pocket expenses of any placement agent that solicits investors for the ACORE Funds via an offset to the management fee.

Any fees that accrue to the benefit of former ACORE personnel or other persons who are or become unaffiliated with ACORE (even if any such fee is earned during their tenure with the ACORE) do not reduce the Management Fees or otherwise benefit the Clients or their investors. Similarly, any fees that accrue to the benefit of ACORE personnel or other persons who are affiliated with ACORE prior to their association with ACORE (even if any fee received in kind is realized or otherwise converted to cash during their tenure with ACORE) do not reduce the Management Fees or otherwise benefit the Clients or their investors.

Generally, and except to the extent otherwise set forth in the Governing Documents of each ACORE Fund, ACORE Funds will bear its own expenses, including, but not limited to (i) research and due diligence expenses (including news and quotation subscriptions, market or industry research expenses, information technology subscription expenses and fees related to research and due diligence, consultant or expert expenses); (ii) legal and administrative expenses (including fees, costs and expenses incurred in connection with the registration of the ACORE Fund for marketing in any jurisdiction (including ongoing registration fees charged by regulators and any fees, costs and expenses incurred in complying with the disclosure reporting and other similar obligations under the Alternative Investment Fund Managers Directive, as implemented in any relevant jurisdiction (and including any secondary legislation, rules and/or associated guidance)

and any related requirements) and including expenses related to meeting the ACORE Fund's general partner's and its affiliates' obligations under Side Letters); (iii) advertising and marketing costs with respect to potential borrowers; (iv) fees, costs and expenses incurred in respect of, or charged by, any custodian and/or depository appointed in relation to the safeguarding, administering and/or holding of the assets of the ACORE Fund; (v) custodial expenses and bank charges; (vi) insurance of documents of title against loss in shipment, transit or otherwise; (vii) fees, costs and expenses incurred in relation to compliance with applicable laws and regulations and the operation and administration (including certain ongoing out-of-pocket day-to-day administration expenses) of the ACORE Fund generally; (viii) other investment expenses (whether such investments are consummated or not), including reasonable travel expenses incurred in connection with the operation of the ACORE Fund and the ACORE Fund's investment activities or the management of its investments and other expenses in connection with investigating, researching, making, managing, monitoring, holding, developing, constructing, rehabilitating, zoning, marketing, advertising, financing, refinancing, restructuring, amending, modifying, renegotiating, and disposing and selling investments and/or property (including in foreclosure), including legal, administrative and servicing expenses, expenses and fees related to broken or unconsummated deals; (ix) costs of engaging, obtaining and preparing third-party reports; (x) premiums and other costs of insurance (which, at the expense of the general partner, may include coverage for matters which are not indemnifiable by the ACORE Fund); (xi) environmental or other analyses; (xii) entitlement costs, development fees, construction fees, collateral manager expenses and fees; (xiii) margin and hedging expenses; (xiv) any other expenses related to consummated or unconsummated investments (including expenses that would have been borne by co-investors or co-investment vehicles); (xv) management fees and any other amounts payable pursuant to an investment advisory agreement, administrative services agreement or other similar agreement; (xvi) costs of tenant and capital improvements; (xvii) costs and expenses of operating, marketing and selling properties in foreclosure; (xviii) other transfer, filing, registration and similar expenses paid on behalf of the ACORE Fund (including such ongoing filing and registration fees charged by regulators and any fees, costs and expenses incurred in complying with the disclosure, third-party reporting, and other similar obligations, including such expenses with respect to transactions that are not consummated and third-party expenses related to Form 13F, 13H, Form PF, etc.); (xix) brokerage and finders' fees and commissions and discounts; (xx) accounting, audit and tax preparation fees and expenses; rating agency fees and expenses; (xxi) appraisal and appraisal agent fees and expenses; (xxii) loan servicing and loan servicing agent fees and expenses; (xxiii) loan administration fees and expenses; (xxiv) financing, investment banking, valuation and valuation agent fees and expenses; (xxv) third-party reporting and other out-of-pocket costs relating to the ACORE Fund's operations, activities, investments or business; (xxvi) interest on indebtedness of the ACORE Fund and other fees and expenses associated with any borrowings by the ACORE Fund (including, but not limited to, costs related to the establishment of one or more credit facilities and the costs of obtaining, negotiating, entering into, effecting, maintaining, refinancing, varying, upsizing or terminating such credit facilities, as



applicable, and any legal expense, interest expense, usage fees or other fees or expense related to such credit facilities); (xxvii) costs and expenses related to indebtedness as between the ACORE Fund and any subsidiary, special purpose vehicle or alternative investment vehicle of the ACORE Fund; (xxviii) litigation (including potential litigation and discovery requests), arbitration, settlement and indemnification costs and expenses, including the costs of judgments and settlements (including the expenses of the “partnership representative” and the “designated individual”); (xxix) taxes, fees or other governmental charges (if any) required to be paid or withheld by the ACORE Fund; (xxx) reasonable audit, tax preparation, mailing and postage, facsimile, and printing expenses; (xxxi) expenses of liquidating the ACORE Fund; (xxxii) fees and expenses of any advisory committee and expenses incurred by ACORE, the ACORE Fund, its general partner, and its limited partners in connection with authorizations, consents or meetings of the partners or advisory committee, including travel and lodging expenses; (xxxiii) expenses related to meetings or conferences with one or more investors (including prospective investors during fundraising and current partners); (xxxiv) costs and expenses incurred in connection with managing and facilitating stakeholder relationships, which may include 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 that ACORE believes such activities could, directly or indirectly, enhance the value of an ACORE Fund’s investments or otherwise serve a business purpose for, or be beneficial to, the ACORE Fund or its portfolio investments; (xxxv) expenses related to meetings of and reporting to limited partners, including financial statements, tax returns and K-1’s; (xxxvi) custodian and/or depository, administrator, accounting, audit and tax preparation expenses, placement agent fees and expenses, rating agency expenses, underwriting expenses, and all other service provider expenses of the ACORE Fund (including any services related to onboarding and servicing certain investors and corresponding subscription agreement and investor account reviews); (xxxvii) expenses incurred in connection with any audit, investigation, settlement or review of the ACORE Fund; (xxxviii) all extraordinary expenses of the ACORE Fund and (xxxix) all similar expenses of any subsidiary, alternative investment vehicle or special purpose vehicle of the ACORE Fund.

Expenses incurred in connection with more than one Client will be allocated and borne among those Clients as determined by ACORE in good faith to be fair and equitable.

The lists above are not intended to be exhaustive; prospective and existing investors are advised to review the applicable Governing Documents for a more extensive description of the fees and expenses associated with an investment with ACORE.

Subject to the provisions of the applicable Governing Documents, ACORE is in certain circumstances also entitled to upfront fees and expense reimbursements from borrowers in connection with the processing and administration of loans it manages on behalf of Clients. Such fees are generally expected to be borne by borrowers, but under certain circumstances will be remitted to ACORE by a Client on behalf of such borrower.

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

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As described under Item 5 “*Fees and Compensation*” ACORE receives, directly or through an affiliate, performance-based fees and/or carried interest distributions based upon the performance of Clients’ investments recommended by ACORE. In any particular strategy, there are differences in the terms of the performance-based fees and/or carried interest distributions. The fact that ACORE is in part compensated based on the performance of an ACORE Fund or a Separate Account in certain circumstances may create an incentive for ACORE to favor certain Clients over Clients who pay lower or no performance-based compensation.

ACORE has adopted policies and procedures to operate in a manner whereby all of its Clients are treated fairly and equitably and to minimize the risk of any potential conflicts of interest. In doing so, ACORE and its personnel endeavor to ensure that all Clients are treated fairly as to the investments purchased or sold for their accounts and are treated fairly in the allocation of investments (see Item 11 “*Code of Ethics, Participation or Interest in Client Transactions and Personal Trading – Conflicts of Interest*” below).

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**ITEM 7**      **TYPES OF CLIENTS**

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As of the date of this Brochure, ACORE provides discretionary and non-discretionary investment advisory services to Separate Account Clients, and discretionary investment advisory services to the ACORE Funds. ACORE’s Clients generally invest in debt interests in commercial real estate-related assets. ACORE Funds generally include investment partnerships or other investment entities formed under U.S. or non-U.S. laws and operated pursuant to exemptions from registration under the Investment Company Act of 1940, as amended (the “**1940 Act**”). Investors in ACORE Funds, Separate Accounts or other real estate-related vehicles include, but are not limited to, pension plans, endowments, corporate and business entities, foundations, trusts, sovereign wealth funds and high net worth individuals, as well as ACORE’s Principals and employees. Minimum account balances for Separate Account Clients and minimum capital commitments for investors in ACORE Funds are established on a case-by-case basis, and occasionally are subject to waiver of such minimum. ACORE Fund interests or shares are generally offered and sold only to investors that are (i) “accredited investors” as defined under Regulation D of the Securities Act of 1933, as amended or (ii) “qualified purchasers” as defined under Section 2(a)(51) of the 1940 Act. Although not currently the case, additional eligibility requirements may apply to certain ACORE Funds in the future.

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

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**General**

ACORE is a private investment firm focused on providing investment advice related to debt investments backed by commercial real estate-related assets. ACORE’s investment

advisory services to its Clients consist of identifying and evaluating investment opportunities, negotiating investments, managing, financing and monitoring investments, and achieving dispositions for such investments, as described below. ACORE identifies potential investment opportunities for its Clients through a variety of sources and bases a portion of its investment analyses on information obtained from working with industry professionals, such as industry consultants, property management and leasing professionals, other investors, brokers, and other real estate specialists.

There can be no assurance that ACORE will achieve the investment objectives of its Clients and a loss of investment is possible.

### **Investment Strategy**

ACORE intends to provide investors with risk-adjusted returns through various real estate market cycles by primarily investing in public and/or private mortgage or other real estate-related debt and in controlling or non-controlling equity and other interests, in each case, in or relating to real estate-related investments.

ACORE's likely investment targets, either originated directly or acquired, include, but are not limited to:

- First mortgage loans;
- Second mortgage loans;
- Mezzanine debt;
- Loan participations;
- Senior or subordinated mortgage loan components;
- Controlling and non-controlling equity;
- CMBS bonds;
- Preferred and non-preferred equity; and
- Joint Venture Equity.

ACORE's investment team is responsible for evaluating lending and other real estate-related debt and equity investment opportunities, and security selections on a daily basis for its Clients. The screening process for potential investments involves several steps, which vary depending on the type of asset being proposed for origination/acquisition. ACORE pursues a disciplined investment strategy on behalf of its Clients, with a focus on fundamental research and bottom-up valuation. ACORE's investment analysis methods include fundamental, technical

and/or cyclical research. With respect to mortgage-related investments, ACORE analyzes the underlying collateral, including the fair market value, physical condition, projected cash flow and interest coverage, competitive position in the relevant market, and the abilities of the asset or property manager. In the normal course, ACORE typically (1) contacts local industry experts, property managers and professionals and (2) reviews industry periodicals and newsletters to develop its analysis for investment recommendations. ACORE generally evaluates investment decisions by paying attention to underlying asset-by-asset valuation, potential downside protection, long-term supply-demand fundamentals, financial sponsorship, and the ability of the collateral to service the debt. In formulating its investment recommendations, a written memorandum is typically prepared for the applicable Client's investment committee (each, an **"Investment Committee"**) describing the due diligence conducted on the proposed origination/acquisition, and this summary is provided to such Investment Committee.

Subject to the foregoing, the applicable Investment Committee will generally meet as necessary to control, manage, direct and approve all acquisitions of, or investments in, loans or properties, in each case in respect of the Separate Account Clients, ACORE Funds, any other related investment entities or any of their respective subsidiaries.

## **Risks**

Generally, investing in securities and other investment assets involves risk of loss of the principal amount invested. Investors in ACORE Funds and Separate Accounts should be prepared to bear any risk of loss. Investing in the real estate sector raises unique investment risks, as summarized below. The risk summary contained herein is intended solely as a summary of certain risks that ACORE believes are generally applicable to Clients and investors in ACORE Funds and Separate Accounts, and is not an exhaustive list of risks. Investors should review the applicable Governing Documents for additional information and risk factors.

- ACORE's investment strategies and expertise rely on key professionals. The departure of any of these key professionals from ACORE could adversely impact ACORE's investment performance.
- The failure of ACORE Fund investors to fund commitments when due could adversely affect an ACORE Fund's ability to complete its investment program and, if substantial defaults on commitments, to continue operations.
- Real estate asset investing can include the use of leverage which, among other things, can increase the risk of loss during unfavorable economic conditions.
- Assets in which ACORE invests on behalf of its Clients are often illiquid, thus making them hard to value and liquidate, particularly in unfavorable market conditions. Additionally, interests in ACORE Funds are expected to be subject to restrictions on transfer pursuant to the Securities Act.

- Subject to the terms of the Governing Documents of a Client, ACORE has the discretion to modify the terms of a loan, including but not limited to situations involving a workout or restructuring. This will at times lead to, among other things, a substantial reduction in the interest rate, capitalization of interest payments, a substantial write-down of the principal of the loan and/or the waiving of fees the Client is otherwise entitled in order to obtain the best results for a Client.
- There is risk of loss associated with mortgage loans and mortgage-backed securities. These instruments are subject to default, foreclosure timeline extension, fraud and commercial and residential price depreciation, unfavorable modification of loan principal amount and interest rate and amortization of principal. Any of the foregoing events can result in investment losses.
- To the extent assets are backed by mortgage instruments, prepayment adversely affect the total return from any debt investments, under certain circumstances.
- Some mortgage-related instruments may include distressed opportunities, which can increase the potential for risk of loss.
- Certain Clients are subject to various state and federal regulatory requirements, including, without limitation, in respect of their business as an originator, lender, acquirer, or servicer of commercial real estate loans.
- There are risks related to a real estate investment vehicle's organization such as limitations prescribed by the 1940 Act in the case of an ACORE Fund.
- Investment strategies and analysis may not always accurately project targeted returns because the considerations and assumptions underlying any projected returns are subject to uncertainty.
- The performance of investments in real estate-related assets can be influenced by the performance of counterparties under leases and other contracts, the performance of which will be dependent on the credit quality of such counterparties. Defaults by such counterparties could adversely affect the value of these assets and the ability of borrowers to service related debt.
- Real estate and real estate-related debt investments are subject to risks not associated with investments in more liquid assets. For instance, real estate and real estate-related debt investments can experience fluctuations and cycles in value during any holding period. Some factors attributable to the marketability and value of real property and related debt include, but are not limited to, the following: (i) changes in general or local economic conditions; (ii) changes in supply or demand for the particular property type; (iii) fluctuations in occupancy and rents for real property; (iv) changes in interest rates; (v) government regulation related to land-use and zoning, environmental protection and occupational safety; (vi) unavailability of mortgage funds, making property disposition difficult; (vii) the financial condition of consumers of real

property; (viii) insurance coverage; (ix) natural disasters, (x) threat of terrorism, and (xi) health epidemics. See “General Real Estate-Related Risks,” below.

- Real estate-related investments are subject to certain environmental risks associated with environmental claims, environmental regulations and occupational safety issues and concerns.
- Any changes in the insolvency laws in a jurisdiction in which such assets are acquired could affect ACORE’s ability to collect under personal guarantees and other types of borrower-specific credit enhancements.
- Real estate-related asset investing may lack a diversified pool of assets compared to other types of investment funds, such as funds that trade in publicly traded securities.
- Typically, distributions from and contributions by an investor to an ACORE Fund or Separate Account are denominated in U.S. dollars. Investments, however, may be denominated in currencies other than the U.S. dollar. Therefore, the value of these non-U.S. dollar denominated investments will depend in part on the strength of the U.S. dollar relative to the value of the currency in which the investment is denominated at many points throughout the life of the investment.

## **Additional Risks**

### General Real Estate-Related Risks

The Client will make investments in real estate and real estate-related assets and so will be directly and indirectly exposed to the risks of investing in real estate generally. The real estate industry is extensively regulated and subject to frequent regulatory change. The adoption of new government laws and regulations (including laws and regulations with respect to usage, improvements, disclosures, rents, zoning and taxes) or changes in, or new interpretations of, existing laws can have a significant impact on methods of doing business, costs of doing business and amounts of reimbursement from governmental and other agencies. The real estate industry is and will continue to be subject to varying degrees of regulation and licensing by federal and state regulatory authorities in various states and localities. The Client may be required to incur significant costs to comply with any future changes in such laws or regulations. However, non-compliance with the existing or future laws and regulations to which each real property is subject could result in substantial costs or capital expenditures to bring the relevant loans or real property into compliance, as well as the imposition of fines or an award of damages to private litigants, which might adversely affect the Client. In addition, real estate investments are subject to a variety of inherent risks (some of which are described in more detail below) that may have an adverse impact on the values of, and returns (if any) from, such investments, including: changes in the general economic climate, local conditions (such as an oversupply of space or a reduction in demand for space), the quality and philosophy of management, competition based on rental rates, attractiveness and location of the properties, physical condition of the properties, the financial

condition of tenants, buyers and sellers of properties, the quality of maintenance, insurance and management services, changes in operating costs, interest rate levels, the availability of financing, potential liability under environmental and other laws (including costs of remediation and liabilities associated with environmental conditions and property defects), energy prices, the ongoing need for capital improvements, tenant default or distress, construction risks, as well as natural catastrophes (such as earthquakes, hurricanes, floods and other natural disasters), acts of war, terrorism, civil unrest, vandalism, uninsurable losses and other factors beyond the control of ACORE. The Client will also be exposed to the risk of mismanagement of real estate assets by third parties (including borrowers, joint venture operating partners and asset managers, agents, servicers and developers). Other risks of investing in real estate and real estate-related assets include the risk of a governmental entity seeking to acquire assets through eminent domain proceedings, the risks of properties that are subject to a ground lease (e.g., a Client's interest in a property will be subordinate to the fee owner's interest).

In addition, there is no assurance that there will be a ready market for resale of investments because real estate investments generally are not liquid. Illiquidity may result from the absence of an established market for the investments, as well as from contractual restrictions in agreements with third-party operating partners. Real estate historically has experienced significant fluctuations and cycles in value, and the Client may buy and/or sell investments at less than optimal times.

#### Foreclosure Risk

ACORE will at times find it necessary or desirable to foreclose on collateral securing one or more real estate loans. The foreclosure process varies by jurisdiction and can be lengthy and expensive. Borrowers often assert claims, counterclaims and defenses to delay or prevent foreclosure actions, which can prolong and complicate an already difficult and time-consuming process. In some states or other jurisdictions, foreclosure actions can take up to several years or more to conclude. During the foreclosure proceedings, a borrower may have the ability to file for bankruptcy, which would have the effect of staying the foreclosure action and further delaying the process, and materially increasing the expense thereof which expenses may or may not be recoverable by a Client and/or a subsidiary investment vehicle. Foreclosure litigation may create a negative public image of the collateral property and may result in disrupting ongoing leasing and management of the property. In addition, anti-deficiency and related laws in certain states limit recourse and remedies available against borrowers in connection with or as a result of foreclosure proceedings or other enforcement actions taken with respect to such borrowers. Such laws can result in the loss of liens on collateral or personal recourse against a borrower or guarantor altogether.

#### Valuation and Appraisal Risk

The net asset value of the Client's investments, or of property received in connection with any Client investment, will be calculated in accordance with values determined by ACORE. The valuation of real estate and therefore the valuation of any underlying security related to loans made by the Client is inherently subjective due to, among other factors, the individual nature of the

property, its location, the expected future rental revenues from that particular property and the valuation methodology adopted. In addition, where the Client invests in loans with planned improvements, renovations, construction or repositioning, initial valuations will assume completion of the project. As a result, the valuations of the real estate assets against which the Client will make loans are subject to a large degree of uncertainty and are made on the basis of assumptions and methodologies that may not prove to be accurate, particularly in periods of volatility, low transaction flow or restricted debt availability in commercial or residential real estate markets.

Valuation of real estate properties are based on real estate appraisals, which are estimates of property values based on a professional's opinion and may not be accurate predictors of the amount the owner would actually receive if it sold a property. Appraisals can be subjective in certain respects and rely on a variety of assumptions and conditions at that property or in the market in which the property is located, which may change materially after the appraisal is conducted. Among other things, market prices for comparable real estate may be volatile, in particular if there has been a lack of recent transaction activity in such market. Recent disruptions in the macroeconomy, real estate markets and the credit markets have led to a significant decline in transaction activity in many markets and sectors and the lack of observable transaction data may have made it more difficult for an appraisal to determine the fair value real estate. In addition, a portion of the data used by appraisers is based on historical information at the time the appraisal is conducted, and subsequent changes to such data, after an appraiser has used such data in connection with the appraisal, may not be adequately captured in the appraised value. Also, to the extent that a relatively small number of independent appraisers are used to value a significant portion of its properties, valuations may be subject to any institutional biases of such appraisers and their valuation procedures. Further, appraisals are generally obtained in connection with the loan being made and there may be intervening circumstances in the period following the appraisal so that the true realizable value of a property is not reflected in such appraisal and related valuations. This disparity may be more apparent when the commercial and/or residential real estate markets experience an overall and possibly dramatic decline (or increase) in property values. Further, implicit is a principal assumption that there will be a reasonable time to market a given property and that the property will be exchanged between a willing buyer and willing seller in a non-distressed scenario. However, an appraised value may not reflect the actual realizable value that would be obtained in a rush sale where time was of the essence. Also, appraised values may lag actual realizable values to the extent there is significant and rapid economic deterioration in a particular geographic market or a particular sector within a geographic market. Deficiencies in appraisal quality may adversely affect the Client's performance.

In addition, the exercise of discretion in valuation (including, for instance, determination of when an investment should be written off) by ACORE will give rise to conflicts of interest that can influence ACORE's decision-making, as the Management Fees and performance reporting of certain Clients are calculated based, in part, on these valuations, and such valuations therefore



affect the calculation of Management Fees, as well as ACORE's track record and marketing materials, which in turn affect ACORE's ability to grow its assets under management via fundraising and its associated compensation. Any impairments will be calculated in accordance with the Governing Documents of a Client and ACORE's Valuation Policies and Procedures.

ACORE values its investments in accordance with its valuation policies and procedures. ACORE will at times, however, implement modifications to its valuation methodology in certain situations and for certain specific Clients (including the Initial Clients (as defined below)) and/or their advisors; provided that ACORE will not make any modifications that would result in ACORE making materially false or misleading representations about the value of an investment.

Circumstances arise whereby ACORE utilizes the services of a third-party valuation agent to confirm that ACORE's valuations are within a range of fair market value. Such third-party valuation agents, including appraisers, and their affiliates have in the past and are expected to under certain circumstances in the future provide other types of services to ACORE, its affiliates, and Clients and, therefore, could be subject to conflicts of interest with respect to their valuations. While ACORE will at times seek to confirm that its valuations are within a range of fair market value, it is generally not required to do so, and its determination of fair market value may be at the high or the low end of any such range, or its determination may be in conflict with that of a third-party valuation agent.

#### Interest Rate Risk

As outlined in Item 8 "*Methods of Analysis, Investment Strategies and Risk of Loss*" above, ACORE generally invests on behalf of its Clients in real estate-related debt investments. During periods of falling interest rates and/or contracting credit spreads, the values of real estate-related debt investments generally rise. Conversely, during periods of rising interest rates or increasing credit spreads, the values of real estate-related debt investments generally decline. Moreover, the prices of longer maturity debt securities are subject to greater market fluctuations as a result of changes in interest rates over time than is the case for shorter term investments. Real estate-related debt investments are also subject to the risk of an issuer's ability to meet principal and interest payments on the obligation (credit risk), and may also be subject to risks associated with market perception of the creditworthiness of the issuer/borrower and general market liquidity.

#### Interest Rate and/or Currency Hedging

ACORE may participate in interest rate hedging and/or currency hedging strategies on behalf of its Clients. Subject to any limitations in the applicable Governing Document, ACORE, on behalf of a Client, may enter into interest rate and/or currency forward contracts, futures contracts, swaps, swaptions, caps, collars, and other options contracts. In general, these hedging transactions are entered into with the expectation of mitigating to varying degrees the risks associated with future changes in either interest rates or currency exchange rates. However, there

is no assurance that these hedging transactions will be effective as anticipated and investing in these instruments can increase the risk to the Client. Additionally, such hedging arrangements may also cause the Client to be exposed to the creditworthiness of the selected hedging provider(s) from time to time. If the hedging arrangements are terminated at any time in accordance with their terms, the Client may be liable to make a payment to or receive a payment from the hedging provider in connection with such termination reflecting the market value of the transactions comprising such hedging arrangements. If a Client is required to make such a payment, it may be required to liquidate investments to do so. If permitted by a Client's Governing Documents, ACORE may also temporarily invest the Client's assets in money market funds and/or other liquid, short term securities for cash management purposes.

### Benchmark Rate Risk

Prior to June 30, 2023, certain loans held by the Clients may have 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 and derivatives globally. Consistent with prior announcements by the United Kingdom'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 (the "**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 loans held by a Client may 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 global or regional economic, financial, political, regulatory, judicial or other events.

Additionally, because SOFR is published by the Federal Reserve Bank of New York (the “**New York Fed**”) 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 a Client. 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 loans in which a Client invests, which in turn may adversely affect the performance of a Client.

#### Alternative Benchmark Rate Risk

As stated above, some of the loans held by a Client 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 loans to be uncertain or to be lower or more volatile than it would otherwise be, (ii) result in uncertainty as to the functioning, liquidity or value of such loans, and/or (iii) involve actions of regulators or rate administrators that may adversely affect certain markets or contracts underlying such loans. All of the foregoing could adversely affect the return on and value of the related floating rate instruments in which a Client invests.

#### Inflation Risk

Inflation is a sustained rise in overall price levels. Moderate inflation is associated with economic growth, while high inflation can signal an overheated economy. Inflation risk is the risk that the value of assets or income from investments will be less in the future as inflation decreases the value of money (i.e., as inflation increases, the values of a Client’s assets can decline). Inflation may pose a risk to investors because it can reduce savings and investment returns. Inflation and rapid fluctuations in inflation rates have had in the past, and may in the future have, negative effects on economies and financial markets, particularly in emerging economies. Furthermore, wages, prices of inputs and borrowing costs increase during periods of inflation, which can negatively impact returns on investments. Governmental efforts to curb inflation often have negative effects on the level of economic activity. Central banks, such as the U.S. Federal Reserve, generally attempt to control inflation by regulating the pace of economic activity. They typically attempt to affect economic activity by raising and lowering short-term interest rates. At times, governments

may attempt to manage inflation through fiscal policy, such as by raising taxes or reducing spending, thereby reducing economic activity; conversely, governments can attempt to combat deflation with tax cuts and increased spending designed to stimulate economic activity. Inflation rates may change frequently and significantly as a result of various factors, including unexpected shifts in the domestic or global economy and changes in economic policies, and a Client's investments may not keep pace with inflation, which may result in losses to the Client and its investors. Further, certain countries, including the U.S., have recently seen increased levels of inflation and there can be no assurance that continued and more wide-spread inflation will not become a serious problem in the future and have an adverse impact on a Client's returns. If inflation continues to increase, the real value of a Client's investments could decline and the interest payments on a Client's borrowings, if any, may increase.

### Infrastructure Risks

ACORE's business is highly dependent on its communications and information systems. Any failure or interruption of such systems could cause delays or other problems in its activities. This, in turn, could have a material adverse effect on a Client's operating results and, consequently, negatively affect the net asset value of the Client and its ability to pay distributions to its investors. In addition, because many Clients' borrowers operate and rely on network infrastructure and enterprise applications and internal technology systems for development, marketing, operational, support and other business activities, a disruption or failure of any or all of these systems in the event of a major telecommunications failure, cyber-attack, fire, earthquake, severe weather conditions or other catastrophic event could cause system interruptions, delays in product development and loss of critical data and could otherwise disrupt their business operations.

### Cyber Security Breaches and Identity Theft

ACORE, service providers of Clients and other market participants depend on complex and often interconnected information technology and communications systems to conduct business functions. These systems are subject to a number of different threats and other risks that could adversely affect Clients and investors in Clients, despite the efforts of ACORE and the service providers of Clients to adopt technologies, processes and procedures intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to Clients and investors in Clients. For example, unauthorized third parties have attempted to improperly access, modify, disrupt the operations of, encrypt or otherwise prevent access to these systems of ACORE, the service providers of Clients, or counterparties or data within these systems, including investor information. ACORE and service providers of Clients may be subject to ransomware or other attacks that could cause a substantial business disruption or loss of availability of data that could prevent Clients and ACORE from executing its investment strategy or accessing an account, which could lead to financial losses. Third parties have also attempted to fraudulently induce employees, customers, third-party service providers or other users of ACORE's systems to

disclose sensitive information in order to gain access to ACORE's data or that of a Client's investors or to transfer funds to unauthorized third parties. A successful penetration or circumvention of the security of ACORE's systems by unauthorized 3<sup>rd</sup> parties could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause Clients, ACORE or their service providers to incur regulatory penalties, reputational damage, additional compliance costs, increased insurance premiums or financial loss.

Similar types of operational and technology risks are also present for a Client's borrowers, which could have material adverse consequences for such companies, and may cause the Client's investments to lose value.

#### General Economic, Market Disruption, Health Crises, Terrorism and Geopolitical Risk

The value of a Client's investments could be affected by factors affecting the economy and securities markets generally, such as real or perceived adverse economic conditions, supply and demand for particular instruments, changes in the general outlook for certain markets or corporate earnings, interest rates, political developments or adverse investor sentiment generally. A Client is subject to the risk that war, terrorism, global health crises or similar pandemics, and other related geopolitical events may lead to increased short-term market volatility and have adverse long-term effects on world economies and markets generally, as well as adverse effects on issuers of securities and the value of a Client's investments. Those events as well as other changes in world economic, political and health conditions also could adversely affect individual issuers or related groups of issuers, securities markets, interest rates, credit ratings, inflation, investor sentiment and other factors affecting the value of a Client's investments. At such times, a Client's exposure to a number of other risks described elsewhere in this section can increase.

#### Risks of Artificial Intelligence ("AI")

ACORE's 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 ACORE's 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 ACORE will under certain circumstances restrict certain uses of 3<sup>rd</sup> party and open source AI tools, such as ChatGPT, ACORE's employees and consultants and a Client's investments will under certain circumstances use these tools, which poses additional risks relating to the protection of ACORE's and such Client's investments proprietary data, including the potential exposure of ACORE's or such Client's investments confidential information to unauthorized recipients and the misuse of ACORE's or third-party intellectual property, which could adversely affect ACORE, a Client or its investments. Use of AI tools may result in allegations or claims against ACORE, a

Client or its investments related to violation of third-party intellectual property rights, unauthorized access to or use of proprietary information and failure to comply with open-source software requirements. Additionally, AI tools may produce inaccurate, misleading or incomplete responses that could lead to errors in ACORE's and its employees' and consultants' decision-making, investment management or other business activities, which could have a negative impact on ACORE or on the performance of a Client and its investments. Such AI tools could also be used against ACORE, a Client or its investments in criminal or negligent ways. As the use and availability of AI tools has grown, the U.S. Congress and a number of U.S. federal and state agencies have been examining the AI tools and their use in a variety of industries, including financial services. These agencies have issued proposed or adopted 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 generally or AI's use in any industry in particular may alter, perhaps to a materially adverse extent, the ability of ACORE, a Client or its investments to utilize AI in the manner it has to-date, and may have an adverse impact on the ability of ACORE, a Client or its investments to continue to operate as intended.

## Conflicts of Interest as a Result of Affiliations with the Initial Clients

Two of the seven members of ACORE's general partner's Board hold various executive-level positions and board memberships at companies that are affiliated with certain Separate Account Clients ("**Initial Clients**" and such Board members, the "**Initial Client Board Members**"). The Initial Client Board Members also have invested their personal capital in ACORE and have a significant minority equity ownership in ACORE and its affiliates. One such Board member, along with an employee of an affiliate of the Initial Clients, serves on ACORE's Investment Committee for such Initial Clients. As a result, a conflict of interest arises such that ACORE will have an incentive to allocate favorable investment opportunities to the Initial Clients rather than to other Clients with whom they have no relationship. Additionally, in light of the Initial Clients' role as ACORE's first Clients, ACORE agreed to give them certain preferential terms, including fee breaks and rebates based on ACORE's overall performance, observer rights and other information rights. Some of the information provided to the Initial Clients will generally be deemed to be confidential information, and preferential information rights will benefit the Initial Clients. However, consistent with ACORE's fiduciary duty as a registered investment adviser, ACORE will, in its decision-making processes, seek to treat all Clients fairly as to the investments purchased or sold for their accounts and in the allocation of investments and will follow its policies and procedures on such matters.

Importantly, transactions between the Initial Clients and other Clients, including, without limitation, cross-trades (such as season-and-sell transactions whereby one Client originates a loan that is subsequently acquired in whole or in part by another Client), loan sharing, loan refinances and holding loan components at different parts of the capital stack, present heightened conflicts of interest because of the relationship between the Initial Clients and ACORE. See Items 10 and 11 below for additional disclosure about relationships with affiliates conflicts of interest.

## Litigation

Some of the activities that ACORE engages in as part of its operations may result in litigation in which ACORE or Clients could be a party. ACORE may also become subject to legal proceedings in which it, and its Clients, are not parties (for instance, disputes involving ACORE's Principals, employees or affiliates or disputes in which ACORE or its Principals, employees or affiliates are subject to a subpoena). There can be no assurance that any such litigation would be resolved in favor of any Client. ACORE's Principals and employees may be required to dedicate business time to the resolution of a litigation or other dispute that would otherwise have been dedicated to a Client's investment activities.

## Service Providers

ACORE and/or its affiliates have engaged or referred certain service providers to provide services to ACORE, Clients and/or Client's portfolio investments (e.g., borrowers). Such service

providers are, in certain circumstances, investors in a Client or affiliates of such investors and may include, for example, investment bankers, outside legal counsel, pension consultants and/or other investors who provide services. The engagement of any such service provider may be concurrent with an investor's admission to a Client, or during the term of such investor's investment in the Clients. Additionally, employees of ACORE or its affiliates, and/or their family members or relatives may have ownership, employment, or other interests in such service providers. These relationships can create a conflict of interest or the appearance of a conflict of interest, for example, as ACORE may give such investor preferred economics or other terms with respect to its investment in a Client, may have an incentive to offer such investor co-investment opportunities that it would not otherwise offer to such investor, or these relationships could influence ACORE in determining whether to select, or recommend such service provider to perform services for a Client or a portfolio investment. Although ACORE selects service providers that it believes will enhance the performance of the relevant Client(s), there is a possibility that ACORE, because of financial, business interest, or other reasons, may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. While ACORE often does not have visibility or influence regarding advantageous service rates or arrangements, there may be situations in which ACORE receives more favorable service rates or arrangements than the Clients or their portfolio investments.

#### Indemnification

A Client or the applicable general partner (if any) or ACORE on behalf of the Client has and expects to in the future enter into various agreements or arrangements which limit the liability of its service providers, including but not limited to ACORE and its affiliates, or other distribution or placement agents, accountants, auditors, legal counsel, prime brokers, custodians, depositaries and their affiliates, employees, officers and directors, and require the Client to indemnify and/or provide broad representations, warranties and covenants in favor of such persons.

#### 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 (collectively, the **"Private Funds Rules"**) under the Advisers Act specifically related to advisers of private funds.

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 ACORE, a Client and/or its investments. As a result of the new rules, ACORE will under certain circumstances be restricted or refrain from providing information regarding a Client in response to investor requests. ACORE 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 ACORE's decisions with respect to agreeing to certain preferential rights. Further, many provisions of the Private Funds Rules require ACORE to make a variety of subjective determinations as to whether and how such rules apply to a Client and ACORE's related obligations. ACORE will face conflicts of interest in making such determinations, 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. ACORE's and a Client's compliance burdens and associated costs including, without limitation, insurance expenses, are also expected to increase. ACORE 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, thereby materially reducing returns to investors.

Several trade groups representing private fund managers have filed a legal challenge to the Private Funds Rules and other legal challenges to the Private Funds Rules 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.

#### Custody and Banking Risks

The Clients will maintain funds with one or more banks or other depository institutions ("banking institutions"), which may include U.S. and non-U.S. banking institutions, and may enter into credit facilities or have other financial relationships with banking institutions. The distress, impairment or failure of one or more banking institutions with whom the Clients, their investments, the general partner of an ACORE Fund and/or the Adviser transact may inhibit the ability of the Clients or their investments to access depository accounts or lines of credit at all or in a timely manner. 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. In the event of such a failure of a banking institution where the Client or one or more of its investments holds depository accounts access to such accounts could be restricted and U.S. Federal Deposit Insurance Corporation (FDIC) protection may not be available for balances in excess of amounts insured by the FDIC (and similar considerations may apply to banking institutions in other jurisdictions not subject to FDIC protection). In such instances, the Clients and their affected investments may not recover such excess uninsured amounts and, instead, would only have an unsecured claim against the banking institution and participate pro rata with other unsecured creditors in the residual value of the banking institution's assets. The loss of amounts maintained with a banking institution or the inability to access such amounts for a period of time, even if ultimately recovered, could be materially adverse to the Clients or their investments. One or more investors or an ACORE Fund's

general partner could also be similarly affected and unable to fund capital calls, further delaying or deferring new investments. In addition, the Adviser 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.

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**ITEM 9            DISCIPLINARY INFORMATION**

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Neither ACORE nor any of its Principals or other management persons have been subject to any material legal or disciplinary events required to be discussed in this Brochure.

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**ITEM 10          OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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Two of the seven members of ACORE's general partner's Board, the Initial Client Board Members, are affiliated with the Initial Clients. Such Board members have invested their personal capital and have a significant minority equity ownership in ACORE and its affiliates. For the avoidance of doubt, references herein to "Clients" include the Initial Clients. Please see Item 11 "*Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*" for a fuller description of the conflicts of interest presented by these circumstances and how ACORE addresses such conflicts.

Third-party service providers, including attorneys, appraisers and insurance brokers, are typically engaged by ACORE to close loan transactions and to provide other related services. While neither ACORE nor its Principals are affiliated with such service providers, employees or Clients could in the future be affiliated with certain service providers. Expenses relating to such services are typically borne by borrowers; however, in certain circumstances, ACORE Clients will pay for such expenses. ACORE has established policies and procedures to ensure that third-party service providers of good quality are selected and are appropriately supervised.

Additionally, ACORE or an affiliate acts as a general partner of ACORE Funds. A list of ACORE Funds is identified in Schedule D, Section 7.B.(1) of Part 1A of ACORE's Form ADV, available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or upon request to ACORE's Chief Compliance Officer at (415) 917-4418.

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

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**Code of Ethics**

ACORE has adopted a Code of Ethics and Securities Trading Policy and Procedures (the "**Code**"), which sets forth standards of conduct that are expected of ACORE's Principals and employees, and addresses conflicts that arise from personal trading. The Code requires certain ACORE personnel to report their personal securities transactions and to obtain pre-approval from ACORE's Chief Compliance Officer before acquiring or disposing of, directly or indirectly,

beneficial ownership of certain categories of securities. A copy of the Code will be provided to any Client or prospective Client upon request to ACORE's Chief Compliance Officer at (415) 917-4418. Personal securities transactions by employees who manage Client accounts are required to be conducted in a manner that prioritizes the Client's interests in Client eligible investments.

### **Material Nonpublic or Other Confidential Information**

ACORE and its affiliated persons come into possession, from time to time, of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, ACORE and its affiliated persons are prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a Client of ACORE. Accordingly, should ACORE or any of its affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, ACORE would be prohibited from communicating such information to Clients and may be prohibited from engaging in a transaction that it would otherwise undertake on behalf of a Client. ACORE will have no responsibility or liability for failing to disclose such information to, or undertake a transaction on behalf of, Clients as a result of following its policies and procedures designed to comply with applicable law.

### **Personal Trading**

Subject to the Code and other applicable compliance policies and procedures adopted by ACORE from time to time (including ACORE's personal investments policy as discussed below), the Principals and other employees of ACORE are permitted to carry on personal investment activities for their own account and for family members, friends or others who are not ACORE Clients or who do not invest in any ACORE Funds (including any related entities established by any of the foregoing, such as trusts, charitable programs, endowments or related programs, family investment vehicles and other estate planning vehicles). The investment advice that such Principal or other employees give to such persons may differ from advice given to, or securities recommended or bought for, any ACORE Clients even though their investment objectives may be the same or similar.

### **Differing Investment Advice**

ACORE's Principals and employees may also give advice and recommend investments to one Client which may differ from advice given to, or investments recommended for, another Client, even though each Client's investment objectives may be the same or similar. ACORE determines its investment advisory recommendations to Clients in a manner that it believes is fair and equitable and taking into consideration factors such as the following: the Client's investment restrictions and objectives (including those set forth in the relevant Client's Governing Documents,

where applicable), strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition and cash level and applicable regulatory restrictions.

### **Performance-based Consideration**

Although the performance-based consideration received by certain of ACORE's affiliates can create an incentive for ACORE's Principals to cause Clients to make riskier or more speculative investments than would otherwise be the case, ACORE's allocation policies prohibit it from allocating investments based on the potential for ACORE to earn performance-based consideration.

### **Conflicts of Interest**

ACORE and its affiliates engage in a broad spectrum of investment activities. There may be instances where the interests of ACORE and its affiliates conflict with the interests of Clients or investors in Clients. The following discussion sets forth certain potential conflicts of interest, but does not necessarily describe all of the conflicts that may arise. Other conflicts are disclosed throughout this Brochure and the Brochure should be read in its entirety for other conflicts.

### **Allocations**

Investments that are suitable for more than one Client will be allocated in a fair and equitable manner as determined by ACORE and its affiliates. ACORE's current policy in order to implement the foregoing is that such investment opportunities are generally expected to be allocated among Clients pro rata based on relative available capital; provided, that some Clients have size-based limits on sharing and ACORE may in the future change or create new or additional limits or waive limits without notice. While ACORE generally expects to seek to share whole loans among Clients, subject to their investment policies and restrictions and its allocation policy, ACORE expects that in certain cases ACORE will determine that structural and other considerations will make sharing an investment opportunity as between more than one Client impracticable, inappropriate or inadvisable in its sole discretion, and so the opportunity will be allocated to one Client or a subset of Clients pursuant to a rotation policy. Under the current rotation policy, investment opportunities will rotate through one or more rotation queues on a sequential basis.

With respect to whole debt stack loans and ACORE's current mandates, ACORE currently expects that whole loans for less than \$150 million will be generally allocated pursuant to its rotation policy. With respect to subordinate debt that is not originated as part of a whole loan debt stack and ACORE's current mandates, ACORE currently expects that the ACORE Funds may from time-to-time share investments with other Clients subject to available capital and the other provisions of the allocation policy. This may change as investment mandates evolve and new Clients are added.

Notwithstanding the foregoing, such allocation policy, including whether on a pro rata allocation or rotational basis or such other fair and equitable basis, may be adjusted as determined by ACORE in its sole discretion, including, but not limited to, for certain additional considerations that ACORE may deem appropriate, such as (i) any strategic value a particular Client might potentially add to the opportunity; (ii) the source of the investment and any relationship to a particular Client and the relationship of the opportunity to existing investments held by a Client, including if the opportunity is a refinancing of an existing loan such that ACORE may typically determine that it is appropriate for the original lender(s) to participate in such refinancing; (iii) any potential conflicts of interest created by the investment opportunity or any reporting, public relations, competitive or confidentiality concerns that may arise in connection with providing the opportunity to a particular Client; (iv) the ability of the Client to accommodate structural, financing/leverage, timing and other aspects of the investment process; (v) avoiding de minimis allocations; (vi) diversification and current portfolio compositions; (vii) legal, tax, contractual, exclusivity, regulatory or other considerations deemed relevant; and (viii) the availability of suitable investments for each Client.

ACORE's allocation policy provides that if ACORE has identified an investment opportunity larger than the maximum investment size guidelines of all Clients, and sharing among all Clients is not practical, ACORE will rotate the investment opportunity among all Clients (as a separate queue) in order to identify whether the investment opportunity may be structured such that one or more Clients may take advantage of the opportunity. The maximum investment size guidelines of Clients may apply on a per investment or per individual property basis. If a previously allocated investment opportunity is not consummated, the Client previously allocated such investment opportunity will have its queue position associated with such investment opportunity in the applicable queue restored. In addition, ACORE may periodically review the number of investment opportunities that fail to close and allocate additional investment opportunities to Clients disproportionately affected by failed investment opportunities. Certain other Clients may have restrictions on co-investing in investment opportunities or may have the ability to consent to such co-investments in advance, or ACORE may determine that such co-investment is not otherwise in the interests of such other Client, and, as a result, there is no guarantee or any obligation that a Client will agree or would be permitted to share any investment opportunity with another Client.

The application of the allocation policy is a fact-intensive exercise. While ACORE will base its allocation decisions on the information available at the time, this information may prove, in retrospect, to be incomplete or imperfect. Furthermore, the weight ascribed to certain considerations will evolve over time in response to, among other things, changes in market conditions, the competition ACORE faces for investments and the mix of opportunities available to Clients.

In addition, the ultimate character of an investment opportunity may not become clear until a great deal of diligence and analysis has been completed by the personnel pursuing such investment opportunity and investment opportunities that are outcomes of heavily-negotiated transactions of the type pursued by ACORE are capable of being structured in a variety of ways, each of which presents its own particular investment profile. There can be no assurance that the application of the foregoing allocation policies will result in the allocation of a specific investment opportunity to a Client or that a Client will participate in all investment opportunities falling within its investment objective. Re-allocation of investment opportunities may be necessary as and when ACORE determines that the investment opportunity is no longer suitable for the client to which it was originally allocated. ACORE will implement its allocation policy, evaluate investment suitability, weight the factors described above (which will not be weighted equally) and make investment allocation decisions in its sole discretion. In addition, ACORE may adopt internal procedures to implement its allocation policy from time to time. The allocation policy discussed above and any procedures adopted by ACORE pursuant to its allocation policy may be amended, modified or supplemented at any time without prior notice to Clients or investors in a Client.

#### Management of Clients

The existence of current Clients and other future accounts or funds poses conflicts of interest, including with respect to the devotion of time and allocation of resources by ACORE and its Principals and employees as well as the allocation of investment opportunities. See “*Allocations*” above for more information. The Governing Documents of ACORE Funds contain certain requirements with respect to the devotion of time of ACORE and its key employees, as well as certain restrictions on the formation of certain successor funds. ACORE also has the ability to resolve certain conflicts as set forth in the Governing Documents of the ACORE Funds, including the submission of certain conflicts to an advisory committee established in respect of such ACORE Fund for approval. Subject to the provisions of the applicable Governing Documents, on a matter constituting a conflict of interest, the general partner of an ACORE Fund and ACORE will be guided by their respective fiduciary duties to the investors in such ACORE Fund as well as to other Clients, and will manage such conflicts of interest in good faith. If necessary to resolve such conflicts, ACORE may cause a Client to take such steps as foregoing an investment opportunity or divesting investments that it might otherwise have taken advantage of or continued to hold in the absence of such conflict, or otherwise take other actions that it might not have taken and there is no guarantee that such actions would not ultimately have the result of disadvantaging such Client.

In addition, ACORE may consider an investment opportunity for one Client and then subsequently determine to have another Client make the investment. In making any such reallocation determination, ACORE will consider a variety of factors, including those set forth above under “*Allocations*”. Conflicts of interest arise in connection with such a reallocation, including those set forth above under “*Allocations*”. In addition, a conflict of interest exists

because the investing Client will benefit from the initial evaluation, investigation and due diligence undertaken by ACORE on behalf of the original Client for which the investment was initially considered. If the investing Client reimburses the original Client (which it will not necessarily do), there can be no assurance that the amounts reimbursed to the original Client will be commensurate with the benefit received by the investing Client and the investing Client will not necessarily pay the original Client interest on any such amounts.

In addition, certain employees, representatives or persons associated with current Clients have observer rights with respect to ACORE's greenlight calls. The greenlight call is a company-wide conference call held once a week to discuss current pipeline activity and present preliminary investment opportunities to the members of the applicable Clients' investment committees.

Further, subject to applicable law, ACORE has caused, and expects from time to time to cause, Clients to enter into cross-trades or other transactions that may present conflicts of interest with other Clients in accordance with the applicable Governing Documents and ACORE's policies and procedures regarding cross-trades. There is no guarantee that the price and other terms at which a Client seeks to purchase or sell assets via a cross-trade with another Client will represent the terms at which an unaffiliated third party would sell such assets to the Client or that the terms at which the Client seeks to sell securities to another Client will represent the terms at which an unaffiliated third party would purchase such assets from the Client. Third-party pricing information used for pricing validation may at times not be readily available or readily available from a sufficient number of third parties or, if available, may not be considered reliable. In addition, such investments may be difficult to value, and the price at which such assets will be bought and sold between the Client and such other Clients would therefore be subject to ACORE's valuation process (including, for instance, determination of when an investment should be written down or written off) and any adopted valuation and pricing methodology and there is no guarantee that such values will be those an unaffiliated third party would pay or values that will ultimately be realized. While ACORE will at times seek to confirm that its valuations are within a range of fair market value, it is generally not required to do so, and its determination of fair market value may be at the high or the low end of any such range, or its determination may be in conflict with that of a third-party valuation agent. Such third-party valuation agents and their affiliates have in the past and are expected to under certain circumstances in the future provide other types of services to ACORE, its affiliates, and Clients and, therefore, could be subject to conflicts of interest with respect to their valuations.

In addition, ACORE faces conflicts of interest in negotiating the other terms and conditions of such transactions and the interests of the Clients will not at all times be aligned. The terms of such transactions will not be subject to arms-length negotiation, bid process or other similar process, and there is no guarantee that the terms of such arrangements will be as beneficial to any Client, in part or in whole, as they would be if such Client were to transact with a third-party. There can be no assurance that Clients or investors will agree at all times or that any participation, co-

lending, intercreditor or similar arrangement will be successful in mitigating conflicts among Clients. ACORE will face conflicts of interest in managing disagreements or divergence of interests. For example, ACORE may face conflicts of interest in determining whether and how to exercise one Client's rights and remedies under the applicable arrangements, which may negatively affect another Client.

#### Conflicts of Interest as a Result of Affiliations with the Initial Clients

Two of the seven members of ACORE's general partner's Board, the Initial Client Board Members, hold various executive-level positions and board memberships at companies that are affiliated with the Initial Clients. The Initial Client Board Members also have invested their personal capital in ACORE and have a significant minority equity ownership in ACORE and its affiliates. One such Board member, along with an employee of an affiliate of the Initial Clients, serves on ACORE's Investment Committee for such Initial Clients. As a result, a conflict of interest arises such that ACORE will have an incentive to allocate favorable investment opportunities to the Initial Clients rather than to other Clients with whom they have no relationship. Additionally, in light of the Initial Clients' role as ACORE's first Clients, ACORE agreed to give them certain preferential terms, including fee breaks and rebates based on ACORE's overall performance, observer rights and other information rights. Some of the information provided to the Initial Clients will generally be deemed to be confidential information, and preferential information rights will benefit the Initial Clients. However, consistent with ACORE's fiduciary duty as a registered investment adviser, ACORE will, in its decision-making processes, seek to treat all Clients fairly as to the investments purchased or sold for their accounts and in the allocation of investments and will follow its policies and procedures on such matters.

Importantly, transactions between the Initial Clients and other Clients, including, without limitation, cross trades (such as season-and-sell transactions whereby one Client originates a loan that is subsequently acquired in whole or in part by another Client), loan sharing, loan refinances and holding loan components at different parts of the capital stack, present heightened conflicts of interest because of the relationship between the Initial Clients and ACORE.

#### Conflicts of Interest as a Result of Other Investment Activities

ACORE's employees, Principals, and beneficial owners are generally permitted to invest in alternative investment funds, real estate funds, hedge funds or other investment vehicles, including potential competitors of a Client and are also permitted to invest in equity of real estate deals, as well as in certain instances loans in real estate transactions, subject to policies and procedures adopted by ACORE and such limitations as are set forth in the applicable Governing Documents, including requiring certain pre-approvals of such investments. In certain instances, sponsors or services providers with respect to such deals may be sponsors or service providers with respect to transactions entered into by a Client. Neither Clients nor investors in a Client will receive any benefit from any such investments by ACORE's employees, Principals or beneficial



owners. See “*Other Investments*” below for more information regarding such policies and procedures.

#### Transactions Related to Affiliates of and Clients Advised by ACORE

A Client will at times seek to refinance a loan or extend new credit to a borrower that has a current loan with an affiliate of ACORE or another Client advised by ACORE where that loan is nearing maturity or the borrower is seeking alternative financing, and in other circumstances an affiliate or Client of ACORE will lend to an existing borrower. Such loan may be originated directly with the borrower or through a third-party broker. While such transactions are not typically cross-trades, they may give rise to certain conflicts of interest similar to those associated with cross-trades, as one Client lending to an existing borrower will enable the borrower to pay off the existing loan from another Client or an affiliate of ACORE. See “*Management of Clients*” above for more disclosure about cross-trades. In addition, in connection with refinancing of existing investments of a Client, ACORE will at times offer such refinancing to such Client, another Client or new Client or an affiliate of a Client, which may result in the crystallization of performance-based fees for a Client holding the refinanced investment. Any such refinancing may cause potential additional conflicts of interest with the Client and has the potential to impact the allocation of investment opportunities and/or ACORE’s entitlement to performance-based fees. Generally, refinancings are first offered to the original Client that invested in the investment and other Clients will at times not get the same opportunities even if such refinancing opportunity falls within the other Clients’ investment objectives or strategy. The Clients will engage in such transactions in accordance with the applicable Governing Documents and ACORE’s policies and procedures.

#### Other Investments

The general partner of an ACORE Fund, the Principals, members of the investment committee of ACORE, and employees of ACORE currently have and may in the future acquire other investments or organize other investment funds with overlapping objectives with those of Clients. In addition, ACORE or its affiliates currently, and expect to in the future, serve as investment adviser or manager for Clients whose mandates include investing in assets that would be suitable for other Clients. However, ACORE’s personal investments policy currently prevents employees of ACORE (including ACORE’s managing partners) from investing in investments eligible for a Client’s mandate, other than (i) through certain investment accounts or pooled investment funds managed by ACORE (to the extent such investment accounts or funds are permitted to be formed in accordance with the Governing Documents relating to other Clients); (ii) whole loan investments having a fully-funded loan amount of less than certain specified de minimus amounts (which vary depending on the type of investment); or (iii) direct or indirect debt or preferred equity interests held by such persons that are (A) passive investments (e.g., investments in which such persons do not have any control or management rights over the

applicable borrower or the applicable real estate and hold only protective or anti-dilutive or similar rights) or (B) held through publicly offered vehicles where employees of ACORE (including ACORE's managing partners) in the aggregate own less than a 5% equity interest in such publicly offered vehicle. ACORE may amend its personal investments policy without prior notice to Clients or investors in a Client.

In addition, employees of ACORE (including ACORE's managing partners) are restricted from requesting financing from ACORE or Clients for any entity in which they have a direct or indirect interest; provided that the foregoing shall not apply to (i) direct or indirect debt or preferred equity interests held by employees of ACORE (including ACORE's managing partners) that are (A) passive investments (e.g., investments in which such persons do not have control or management rights over the applicable borrower or the applicable real estate and hold only protective or anti-dilutive or similar rights) or (B) held through publicly-offered vehicles where employees of ACORE (including ACORE's managing partners) in the aggregate own less than a 5% equity interest in such publicly-offered vehicle; or (ii) interests held indirectly through a Client.

While ACORE and its affiliates will attempt to fairly allocate investment opportunities between Clients as set forth above under "*Allocations*" above, such attempts could result in a Client not participating in certain investments, and could result in better returns for another Client that did participate in such investment. Principals, members of the investment committee of ACORE, and employees of ACORE currently have, and are expected in the future to have, investments in one or more Clients, and such investments could create an incentive for such Principals or employees of ACORE or investment committee members to act in a manner more beneficial to such Clients in order to increase the value of such investments to the detriment of other Clients. Notwithstanding the foregoing, Principals, members of the investment committee of ACORE, and employees of ACORE may also make investments in one or more other investment funds or entities sponsored by unaffiliated third parties, and such funds or entities may pursue investment strategies substantially similar in whole or in part to those of other Clients. As previously noted, ACORE has adopted policies and procedures to seek to ensure that employees place the interests of Clients first and all clients are treated fairly.

#### Board Membership

Employees of ACORE, the Principals and members of the investment committee of ACORE with or without compensation, hold positions on the boards of directors of certain private and/or public companies or in certain charitable organizations. Any such person who so serves will devote a portion of his or her time in the future to their duties associated with such positions.

## Co-Investment Opportunities

ACORE may, in its sole discretion, offer co-investment opportunities to one or more Clients, investors in a Client or third parties. In general, (i) no Client or investor in a Client will have a right to participate in any co-investment opportunity, (ii) decisions regarding whether and to whom to offer co-investment opportunities are made in the sole discretion of ACORE or its related persons considering such factors as ACORE considers relevant, (iii) co-investment opportunities will likely be offered to some and not other Clients, investors in a Client or other persons, in the sole discretion of ACORE or its related persons, which may include affiliates of or investors in ACORE and its related persons, or certain strategic partners of ACORE, and Clients or investors in a Client may be offered a smaller amount of co-investment opportunities than originally requested, (iv) certain persons other than Clients and investors in a Client (e.g., third parties or certain affiliates of or investors in ACORE and its related persons) may be offered co-investment opportunities, in the sole discretion of ACORE or its related persons, and ACORE will enter into agreements to provide co-investment opportunities with certain persons that it does not provide to others, and (v) co-investors may purchase their interests in a borrower at the same time as a Client or may purchase their interests from a Client after it has consummated its investment in the borrower (also known as a post-closing sell down or transfer). In the case of a post-closing sell down, ACORE may, in its discretion, decide to charge at cost plus interest, or may determine not to charge a co-investor interest costs for the time period between the closing of a Client's investment in a borrower and the date of the transfer of interests in such borrower to the applicable co-investor. Notwithstanding the foregoing, ACORE in its sole discretion has the right to and will determine to provide certain persons, including persons that may be Clients and investors in a Client, rights, including priority rights, with respect to co-investment opportunities that are not otherwise available to other Clients or investors in a Client and without prior notice of such rights. ACORE may receive compensation from a third party for a co-investment opportunity, or may receive other benefits from providing such co-investment opportunities, which would create conflicts with respect to the allocation of co-investment opportunities (x) as between Clients and such persons, and (y) as between investors in a Client and other persons seeking co-investment opportunities. Additionally, non-binding acknowledgements of a Client's or an investor's interest in co-investment opportunities are not investment allocation requirements and do not require ACORE to notify the recipients of such acknowledgements if there is a co-investment opportunity. ACORE expects that these factors will lead ACORE to favor some potential co-investors over others with respect to the frequency with which ACORE offers them co-investment opportunities. ACORE also expects to allocate certain co-investors a greater proportion of an investment opportunity than others as a result of these factors.

In certain cases, a co-investment vehicle, or other similar vehicle established to facilitate the investment by co-investors alongside a Client will be formed in connection with the consummation of a transaction, and an affiliate of ACORE will generally serve as the general partner, managing member, or equivalent thereof. In the event a co-investment vehicle is created,

the investors in such co-investment vehicle will typically bear all expenses related to its organization and formation and other expenses incurred solely for the benefit of the co-investment vehicle. The co-investment vehicle will generally bear its pro rata portion of expenses incurred in the making of an investment. As a general matter, no co-investor or co-investment vehicle will bear expenses related to a proposed but not consummated transaction or break-up fees until they are contractually committed to invest in the prospective investment, and generally the relevant Client(s) would bear all such expenses and fees related to unconsummated investments.

A Client's general partner and its affiliates are permitted to make capital commitments and/or contributions to co-investment opportunities and co-investment vehicles investing alongside the Clients. Such amounts so committed or contributed are permitted, at the option of the applicable Client's general partner, to be deemed part of the amount ACORE is otherwise required to contribute to the Clients. Any such amounts would be in full or partial satisfaction of amounts that would otherwise be invested in the ACORE in respect of such investment, which could reduce the amount of such co-investment available to the limited partners. In addition, any such amounts invested by a Client's general partner or its affiliates in co-investments alongside the Client and deemed part of the amount ACORE is otherwise required to contribute will result in the general partner and/or its affiliates contributing less to the Client than ACORE's capital commitment to such Client would otherwise imply.

#### Conflicts Related to Fund-Level Borrowing and Investment-Level Borrowing

The Funds from time to time borrow funds or enter into other financing arrangements (including investment-level borrowing) for various reasons, including to pay fund expenses and liabilities, to pay management fees, organizational expenses, to make or facilitate investments (including borrowings pending receipt of capital contributions from investors and borrowings secured by individual investments), to make payments under hedging transactions, to cover any shortfall resulting from an investor's default or exclusion. If a Fund borrows in lieu of calling capital to fund an investment, the borrowing would be used for all limited partners in such Fund on a pro-rata basis, including the general partner. Certain parties participating in an investment (including co-investment parties) will not, under certain circumstances, bear their pro rata share of expenses relating to fund-level borrowing or investment-level borrowing facilities (including, without limitation, interest expenses, origination and other costs). As a result, the Fund will, under certain circumstances, bear a disproportionate cost in connection with the extension of credit. In addition, because co-investment parties are not expected to be parties to any such facility, the Fund will bear a disproportionate amount of the credit risk in incurring the debt on behalf of the other

parties. Fund-level and investment-level borrowing will from time to time create conflicts of interest, including with respect to the calculation of net performance metrics.

### Related Services

ACORE and its affiliates provide services with respect to borrowers and may receive fees from, actual or prospective investment entities or Clients. Each Client's proportionate share of such fees (based on such Client's proportionate interest versus the proportionate interest of any other Client or third party) will generally be paid to the account of such Client or will reduce management fees payable by such Client, to the extent set forth in the applicable Governing Documents.

While ACORE and its affiliates do not currently, they may in the future engage and retain senior advisors, advisers, consultants, and other similar professionals who are not employees or affiliates of ACORE and who, from time to time, receive payments from, or allocations with respect to, borrowers and/or other entities which may dilute a Client's participation or the availability of co-investment opportunities, however ACORE and its affiliates believe such relationships may, in certain circumstances, be additive to ACORE's and Clients' activities. In such circumstances, such amounts will not be deemed paid to or received by ACORE and its affiliates and such amounts will not be subject to the management fee offset described above.

### Side Letter Agreements; Advisory Committee Rights

ACORE does enter into Side Letter arrangements with certain investors in ACORE Funds providing such investors with different or preferential rights or terms, including but not limited to different or preferential information rights, economics, fees and liquidity or transfer rights. Except as otherwise agreed with an investor, and to the extent permitted under applicable law, ACORE (or applicable general partner of an ACORE Fund) is not required to disclose the terms of Side Letter arrangements to any investors not subject to such Side Letter arrangements.

ACORE has established, and expects in the future to establish, advisory committees, consisting of representatives of investors of ACORE Funds. A conflict of interest may exist when some, but not all investors are permitted to designate a member to the advisory committee. The advisory committee will generally have the ability to approve conflicts of interests with respect to ACORE and the applicable ACORE Fund, which could be disadvantageous to the investors, including those investors who do not designate a member to the advisory committee. The members of an advisory committee may be representatives of investors that have conflicting investment, leverage, tax and other interests with respect to their investments in the applicable ACORE Fund and there is no guarantee that any advisory committee member's interests will be aligned with any other investor in such ACORE Fund. Furthermore, certain investors in the ACORE Funds could have the right to appoint more than one voting member of the advisory committee. As a general

matter, members of an advisory committee will not have any fiduciary duties to the related ACORE Fund or its investors.

### Service Providers

ACORE, its affiliates and Clients will often engage common legal counsel and other advisers in a particular transaction, including transactions in which there are conflicts of interest. Members of the law firms engaged to represent Clients may be investors in a Client, or other clients advised or managed by ACORE's affiliates, and may also represent one or more borrowers or investors in a Client or client advised or managed by ACORE's affiliates. In the event of a significant dispute or divergence of interest between Clients and ACORE and/or its affiliates, the parties may engage separate counsel in the sole discretion of ACORE and its affiliates. Moreover, in litigation and certain other circumstances separate representation may be required. Additionally, ACORE, its affiliates, Clients and borrowers will from time to time engage other common service providers and certain service providers will under certain circumstances provide multiple types of services to ACORE, its affiliates, Clients and borrowers. Employees of ACORE, its affiliates, and/or their family members or relatives may have ownership, employment, or other interests in such service providers. In such circumstances, there can be a conflict of interest between ACORE, on the one hand, and Clients and borrowers, on the other hand, in determining whether to engage such service providers, including the possibility that ACORE may favor the engagement or continued engagement of such persons if it, an employee, or a family member of any employee receives a benefit from such service providers, such as lower fees applicable to ACORE or its affiliates due to aggregate purchasing, that it would not receive absent the engagement of such service provider by Clients and/or borrowers.

### Investor Due Diligence Information

Due in part to the fact that potential investors in an ACORE Fund (including any potential purchaser of an interest in a secondary transaction) may ask different questions and request different information, ACORE may provide certain information to one or more prospective investors that it does not provide to all of the prospective or current investors of an ACORE Fund. In addition, certain investors in the ACORE Funds may be strategic investors directly or indirectly into ACORE, which would result in such investors receiving greater or different information regarding ACORE.

### Other Conflicts

The general partner of an ACORE Fund may, in its discretion, under certain circumstances elect to increase its commitment to such ACORE Fund prior to the final close of the ACORE Fund without the consent of the limited partners. Any increased commitment by the general partner 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 ACORE Fund'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 has a conflict of interest in deciding to increase its subscription because a decision to increase its subscription may result in the general partner receiving value that would have otherwise benefitted limited partners.

## ***ITEM 12***      **BROKERAGE PRACTICES**

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In certain instances, ACORE may have the authority, without obtaining specific Client consent, to buy or sell publicly traded commercial real estate securities, to determine the amount of such securities to be bought or sold, and to determine which broker or dealer is to be used to execute any securities transaction. Transactions in these types of securities are anticipated to be infrequent and ACORE does not have such authority with respect to its existing Separate Account Clients. However, to the extent ACORE does so in the future, it generally intends to follow the brokerage practices described below.

If ACORE sells publicly traded securities for an ACORE Client, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by ACORE. In such event, ACORE will seek to select brokers on the basis of best execution, but ACORE will consider a number of factors when selecting a broker and is not required to obtain the lowest price. In selecting a broker to execute Client transactions, ACORE may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) responsiveness to requests for trade data and other financial information.

Brokerage commissions on Client transactions may be directed to brokers in recognition of research furnished by them, although ACORE generally does not make use of such services at the current time and has not made use of such services since its inception. However, any such research services could include economic research, market strategy research, industry research, company research, fixed income data services, computer-based quotation equipment and research services and portfolio performance analysis.

To the extent that ACORE engages in any public securities transactions, orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. Where orders for ACORE Clients are completed independently, ACORE may also purchase or sell the same securities or instruments for several ACORE Clients simultaneously. From time to time, ACORE may, but is not obligated to, purchase or sell securities for several Client accounts at approximately the same time. Such orders may be combined or "batched" to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating ACORE Client is favored over any other ACORE Client. When an aggregated order is filled in

its entirety, each participating ACORE Client generally will receive the average price obtained on all such purchases or sales made during such trading day. When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a pro rata basis to each ACORE Client participating in such buy or sell order in accordance with the amount of securities originally requested for such ACORE Clients.

Each ACORE Client generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to pro rata allocations are permissible provided they are fair and equitable to ACORE Clients over time.

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**ITEM 13      REVIEW OF ACCOUNTS**

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The investments made by ACORE on behalf of its Clients are generally private, illiquid and long-term in nature. Accordingly, ACORE's review process is not directed toward a short-term decision to dispose of securities. However, ACORE actively monitors and manages the assets and performance of its Clients, as well as evaluates potential exit strategies and other means of adding value for Clients with respect to the invested assets. Reviews are incorporated into quarterly reports to ACORE's Clients and such reports typically contain financial information and summaries, performance, current investments, recent acquisitions, portfolio activity, detailed investment activity, and relevant developments in the property and financial markets.

ACORE will prepare reports to its Clients and private fund investors regarding their investments with ACORE in the form and containing such information as determined between the parties and agreed upon in the applicable Governing Documents.

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**ITEM 14      CLIENT REFERRALS AND OTHER COMPENSATION**

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ACORE has engaged multiple persons to act as a placement agent for Clients, either in connection with the offer and sale of interests in an ACORE Fund to certain potential investors or for the referral of potential Separate Account Clients. Such placement agents generally will receive a fee based on a percentage of (i) the capital commitments for interests in such ACORE Fund that are subsequently accepted by such ACORE Fund's general partner with respect to such potential investors and (ii) certain fees and distributions payable in respect of such investors or, as applicable, Separate Account Clients.

Fees and expenses payable to such placement agents will be borne by ACORE either directly or, in the case of an ACORE Fund, indirectly through a dollar-for-dollar offset against the management fee as described in Item 5 "*Fees and Compensation*" above. Placement agents soliciting third-party investors in the U.S. will be registered as broker-dealers with the SEC and placement agents soliciting third-party investors outside the U.S. will be registered with a non-U.S. regulatory body to the extent such registration is required in the applicable non-U.S. jurisdiction.



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**ITEM 15 CUSTODY**

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ACORE has a reasonable belief that certain Clients receive at least quarterly statements from the qualified custodian that holds and maintains Client assets. Clients who receive such statements should carefully review such statements and compare such official custodial records to any account statements that ACORE provides to Clients.

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**ITEM 16 INVESTMENT DISCRETION**

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ACORE will provide discretionary and non-discretionary investment advisory services to its Clients in accordance with, and subject to, the investment guidelines, objectives, limitations, other provisions and terms set forth in the applicable Client's Governing Documents.

Additionally, ACORE has entered into Side Letters with certain ACORE Fund investors whereby the terms applicable to such investor's capital commitment may be altered or varied, including, in some cases, to provide for reduced fees or the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. ACORE Separate Account Clients may negotiate limitations on ACORE's authority on a case-by-case basis.

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**ITEM 17 VOTING CLIENT SECURITIES**

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ACORE typically transacts in privately negotiated commercial real estate debt and securities and does not expect to vote proxies on behalf of its Clients, but has adopted proxy voting policies and procedures (the "**Proxy Policy**") to address how it will vote proxies, as applicable, for any Client's portfolio investments. The Proxy Policy seeks to ensure that ACORE votes proxies (or similar instruments) in the best interest of a Client including where there may be material conflicts of interest in voting proxies as further described below. ACORE believes that its interests are generally aligned with those of its Clients and therefore will not seek investor approval or direction when voting proxies. However, in the event that there is or may be a conflict of interest in voting proxies in a particular instance, the Proxy Policy provides that ACORE may address the conflict using several alternatives, including by seeking the approval or concurrence of the applicable Client, or, in the case of an ACORE Fund, its advisory board, on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by ACORE when voting proxies on behalf of an ACORE Client. If you would like a copy of ACORE's complete Proxy Policy or information regarding how ACORE voted particular proxies, please contact ACORE's Chief Compliance Officer at (415) 917-4418 and the information will be provided to you at no charge.

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**ITEM 18 FINANCIAL INFORMATION**

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ACORE does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.