

ITEM 1. Cover Page

AFF Fund Manager, LLC

Form ADV Part 2A: Firm Brochure

March 29, 2024

Important Disclosure: This brochure provides information about the qualifications and business practices of AFF Fund Manager, LLC ("AFF" or the "Firm") and its affiliates. If you have any questions about the contents of this brochure, please contact us at (770) 450-8742. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority. Registration as an investment adviser with the SEC does not imply a certain level of skill or training of AFF or its personnel.

Additional information about AFF is also available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2. Material Changes

There are no material changes to report since our last annual update on March 31, 2023.

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ITEM 4. Advisory Business

AFF is a limited liability company incorporated under the laws of Delaware. The Firm was formed in July 2012. AFF is an investment adviser with a principal place of business in Atlanta, Georgia. The Firm's sole member is The Ardent Companies LLC ("TAC"), a Georgia limited liability company.

The investment activities of AFF are led by Matthew Shulman, Dror Bezalel, and Todd Terwilliger, together the "Investment Committee".

AFF provides discretionary investment advisory services to clients (each, a "Fund" or a "Client" and, collectively, the "Funds" or "Clients") that are interested in investing in the acquisition, origination, and exit of real estate loans and securities. The Firm's goal is to achieve above-average risk adjusted returns to investors through originating and purchasing real estate backed debt instruments primarily: first or second position loans, mezzanine loans, and bridge loans. Target investments will predominantly be loans on commercial real estate, homebuilder finance, and acquisition and development.

Generally, the Firm does not expect to tailor its advisory services to the individual or particular needs of Clients. Such Clients will accept the terms of advisory services as set forth in each of the governing documents. The Firm expects to have broad investment authority with respect to its Clients and, as such, investors should consider whether the investment objectives of the Firm will be in line with their individual objectives and risk tolerance prior to investment.

When the Firm determines in its sole discretion to be appropriate to insulate the assets of the Funds against liabilities arising from particular investments, to minimize the tax liability of the Funds or the partners or for other reasons, the Funds may use special purpose entities to hold interests in investments (any such entities through which the Funds may own investments, a "Vehicle"). The terms of any such Vehicle that is created will be structured so as to effectuate the arrangements that would have applied to investments made by that Vehicle had such investments been made directly by the Funds.

The Funds may, due to tax, regulatory or other reasons, form alternative investment vehicles (each an "Alternative Investment Vehicle") to consummate and hold certain investments, and upon a request by the general partners, each limited partner will be required to transfer a portion of its commitment to such entity to carry out such transaction; provided, however, that, the overall economic and management terms of such entity and its operations must be consistent with the terms provided for investments made by the partners through the Funds, and such entities must provide the partners with limited liability comparable to investing through the Funds. Alternative Investment Vehicles may be limited liability companies, limited partnerships, real estate investment trusts ("REITs"), group trusts or other entities. No Alternative Investment Vehicle may be formed if it would be deemed to hold "plan assets" for purposes of ERISA. The general partners will be authorized, through powers of attorney, to carry out the foregoing on behalf of each limited partner. The expenses associated with establishing and maintaining an Alternative Investment Vehicle will be borne by the investors therein unless the general partners determine that such expenses should be borne by the Funds.

The Firm or its affiliates also may form parallel funds ("Parallel Funds"), with structures that may differ from that of the Funds (including differing rights such as different distribution rights), in order to facilitate certain categories of investors who, due to special tax or other concerns, are unable or unwilling to invest directly in the Funds. Parallel Funds will invest in investments on a side-by-side basis with the Funds on a proportionate basis with the Funds based on commitments that are available for investment (except to the extent there are regulatory prohibitions or restrictions with regard to such Investment). The contribution to such Parallel Funds by the general partners or their affiliates will reduce their commitment to the Funds. The expenses associated with establishing and maintaining a Parallel Fund will be borne by the investors therein.

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The Firm may, in its sole and absolute discretion, give (i) certain investors and/or (ii) Parallel Funds or affiliated co-investment vehicle an opportunity to co-invest in particular investments alongside the Funds in proportion to their respective cash invested into such investment; provided that the Firm will only offer co-investment opportunities if the investment opportunity otherwise falls outside of the Funds' investment guidelines. The terms of any such co-investment will be set by AFF.

AFF may receive (and retain without reducing any Management Fees payable by the Funds) fees and carried interest with respect to any such co-investment, which fees and carried interest shall be limited to those that would be received by them if such co-investments were made by the Funds.

AFF does not participate in wrap fee programs.

As of December 31, 2023, AFF managed approximately \$1.71 billion in regulatory assets on a discretionary basis.

ITEM 5. Fees and Compensation

AFF receives compensation from Clients equal to a fixed percentage per annum of the aggregate amount of invested capital allocable to assets owned by the Funds (the "Management Fee"). Invested capital means the aggregate amount of the Funds' capital contributions allocated to investments as increased from time to time to reflect capital contributions allocated to new investments and decreased from time to time (computed on an investment by investment basis) to reflect returns of capital relating to investments that have been disposed of or retired by complete repayment and write-offs of capital relating to investments that have been permanently written off. The Firm may, in its sole and absolute discretion, waive, reduce or delay payment of Management Fees related to any fiscal quarter. The general partners of the Funds, their members, and their respective affiliates will not bear any Management Fees. The Management Fee is generally deducted from the assets of the appropriate Fund, deducted from an investor's share of distributable proceeds, or capital is called from investors in respect of the Management Fee.

Any net origination or acquisition fees payable by a third party that are directly related to a consummated or proposed investment that are received by the Funds' general partners or AFF or any of their affiliates will be offset against and reduce future Management Fees (but not underwriting and servicing fees or co-investment fees and carried interest from co-investments received by the general partner or AFF). In the event that any such transaction fees received in any fiscal quarter by the general partner or AFF exceed the Management Fees payable with respect to the next succeeding quarter, the remainder of such transaction fees will be used to offset future Management Fees for future quarters. In addition, any profits earned by the general partner or its affiliates from services provided with respect to the Funds' investments will be offset against and reduce future Management Fees.

The Firm also receives an Incentive Allocation (the "Incentive Allocation") as discussed further in Item 6.

In addition to the Management Fee and Incentive Allocations, each Client will bear all of their organizational and offering expenses, including, but not limited to, printing, legal, accounting, and marketing expenses (including any expenses for which any placement agent is reimbursed but excluding Placement Costs), up to a maximum amount ("Organizational Expenses") as detailed in each Funds' governing documents. Organizational Expenses in excess of this amount, if any, will be borne by the Funds' general partners. The Funds will also pay fees or expenses due or paid to any placement agent or financial advisors related to the formation of the Fund ("Placement Costs"); provided, however, that the Management Fee will not be payable to the AFF or earned by AFF in an amount equal to the amount of any Placement Costs paid by the Funds.

The Funds will bear all expenses related to their operations, including travel costs, fees and other out-of-

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pocket expenses directly related to the investigation of investment opportunities (whether or not consummated), the acquisition, ownership, financing, hedging or sale of its investments, taxes, fees of auditors and counsel, expenses of any advisory committee or investment committee, insurance, litigation expenses, expenses associated with the accounting, preparation and distribution of reports to investors and any extraordinary expenses.

The Funds may, in the sole discretion of their general partners, retain third parties or its affiliates for necessary services relating to the assets held by the Funds. If TAC or any of its affiliates provides some or all of such services upon the approval of the advisory committee (the "Advisory Committee") comprised of representatives of each limited partner who has made an aggregate capital commitment of \$5 million or more and who have agreed to appoint a representative to the Advisory Committee and of other limited partners who have been designated by the general partners in their sole and absolute discretion, they will receive compensation at competitive market rates for first class providers of such services in the geographic markets in which the investments are located.

Neither AFF nor any of its supervised persons accept compensation for the sale of securities or other investment products.

Please refer to the relevant offering memoranda for a complete understanding of fees and expenses. The information contained herein is a summary only and is qualified in its entirety by the offering memoranda.

ITEM 6. Performance-Based Fees and Side-by-Side Management

AFF generally provides advisory services to Clients for an Incentive Allocation, which is individually negotiated. The aggregate amount of such Incentive Allocation is allocable from the net preferred return after payment of capital contributions to investors and the Funds' general partners as their carried interest.

Any Incentive Allocations charged by AFF comply with the requirements of Section 205 of the Advisers Act and all applicable rules thereunder. The fact that the Incentive Allocation is payable only out of increases in net preferred returns and carried interest may create an incentive for the Firm to select investments which are riskier or more speculative than would be the case in the absence of such fees. As such, AFF has implemented internal controls to address the potential for any conflicts associated with Incentive Allocations.

ITEM 7. Types of Clients

Generally, AFF provides investment advisory services to the Funds, which are privately offered pooled investment vehicles that are exempt from registration under the Investment Company Act of 1940, as amended. Fund investors are primarily high-net-worth individuals, institutional investors and family offices. Each investor is required to meet certain suitability requirements.

Typically, an initial commitment to the Funds range between \$100,000 to \$500,000, as set forth in the Funds' governing documents; however, AFF has the sole discretion to accept investments of a lesser amount and has done so from time to time.

ITEM 8. Methods of Analysis, Investment Strategies and Risk of Loss

AFF operates as a privately held real estate investment firm focused on risk adjusted returns. At its core, AFF has an extensive and diverse understanding of the real estate, corporate finance, and banking industries that provide multiple investment alternatives (loan and fee simple acquisition, bridge lending,

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development/stabilization). AFF has earned a reputation for being a dynamic buyer, capable of expeditious due diligence and creativity focused on reaching the closing table.

AFF's investment pipeline is predominately comprised of off-market opportunities brought through long-term relationships and previous sellers.

AFF will leverage TAC's extensive network of relationships to source deals. Fund investments will be focused where the AFF believes the Funds have a competitive advantage in underwriting, management, and market experience. Based upon identified market trends and advantages, AFF's investment strategy will place emphasis on the following asset types and strategies in order to achieve above-average returns:

Commercial Real Estate Recapitalization. AFF intends to invest in debt for the acquisition and/or recapitalization of un-stabilized commercial real estate. Debt Proceeds would be available to the borrower for tenant improvement and leasing costs associated with the short-term repositioning of the asset (18-24 months). The Fund investment would likely be paid off through permanent financing upon stabilization or sale of the asset.

Bank Note Acquisition. As the overall market improves, the volume of non-performing note sales has decreased. However, the improved health of regional and national lenders enables these institutions to more easily take losses on sub-performing loans providing an opportunity to purchase well-collateralized assets below face value. The Funds generally will invest in note acquisitions purchased at a discount to face value with a forecasted plan for resolution through a modification where the borrower's past performance indicates the ability to support current payments. Past experience of TAC has been to source such opportunities sourced from lenders as well as borrowers who have been offered attractive discounts on their debt but cannot meet the capital requirement within the required time frame.

Development/Repurpose. AFF has seen increased demand for bridge financing on large scale redevelopment projects. The scope and scale of the projects has traditionally required initial phases of development (and potentially acquisition) to be funded all equity. However, based on existing business lines and prior experience, AFF has the experience to evaluate, price and structure debt on such opportunities. It is advantageous to the borrower as they are able to maintain more control over projects by raising less equity, and it provides the Funds outsized returns with the enforceability of debt.

Homebuilder Finance. AFF's experience with homebuilder finance and asset management provides a unique opportunity to invest in such opportunities. Financing is usually for the acquisition or refinance of the borrower's existing debt with interest payments funded through the sale of existing lot and/or home inventory. Additionally, TAC Affiliates will provide bridge financing for acquisition and horizontal development (zoning, entitlements, etc.) required before the property can be refinanced by a traditional lender. Through AFF, the Funds will utilize the collective knowledge of TACs homebuilder affiliates to evaluate and price opportunities.

Expedited Timeline. AFF believes that the current due diligence and credit approval process of traditional lending institutions is insufficient. The Firm has previously developed infrastructure and processes focused on a thorough but expedited funding process. Through the implementation of an efficient and dynamic platform, the Firm will be able to evaluate and invest in opportunities with outsized returns.

AFF oversees the execution of the Funds' investment strategies using the following methodology:

- **Sourcing**
 - Capitalize on extensive network relationships
 - Identify complex, distressed and transitional real estate transactions
 - Identify and nurture "best in class" partners and borrowers

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▪ **Underwriting**

- Apply consistent and disciplined diligence and underwriting
- Ensure conformity with investment themes
- Develop and maintain proprietary research
- All investments subject to Investment Committee approval

▪ **Structuring**

- Maximize alignment of interests with partners and borrowers
- Use sophisticated structuring and documentation to enhance liquidity
- Identify multiple exit strategies
- Enhance loan security through personal guarantees and pledges of additional collateral

▪ **Asset Management**

- “Cradle to Grave” asset management provides continuity and accountability
- Frequent communication with, and assessment of, operating partners and borrowers
- Implement proactive, not reactive, asset management

▪ **Disposition**

- Ongoing monitoring of alternative exit strategies
- Understand market trends and impact terminal asset value and exit timing
- Fully-integrated asset management maximizes asset value

Investments in the Funds are highly speculative and involves a high degree of risk, including the risk of loss of an investor's entire investment. Investments in the Funds are suitable only for sophisticated investors who fully understand and are capable of bearing the risks of an investment in the Funds as an investor. No guarantee or representation is made that the Funds will achieve their investment objectives or investors will receive a return of their capital. Prospective investors should carefully consider the following description of certain risk factors and potential conflicts of interest. However, the following does not purport to be a complete examination and analysis of all of the risks involved in an investment, and other risks and conflicts not discussed below may arise in connection with the management and operation of the Funds. Prospective investors should read this in its entirety and review the Funds' offering documents before deciding whether to make investments in the Funds. Each investor is strongly urged to consult with such investor's attorneys and/or other professional and financial advisors prior to drawing any conclusions about these risks and/or investing in the Funds.

General Risks of Real Estate

The investments will be subject to the risks incident to the ownership and operation of real estate, including risks associated with the general economic climate, local real estate conditions (including the availability of excess supply of properties relative to demand), changes in the availability of debt financing, credit risk arising from the financial condition of tenants, buyers, and sellers of properties, geographic or market concentration, competition from other space, the ability of the AFF to manage the investments, government regulations such as changes in regulations governing land usage, improvements, zoning, and environmental issues), liability arising out of the presence of certain construction materials, uninsurable losses, and fluctuations in interest rates. The Funds or their subsidiary entities could incur the burdens of ownership of real property, which include paying expenses and taxes, maintaining the Investments, and ultimately disposing of the Investments. The possibility of partial or total loss of capital will exist, and prospective investors should not subscribe unless they can readily bear the consequences of such loss.

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Real estate historically has experienced fluctuations and cycles in value, and local market conditions may result in reductions in the value of real property. The marketability and value of real property will depend on many factors beyond the control of the Firm, including changes in general or local economic conditions in various markets; changes in supply of, or demand for, competing properties in an area; changes in interest rates; the promulgation and enforcement of governmental regulations relating to land-use and zoning restrictions; issues relating to environmental protection and occupational safety; condemnation or other taking of property by the government; unavailability of mortgage funds, that may render the sale of an investment difficult; the financial condition of tenants, buyers, and sellers of investments; changes in real estate tax rates and operating expenses; the imposition of rent controls; energy and supply shortages; the availability and cost of property insurance, including insurance covering earthquake and acts of terrorism; and various uninsured or uninsurable risks and acts of God, natural disasters and other uninsurable losses. In addition, general economic conditions, as well as conditions of domestic and international financial markets, may adversely affect the operations of the Fund. Furthermore, should the value of the Funds' investments decline, the Firm may need to consider disposing of investments at inopportune times or using capital contributions to repay indebtedness in order to maintain compliance with debt covenants. There can be no assurance that there will be a ready market for the resale of investments, because investments generally may not be liquid. Illiquidity may result from the temporary interruption, deterioration or abolishment of an established market for the Investments, as well as legal or contractual restrictions on their resale by the Funds. Additionally, partial or complete sales, transfers, or other dispositions of investments that may result in a return of capital or the realization of gains, if any, are generally not expected to occur for a number of years after an investment is made. Accordingly, investment in the Funds require long-term commitments, with no certainty of return.

Investment Risks

Unspecified Investments. There can be no assurance that the Firm will be able to identify investments on satisfactory terms, or that any of the properties or other investment opportunities identified by the Firm will ultimately be purchased by the Funds. Identifying attractive investment opportunities and performing due diligence with respect to prospective investments will require significant expenditures that will be borne by the Funds whether or not the investment is made. In addition, acquiring investments may require the Funds to participate in a significant number of auctions or other forms of competitive bids, which are also expected to require significant expenditures, including expenses relating to legal fees and the fees of third party advisors. Moreover, even if investments are made, the returns may not be realized by the Funds for a period of several years.

Identification of Suitable Investments. The success of the Funds depend on the identification and availability of suitable investments. The availability of investments will be subject to market conditions and other factors outside the control of the Funds and the Firm. Moreover, the historical performance of any investment is not a guarantee or indication of its future performance.

Lack of Diversification. There is no assurance as to the degree of diversification that will be achieved in the assets underlying the Funds' investments, either by geographic region or asset type. Notwithstanding such requirement, the Funds' investments may be concentrated in a single geographical location and will be invested solely in commercial properties. In addition, the Funds may invest in a limited number of investments or in one or more very large investments, and as a consequence, the aggregate returns realized by the Funds may be adversely affected by the performance of a small number of such assets. For example, if a Fund makes an investment with the intent of refinancing or selling a portion of the investment, there is a risk that the Funds will be unable to successfully complete such refinancing or sale. This could lead to increased risk as a result of the Funds having an unintended long-term investment and reduced diversification. The Funds may also be less diversified if it raises less capital than anticipated.

Alternative Investment Vehicles. To the extent necessary to address tax or regulatory considerations, the Firm has the authority to structure investments through alternative investment vehicles other than the

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Funds. The rights of the investors in, and the obligations and duties of the Firm or manager of, the alternative investment vehicle may differ from those applicable to the Funds by virtue of the specific terms, or jurisdiction of the establishment of, the alternative investment vehicle. In addition, the structural attributes of certain alternative investment vehicles may result in divergent return characteristics for certain investors.

Dilution from Subsequent Closings. Investors subscribing for interests at subsequent closings and investors increasing their capital commitment will participate in existing investments of the Funds, diluting the interest of existing investors therein. Although such investors will contribute their pro rata share of previously made Fund capital contributions (plus interest thereon), there can be no assurance that this payment will reflect the full fair value of the Fund's existing investments at the time such additional investors subscribe for interests in the Funds. In addition, with respect to a subsequent closing at which the amount to be contributed by any investor being admitted is determined based on the current fair market value of the Fund's assets less debt (instead of using the amount of the capital contributions of the previously admitted Partners), there can be no assurance that the fair market value determined by the advisory committee is correct. No independent appraisal will be used in determining such fair market value used for determining the capital contributions of investors admitted at such subsequent closing.

Separate Agreements with Investors. The Firm, may, in its sole discretion, enter into agreements on behalf of the Funds that modify or supplement an investor's rights and obligations with respect to its investment in a Fund (each such agreement, a "Side Letter"). There is no "most favored nations" clause applicable to all the investors generally, and no investor shall be entitled (except as provided in such investor's Side Letter) to any rights or obligations agreed to by the Firm with another investor in such other investor's Side Letter.

Refurbishment, Redevelopment and Construction Delays and Increased Costs. Fund borrowers could be subject to uncertainties associated with authority approvals required for redevelopment, environmental concerns of governmental entities and/or community groups, and the contractor's ability to build or redevelop in conformity with plans, specifications, budgeted costs and timetables. If a contractor fails to perform, the borrower could resort to legal action to rescind the purchase or the construction contract or to compel performance. A builder's performance may also be affected or delayed by conditions beyond the builder's control. Delays in completing construction could also give tenants the right to terminate preconstruction leases that could impair the Funds' collateral or their investments. The Funds may incur additional risks when it makes periodic advances to builders before they complete construction. These and other factors can result in increased costs of an investment or loss of the Funds' investments. In addition, the Funds would be subject to normal lease-up risks relating to redeveloped or refurbished investments. The Funds also must rely on rental income and expense projections and estimates of the fair market value of property upon completion of construction or redevelopment if it were to agree upon a payoff price in lieu of foreclosure.

Investment in Distressed Assets. The Funds may make investments in under-performing or other distressed assets utilizing leveraged capital structures or purchase loans relating to real estate assets. By their nature, these investments will involve a high degree of financial risk, and there can be no assurance that the Funds' return objectives will be realized or that there will be any return of capital. Furthermore, investments in properties operating in workout modes or under Chapter 11 of the U.S. Bankruptcy Code are, in certain circumstances, subject to certain additional potential liabilities that may exceed the value of the Funds' original investment. In addition, under certain circumstances, payments to the Funds and distributions by the Funds to investors may be reclaimed if such payments or distributions are later determined to have been fraudulent conveyances or preferential payments. Numerous other risks also arise in the workout and bankruptcy contexts.

The Funds' investment activities, particularly involving companies in distressed situations, may result in it becoming involved as a creditor in bankruptcy cases. In addition, the Funds may purchase securities or

assets of, or claims against, companies in bankruptcy.

Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court would not approve actions that may be contrary to the interests of the Funds. For example, bankruptcy courts have the power to terminate leases, and the Funds or their borrowers could become an unsecured creditor for any back rent owed by a bankrupt tenant.

Generally, the duration of a bankruptcy case can only be roughly estimated. The reorganization of a company usually involves the development and negotiation of a plan of reorganization, plan approval by creditors and confirmation by the bankruptcy court. This process can involve substantial legal, professional and administrative costs to the Funds in bankruptcy, as the reorganization is subject to unpredictable and lengthy delays. The debt of companies in financial reorganization will in most cases not pay current interest, may not accrue interest during the reorganization and may be adversely affected by an erosion of the debtor's fundamental value drivers. Investments in such companies or being a creditor of such companies can result in a total failure to realize the economic benefit of such investment or contract giving rise to the creditor relationship.

U.S. bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in reorganization for purposes of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that the Funds' influence with respect to a class of claims can be lost by the inflation of the number and the amount of claims in, or other gerrymandering of, the class. In addition, certain administrative costs and claims that have priority over the claims of certain creditors (for example, claims for taxes) may be quite high.

The Funds run additional risks in bankruptcy to the extent that certain of the Funds' investments may be subordinated to senior lenders, and, in the case of mezzanine loans, such investments may be treated solely as equity in limited circumstances. Furthermore, distributions made to the Funds in respect of such investments, and distributions by the Funds to its investors, could be recovered if such distributions are found to be a "fraudulent conveyance" (which does not require a finding of actual fraud) or a preferential payment under the Bankruptcy Code. Bankruptcy laws may delay the ability of the Funds to realize on collateral for loan positions held by it or may adversely affect the priority of such loans through doctrines such as equitable subordination or may result in a restructuring of the debt through principles such as the "cram down" provisions of the bankruptcy laws. Subordinate lenders are typically required to enter inter-creditor or other agreements with senior lenders or senior noteholders, and to enter into such agreements in connection with participation and syndication interests. These agreements would deprive the subordinate lenders of any influence in the bankruptcy proceedings. For example, in the event of a default under a syndication or participation interest, typical inter-creditor language would provide that most of the important mortgage loan control rights (including the right to approve a workout plan for the property) are exercised by majority voting rights, with certain fundamental rights requiring unanimous approval. In the event of a default under the mortgage loan above a subordinate debt interest, most of the important mortgage loan control rights (including the right to approve a workout plan for the property) reside with the first loss note holder, who would generally retain these rights unless certain trigger events occur. Thus, the Funds may be deprived of any control or influence over its investment if the entity in which the Funds invested files for bankruptcy protection.

Local Market Conditions. The Funds may make investments in debt of a borrower who may be relying heavily on the performance of certain specific local markets. The performance of these markets will depend, in part, upon events and factors outside the control of the Funds, including, without limitation, local market and economic conditions which may significantly affect rents and vacancy rates and the value of the collateral for an Investment. Accordingly, the Funds' performance and their ability to make distributions to the investors could be materially and adversely affected by market and economic conditions in these geographic areas. The risks that may further affect conditions in these geographic areas include the

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following:

- The local economic climate (which may be adversely affected by industry slowdowns, decreases in government spending, and other factors);
- Downturn in the economy;
- The local real estate conditions (such as an oversupply of properties);
- A decline in business growth that adversely affects occupancy or rental rates;
- The inability or unwillingness of tenants to pay rent increases;
- An adverse change in local governmental procedures; and
- The local rental market may limit the extent to which rents may be increased to meet increased expenses without decreasing occupancy rates.

Any of these risks could adversely affect the Funds' ability to achieve its desired yields on their investments and to make expected distributions to the investors because the Funds' collateral could be impaired.

Costs of Complying with Governmental Laws and Regulations, Including Potential Environmental Liability. Real property and the operations conducted on real property are subject to federal, state and local laws and regulations relating to, among other things, environmental protection, human health and safety and access by persons with disabilities. The Funds could be subject to liability in the form of fines or damages for noncompliance with these laws and regulations if it owns property (or its borrowers could suffer such liability), even if the Funds did not cause the events(s) resulting in liability.

Environmental Laws Generally. Environmental laws and regulations generally govern wastewater discharges, air emissions, the operation and removal of underground and above-ground storage tanks, the use, storage, treatment, transportation and disposal of solid hazardous materials, the remediation of contaminated property associated with the disposal of solid and hazardous materials and other health and safety-related concerns. Some of these laws and regulations may impose joint and several liabilities on tenants, owners or operators of real property for the costs to investigate or remediate contaminated properties, regardless of fault, whether the acts causing the contamination were legal, whether the contamination was present prior to a purchaser's acquisition of a property, and whether an owner knew of such contamination. The tenants' and borrowers' operations can affect the value of the collateral available to repay the Funds' investments, the conditions of operations in the vicinity of the Funds' collateral, such as the presence of underground tanks, or activities of unrelated third parties may affect the value or performance of the borrowers under the Funds' investments, impairing the Funds' collateral.

Hazardous Substances. The presence of hazardous substances (on owned real estate and on real estate that is subject to notes owned by the Funds), or the failure to properly remediate these substances, may hinder the Funds' ability to sell, rent or pledge investments as collateral for future borrowings. Any material expenditures, fines, or damages that the Funds must pay will reduce the Funds' ability to make distributions and may reduce the value of an investment in the Funds. Additionally, compliance with new laws, ordinances or regulations may impose material environmental liability.

Asbestos Containing Materials. Certain U.S. federal, state, and local laws, regulations and ordinances govern the removal, encapsulation or disturbance of asbestos containing materials ("ACMs") when such materials are in poor condition or in the event of construction, remodeling, renovation, or demolition of a building. Such laws may impose liability for release of ACMs and may provide for third parties to seek recovery from owners or operators of real property for personal injury associated with ACMs. In connection with its possible ownership and operation of real estate acquired after an investment defaults, the Funds may incur costs associated with the removal of ACMs or liability to third parties.

Liquidity Issues. The Funds' investments will be illiquid for a considerable period of time. Illiquidity may result from the absence of an established market for the particular investment. The inability to timely

dispose of underperforming Investments may have a material adverse effect on the performance of the Funds.

Lending Risks

CRE Securities. The Funds may invest in a variety of CRE securities, including CMBS, that are subordinate securities subject to potential deterioration in value if any losses are realized on the underlying mortgage loans. CMBS entitle the holders thereof to receive payments that depend primarily on the cash flow from a specified pool of commercial or multifamily mortgage loans. Consequently, CMBS and other CRE securities will be adversely affected by payment defaults, delinquencies and losses on the underlying mortgage loans, which increase during times of economic stress and uncertainty. Furthermore, if the rental and leasing markets deteriorate, including by decreasing occupancy rates and decreasing market rental rates, it could reduce cash flow from the mortgage loan pools underlying the Fund's CMBS investments. The market for CRE securities is dependent upon liquidity for refinancing and may be negatively impacted by a slowdown in new issuance.

Additionally, CRE securities such as CMBS may be subject to particular risks, including lack of standardized terms and payment of all or substantially all of the principal only at maturity rather than regular amortization of principal. Additional risks may be presented by the type and use of a particular commercial property. Commercial property values and net operating income are subject to volatility, which may result in net operating income becoming insufficient to cover debt service on the related loans, particularly if the economic environment continues to deteriorate. The repayment of loans secured by income-producing properties is typically dependent upon the successful operation of the related real estate project rather than upon the liquidation value of the underlying collateral.

Furthermore, the net operating income from and value of any commercial property are subject to various risks. The exercise of remedies and successful realization of liquidation proceeds relating to CRE securities may be highly dependent upon the performance of the CMBS issuance's servicer or special servicer. Expenses of enforcing the underlying mortgage loan (including litigation expenses) and expenses of protecting the properties securing the loan may be substantial. Consequently, in the event of a default or loss on one or more loans contained in a securitization, the Fund may not recover a portion or all of its investment.

Risks of CRE Debt Capital Markets. CRE securities, including CMBS, in which the Funds may invest are subject to the risks of the CRE debt capital markets as a whole and risks of the securitization process. The value of CRE securities may change due to shifts in the market's perception of issuers and regulatory or tax changes adversely affecting the CRE debt market as a whole. Due to the Funds' potential investment in subordinate CRE securities, the Funds may also be subject to several risks created through the securitized financing transaction process. Subordinate CMBS, for example, will be paid only to the extent that there are funds available to make payments. To the extent the collateral pool includes delinquent loans, there is a risk that the payment on the Funds' subordinate CMBS will not be fully paid, if paid at all. While the Funds expect all of their CRE securities investments will present credit risk, the Funds' subordinate CRE securities will also be subject to greater credit risk than those CRE securities that are senior and more highly rated.

Special Servicing of Mortgage Loans. The Funds may not control the special servicing of the mortgage loans or other debt underlying the CRE securities in which the Funds may invest and, in such cases, the special servicer may take actions that could adversely affect the Fund's interests. Overall control over the special servicing of the mortgage loans or other debt underlying the CRE securities in which the Funds may invest may be held by a directing certificate holder, which is typically appointed by the holders of the most subordinate class of such CRE securities then outstanding. The Funds ordinarily will not have the right to appoint the directing certificate holder. In connection with the servicing of the specially serviced loans, the related special servicer may, at the direction of the directing certificate holder, take actions that could adversely affect the Funds' interests.

ITEM 9. Disciplinary Information

Neither AFF nor any of its management persons have been involved in any legal or disciplinary events that are material to a Client, investor, prospective Client or prospective investor's evaluation of the Firm's advisory business or the integrity of its management.

ITEM 10. Other Financial Industry Activities and Affiliations

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

Neither AFF nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

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

The Firm has adopted a Code of Ethics (the "Code") to comply with Rule 204A-1 under the Advisers Act which sets forth standards of business and personal conduct for all AFF employees. The Code is predicated on the basic idea that employees of AFF will adhere to certain ethical and fiduciary standards and will conduct their affairs in accordance with the principles of professionalism, integrity, honesty and trust.

The Code establishes policies and procedures that are reasonably designed to: (i) prevent fraud and improper personal trading; (ii) identify circumstances that may result in an actual or potential conflict of interest or the appearance thereof; and (iii) provide a means to resolve such conflicts. Investors and prospective investors may request a copy of the Code by contacting AFF at the address or telephone number listed on the first page of this brochure.

AFF may advise on investments in which it and/or its affiliates directly or indirectly have or will have financial interest. All transactions made by employees are closely monitored on an ongoing basis by the Chief Compliance Officer or his designee to ensure pre-clearance has been sought and obtained when required, and to ensure the personal trading patterns of employees fall within the guidelines set forth in the Code.

Personal trading transactions by employees may raise potential conflicts of interest when such persons trade in a security that is owned by, or considered for purchase or sale for, a Client. The Firm has adopted policies and procedures designed to detect and prevent such conflicts of interest and, when they do arise, to ensure that it effects transactions for Clients in a manner that is consistent with its fiduciary duty to its Clients and in accordance with applicable law.

ITEM 12. Brokerage Practices

AFF does not make regular use of broker-dealers for the purposes of purchasing or selling securities on behalf of its Clients, as the securities that the Firm typically purchases or sells on behalf of its Clients are acquired and/or disposed of in privately negotiated purchases and sale transactions.

AFF does not engage in soft dollar arrangements with broker-dealers.

The Firm does not aggregate the purchase or sale of securities for client accounts.

ITEM 13. Review of Accounts

Each investment portfolio is frequently monitored and reviewed by AFF's investment professionals.

A review of an investment portfolio, other than described above, may also be triggered by material changes in key variables, such as changes in market conditions, changes in investment objectives or policies or changes in capital inflows/outflows, among other things.

Audited financial statements are provided to investors, generally within 120 days of the end of the Firm's fiscal year. Capital statements are provided to investors on at least a quarterly basis.

ITEM 14. Client Referrals and Other Compensation

The Firm does not receive an economic benefit from non-Clients for providing investment advice or other advisory services to the Clients.

Neither AFF nor any related person directly or indirectly compensate any person who is not a supervised person for Client referrals.

ITEM 15. Custody

With respect to the management of investments for the Funds, AFF or the general partners have, or may be deemed to have, custody of certain monies or securities of the Funds. Rule 206(4)-2 under the Advisers Act (the "Custody Rule"), imposes specific conditions on AFF as a registered investment adviser with respect to those securities and other assets that fall under the purview of the Custody Rule and are held by the Funds. AFF adheres to the applicable requirements of the Custody Rule with respect to each Fund for which it or an affiliate serves as general partner or managing member. All Fund securities and other assets that fall under the purview of the Custody Rule are held in the applicable Fund's name or by AFF or its affiliates as agent or trustee for the Funds with a qualified custodian, to the extent required by the Custody Rule. In addition, AFF delivers to all investors (or other beneficial owners) in each of the Funds an audited financial statement for their Fund, with a written opinion of an independent public accountant, in accordance with generally accepted accounting principles, on an annual basis and within 120 days of each Fund's fiscal year-end.

ITEM 16. Investment Discretion

AFF exclusively manages the business of the Funds and has discretionary investment authority to manage the making of new investments by the Funds and the management of the existing investments held by the Funds. Generally, this discretionary authority is provided for in each Fund's governing documents and the investment management agreement with AFF and is subject to the terms and limitations thereon set forth in such agreements. Please refer to Item 4 of this brochure for information regarding AFF's advisory business.

ITEM 17. Voting Client Securities

AFF generally does not accept the authority to vote its Clients' securities (i.e., proxies) on their behalf.

If the Firm is asked to vote on a proxy or corporate action, it will make a determination, in its opinion, as to what vote is in the best interest of the Clients. AFF will maintain a written record of any proxy/corporate

action on which it votes.

ITEM 18. Financial Information

AFF does not require or solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance and therefore has not included a balance sheet.

AFF does not believe that there are any conditions that are reasonably likely to impair its ability to meet contractual commitments to the Clients.

AFF has never been the subject of a bankruptcy petition.

ITEM 19. Requirements for State-Registered Advisers

This Item is not applicable to AFF.