

**INVESTMENT ADVISER BROCHURE**

**AJ CAPITAL MANAGEMENT LLC**

**429 CHESTNUT ST.  
#100  
NASHVILLE, TN 37203  
WWW.AJCPT.COM**

**March 30, 2024**

**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of AJ Capital Management LLC, a Delaware limited liability company. If you have any questions about the contents of this Brochure, please contact us at 312-267-4185. 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.**

**AJ Capital Management LLC 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 AJ Capital Management LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2 — MATERIAL CHANGES**

AJ Capital Management LLC is filing this annual amendment to Form ADV to reflect updated regulatory assets under management and to make certain routine updates. While there are no material changes to this brochure since AJ Capital Management LLC last filed its most recent Form ADV Part 2A on March 31, 2023, we recommend you read this brochure in its entirety. In addition to routine updates to the Brochure, this annual amendment includes updates to disclosures on the investment strategies and associated risks.

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#### ITEM 4 —ADVISORY BUSINESS

AJ Capital Management LLC, a Delaware limited liability company (the “**Investment Manager**”), and its advisory affiliates provide investment advisory services to investment funds privately offered to qualified investors in the United States and elsewhere. The Investment Manager commenced investment advisory operations in December 2017. AJ Capital Management LLC, which is headquartered in Nashville, Tennessee, is the registered investment advisory affiliate of Adventurous Journeys LLC d/b/a AJ Capital Partners, a vertically-integrated real estate developer and owner.

The Investment Manager has affiliated general partner and manager entities (each a “**General Partner**” or “**Manager**”). The Investment Manager is also affiliated with a relying adviser entity, AJ Investment Manager LLC (the “**Relying Adviser**”), which is registered under the Advisers Act pursuant to the Investment Manager’s registration. The General Partner, Manager, and Relying Adviser together with the Investment Manager will be referred to in this Brochure as “**AJ Capital**”. AJ Capital is subject to the Advisers Act pursuant to the Investment Manager’s registration in accordance with SEC guidance. This Brochure also describes the business practices of the General Partners, Managers, and Relying Adviser which operate together with the Investment Manager as a single advisory business.

AJ Capital’s clients include pooled investment vehicles (each a “**Fund**” and together the “**Funds**”). The Funds are private real estate funds and invest through negotiated transactions in properties and other real estate-related securities and assets, generally referred to herein as “portfolio investments.” AJ Capital’s investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing, and monitoring investments and achieving dispositions for such investments.

AJ Capital’s advisory services are detailed in the applicable private placement memoranda or other offering documents (each, a “**Memorandum**”), investment management agreements, limited partnership or other operating agreements or governing documents (each, a “**Partnership Agreement**”) (collectively, the “**Governing Documents**”) and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Investors in the Funds participate in the overall investment program for the applicable Fund. A Fund or AJ Capital reserve the right to enter into side letters or other similar agreements with certain investors that have the effect of establishing rights (including with respect to the Management Fee (as defined below), other economic provisions or other terms) under, or altering or supplementing the terms of, the relevant Partnership Agreement with respect to such investors.

Additionally, as permitted by the relevant Governing Documents, AJ Capital has the ability to provide (or agrees to provide) co-investment opportunities (including the opportunity to participate in co-invest vehicles) to certain investors or other persons, including other sponsors, market participants, finders, consultants and other service providers, portfolio investment management and personnel, AJ Capital’s personnel and/or certain other persons associated with AJ Capital and/or its affiliates (*e.g.*, a vehicle formed by AJ Capital’s principals to co-invest alongside a particular Fund’s transactions). Such co-investments typically involve investment and

disposal of interests in the applicable portfolio investment at the same time and on the same terms as a Fund making the investment. However, for strategic and other reasons, a co-investor or co-invest vehicle may purchase a portion of an investment from one or more Funds after such Funds have consummated their investment in the portfolio investment (also known as a post-closing sell-down or transfer). Any such purchase from a Fund by a co-investor or co-invest vehicle generally occurs shortly after the Fund's completion of the investment to avoid any changes in valuation of the investment. Where appropriate, and in AJ Capital's sole discretion, AJ Capital is authorized to charge interest on the purchase to the co-investor or co-invest vehicle, and to seek reimbursement to the relevant Fund for related costs in accordance with the relevant Fund's Governing Documents. However, to the extent any such amounts are not so charged or reimbursed (including charges or reimbursements required pursuant to applicable law), they generally will be borne by the relevant Fund.

As a general matter, each Fund is managed in accordance with its investment objectives, strategies and guidelines as set forth in its Governing Documents and is not tailored to the individual needs of any particular investor and an investment in a Fund does not, in and of itself, create an advisory relationship between the investor and AJ Capital. The information provided herein about the investment advisory services provided by AJ Capital is qualified in its entirety by reference to the Governing Documents and the Funds' subscription agreements.

AJ Capital is principally owned and controlled by Ben Weprin. As of December 31, 2023, AJ Capital managed approximately \$2,173,461,555 in client assets on a discretionary basis.

## **ITEM 5 — FEES AND COMPENSATION**

In general, AJ Capital or its affiliate receives a management fee and a carried interest in connection with the provision of advisory services provided to its Funds. AJ Capital or its affiliates also receive additional compensation in connection with management and other services performed for portfolio investments, and a Fund's share of such additional compensation (not including any Services Fees, as defined herein) generally will offset in whole or in part the Management Fees (as defined below) otherwise payable to AJ Capital. Investors in a Fund also bear certain expenses.

### **Management Fees**

Generally, each of the Funds pay AJ Capital a management fee (the "**Management Fee**") equal to 2.0% on an annual basis of aggregate investor capital commitments ("**Commitments**") to the applicable Fund, either deducted from the Funds quarterly in advance or monthly in advance, as further described in each Fund's Governing Documents. The aggregate annual Management Fee of 2.0% of Commitments may be structured as a partial payment from limited partners of a Fund, from a Fund directly and/or from vehicles (e.g., a subsidiary REIT) through which a Fund invests or some combination thereof, as further described in each Partnership Agreement. For certain Funds, investors participating in a closing after the initial closing generally bear the Management Fee from the initial closing date, including interest thereon. For certain Funds, upon a date specified in the Governing Documents (the "**Stepdown Date**") the Management Fee will

equal 2.0% of aggregate funded Commitments (including capital committed to a Fund investment, whether or not drawn down), as reduced by permanent write-offs and distributions constituting returns of capital under the applicable Partnership Agreement. The Management Fee will be payable until the dissolution of a Fund or until AJ Capital's relationship with the Fund is terminated for other reasons (as described in the relevant Partnership Agreement). Any refund or adjustment upon such termination will be determined based on the terms of the relevant Partnership Agreement. Installments of the Management Fee payable for any period other than a full three-month period are adjusted on a pro rata basis according to the actual number of days in such period. Where the Governing Documents calculate Management Fees based on the amount of Commitments or the amount of funded Commitments (as more fully described above), the amount of Management Fees generally will not be reduced based on reductions in investment value, except where specified by the relevant Governing Documents. As a general matter, Management Fees will be payable during term extensions unless otherwise agreed with investors. A Fund or AJ Capital generally enters into side letters or other similar agreements with certain investors that have the effect of establishing rights, including a reduction, with respect to Management Fees.

As is generally the case in private funds, the Governing Documents provide that a Fund's Management Fees will be calculated and charged on a basis that generally is not tied to the Fund's then-current net asset value. As further specified in the Governing Documents, from the effective date of the relevant Fund until the Stepdown Date, Management Fees generally will be charged based on a formula tied to the amount of the relevant Fund's aggregate Commitments. Further, after the Stepdown Date, Management Fees generally will be charged and calculated based on a formula tied to the amount of investment contributions (including, where applicable, a Fund borrowing component) made by the relevant Fund relating to the Fund's aggregate investment(s) in its portfolio investments that have not been realized, permanently written down or completely written off (such investments, "**Impaired Value Investments**").

Under the Governing Documents, where the fair market value of an investment exceeds the total amount of investment contributions relating to such investment, post-Stepdown Date Management Fees will not be calculated based upon such appreciated value, and will instead continue to be calculated based on the amount of such investment contributions. Conversely, the Governing Documents do not require Management Fees to be reduced or refunded following the occurrence of a writedown, decrease (including a significant decrease) in fair value or other event not constituting a complete realization, such as a reorganization, roll-over investment in connection with a sale or dividend distribution, except in the case of investments meeting the relevant Impaired Value Investment standard under the Governing Documents. For the avoidance of doubt, following the Stepdown Date, if the fair market value of an Impaired Value Investment is less than the total amount of investment contributions relating to such Impaired Value Investment, then the amount of Management Fees otherwise payable relating to such investment will be reduced solely based on the ratio of the fair market value of each relevant remaining investment(s) as compared against the amount of total investment contributions relating to such investment(s).

As a result, and as is generally the case for private funds, the amount of Management Fees generally will not correspond with fluctuations in the net asset value of individual investments or

of a Fund, including following the relevant investment period, and will not be reduced in connection with any write downs (whether temporary or permanent), except in the case of Impaired Value Investments. Except where the Governing Documents expressly provide to the contrary, Management Fees will not be reduced (in whole or in part) in the case of partial distributions (e.g., those resulting from a dividend recapitalization) or reorganizations, restructurings, roll-over investments, extraordinary dividends or similar transactions or in circumstances where one or more other Fund(s) divest their respective investment(s) in the relevant portfolio investment, whether in whole or in part, in each case in circumstances that do not result in the complete disposition of the relevant Fund's interest therein, and even in cases where the value of the Fund's investment or the Fund's ownership percentage in such investment has been reduced (including substantially reduced) as a result of such transaction. In many circumstances, the post-Stepdown Date Management Fee base will include capitalized transaction-specific expenses of unrealized investments. Further, Management Fees generally will not be reimbursed or refunded under the Governing Documents in the event of realizations, dispositions or partial write-downs or write-offs that occur partway through the relevant calculation period.

The Governing Documents set forth the full list of terms under which Management Fees will be reduced, offset or otherwise be limited, and investors should expect to bear the full specified Management Fee rate in the Governing Documents until they are reduced in the circumstances and on the date(s) specified therein.

As further described in the applicable Partnership Agreement, AJ Capital, or its affiliated advisory entities are permitted to receive certain supplemental fees and compensation (including monitoring fees, break-up fees and/or other similar compensation) (such fees, "**Special Fees**") with respect to portfolio investments. The Management Fee for a Fund will be reduced by an amount equal to such Fund's share of Special Fees (net of any unreimbursed expenses incurred in connection with such portfolio investment) paid to AJ Capital. To the extent that such an offset credit would reduce a Fund's Management Fee for a given quarter below zero, the credit will be carried forward for future application against payable Management Fees, and if a credit remains upon dissolution, a payment will be made to limited partners that have not elected to waive such amount for tax or other reasons. Unless otherwise agreed with investors, Special Fees generally will be payable without further offset during term extensions, even if Management Fees are reduced or eliminated during the extended term.

AJ Capital also receives Special Fees from, on behalf of or with respect to co-investors in an investment. The portion of any such fees received attributable to amounts co-invested (or on behalf of or with respect to any co-investors in a Fund investment) will not reduce the Management Fee payable by any Fund(s) that have also invested in such investment, and as a result a Fund will, in most cases, only benefit with respect to its allocable portion of any such fee and not the portion of any fee that relates to such co-investors (which could include co-investment vehicles managed by AJ Capital, third parties, service providers to such portfolio investment or personnel and/or others).

In addition, as further described in the applicable Partnership Agreement, certain affiliates of AJ Capital currently, or may in the future, provide certain services including, but not limited to,

customary real estate property development and related services in connection with a Fund's portfolio investments, including lender guarantees, property development, design, leasing, marketing, brand licensing, property management and other similar services. For example, AJ Capital or its affiliates typically provide property development or re-development services in connection with a Fund property and receive a development fee equal to a specified percentage of the aggregate amount of certain costs, including hard costs, construction-related soft costs, costs related to furniture, fixtures and equipment, costs related to operating supplies and equipment, pre-opening expense, in each case, as further described in a Fund's Partnership Agreement. Additionally, in connection with certain Fund investments, AJ Capital is permitted to charge certain brand licensing and brand marketing fees, as described in a relevant Fund's Partnership Agreement. In the event that AJ Capital or its affiliates provide such services, they are expected to receive fees in connection with the provision of such services in accordance with the applicable Partnership Agreement (such fees, "**Services Fees**"). Such Services Fees are separate from and in addition to any other compensation received by AJ Capital or its affiliates for the provision of investment advice, and no portion of such Services Fees will offset the Management Fee payable to AJ Capital.

### **Carried Interest**

The manner of calculation of such Carried Interest is disclosed in Partnership Agreements and can vary by Fund. Generally, AJ Capital or its affiliate will receive a carried interest ranging from 20%-35% of all realized profits, subject to a annually compounded preferred return ranging from 8%-25%, as more fully described in the applicable Partnership Agreements. The carried interest distributed to AJ Capital is subject to a potential giveback at the end of life of a Fund if the General Partner has received excess cumulative distributions. A Fund or AJ Capital reserve the right to enter into side letters or other similar agreements with certain investors that have the effect of establishing rights, including a reduction, with respect to carried interest.

To the extent that AJ Capital personnel are assigned varying percentages of carried interest from the Funds, such personnel are subject to potential conflicts of interest, to the extent they are involved in identifying investment opportunities as appropriate for Funds from which they are entitled to receive a higher carried interest percentage.

AJ Capital seeks to address the potential for conflicts of interest in these matters with allocation practices that provide that transactions and investment opportunities will be allocated to the Funds in accordance with each Fund's investment guidelines and Governing Documents, as well as other factors that do not include the amount of performance-based compensation received by AJ Capital or any personnel.

### **Other Information**

AJ Capital is permitted to exempt certain investors in a Fund from payment of all or a portion of Management Fees and/or carried interest, including AJ Capital, its affiliates and any other person designated by AJ Capital. Any such exemption from Management Fees and/or carried interest may be made by a direct exemption or indirectly through an investment in a co-investment



vehicle. For example, in instances where an AJ Capital professional or its affiliate invests in a Fund, such professional or its affiliate generally will be exempt from payment of all or a portion of the Management Fee and/or carried interest with respect to such Fund.

As further described in the Governing Documents of a relevant Fund, AJ Capital, and its principals (and certain other persons designated by AJ Capital) typically agree to make a commitment to a Fund (or portfolio investment) in a specified amount. Where applicable, AJ Capital expects to fulfill such commitment either through capital committed to a Fund by a General Partner or Manager or from capital invested by one or more special purpose entities or investment vehicles associated with AJ Capital or its principals directly into the relevant portfolio investment.

Each Fund invests on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the applicable Partnership Agreement, over the term of a Fund and investors generally are not permitted to withdraw or redeem interests in a Fund.

In addition to the Management Fee and carried interest payable to AJ Capital or its affiliate, each Fund bears certain expenses. As set forth more fully in the applicable Memorandum and Partnership Agreement and subject to any limitations set forth therein, a Fund generally bears all fees, costs, expenses, liabilities and obligations relating or attributable to a Fund's activities to the extent not paid by portfolio investments, including, without limitation all or some of the following (which differ across Funds): (i) activities with respect to originating, sourcing, identifying, evaluating, pursuing, developing (including costs and expenses of the tenant and capital improvement), diligencing (including any subscriptions to any periodicals, databases or research services), leasing, negotiating, organizing, consummating, acquiring, bidding on, structuring, acquiring, financing and re-financing (including all interest and other borrowing-related costs), monitoring, owning, managing, operating, holding, leasing, servicing, hedging, disposing of, restructuring, trading, taking public or private, selling, valuing, winding-up, liquidating, dissolving or otherwise dealing with investments and follow-on investments, including in connection with any REIT subsidiary (including costs attributable to structuring any REIT subsidiary to qualify or preserve the ability to qualify, or structuring any acquisition financing or other transaction with respect to such REIT subsidiary to qualify or preserve the ability to qualify, as a REIT and maintaining such qualification), any engineering, appraisal, environmental, travel, legal, financing, transaction, third-party payment processing and accounting expenses, any deposits and commitment fees and other fees and out-of-pocket costs related thereto and other fees or expenses payable to attorneys, accountants, tax professionals, investment bankers, lenders, expert networks, third-party due diligence and deal sourcing software and service providers, consultants and similar professionals in connection therewith (including fees, costs and expenses attributable to structuring the partnership or alternative investment vehicle, as applicable, to qualify or preserve the ability to qualify, or structuring any acquisition financing or other transaction with respect to any such person to qualify or preserve the ability to qualify, as a Venture Capital Operating Company ("VCOC") or Real Estate Operating Company ("REOC") and maintain such qualification) and any fees and expenses related to transactions that may have been offered to co-investors, in each case whether an investment or follow-on investment is consummated or not consummated, and the costs of rendering financial assistance to or arranging for financing for any assets or businesses

constituting investments or for working capital or other partnership, parallel fund, alternative investment vehicle and/or vehicle purposes; (ii) taxes, fees or other governmental, regulatory, licensing, filing or registration fees or charges levied against, or incurred by, the partnership, any parallel fund, any alternative investment vehicle and/or any vehicle (including, for avoidance of doubt, a REIT subsidiary); (iii) actual, threatened or otherwise anticipated litigation, arbitration, mediation or other dispute resolution, regulatory or tax proceedings, investigations or audits (including any judgments, awards or settlements paid in connection therewith), in each case, involving the partnership, any parallel fund, any alternative investment vehicle and/or any vehicle; (iv) expenses and fees payable to third-party accountants, administrators, consultants, attorneys and tax advisors with respect to the partnership, any parallel fund, any alternative investment vehicle and/or any vehicle (and in connection with any REIT subsidiary (including costs attributable to structuring any REIT subsidiary to qualify or preserve the ability to qualify, or structuring any acquisition financing or other transaction with respect to such REIT subsidiary to qualify or preserve the ability to qualify, as a REIT)) and their respective activities and on-going operations, including the preparation, auditing and filing of partnership-related or investment-related financial reports and statements, tax returns, tax estimates, Schedule K-1s and costs associated with the distribution of financial and other reports to Fund investors; (v) broker, dealer, finder, underwriting (including both commissions and discounts), investment banker, finder and similar services and other investment costs incurred by or on behalf of the partnership, any parallel fund, any alternative investment vehicle and/or any vehicle and paid to third parties; (vi) obtaining and maintaining insurance for the partnership, any parallel fund, any alternative investment vehicle and/or any vehicle and their assets and to protect the General Partner, the Investment Manager and their respective affiliates and their respective officers, employees, agents and representatives, including directors and officers liability, errors and omissions liability, crime coverage and general partnership liability premiums, cybersecurity insurance and other insurance and regulatory expenses; (vii) indemnification (including any fees, costs and expenses incurred in connection with indemnifying any partner or other person pursuant to a Partnership Agreement or otherwise and advancing fees, costs and expenses incurred by any such person in defense or settlement of any claim that may be subject to a right of indemnification pursuant to a Partnership Agreement), except as otherwise set forth in a Partnership Agreement; (viii) the maintenance of bank or custodian accounts or brokerage, sale depository, trustee, record keeping, account and similar services; (ix) the registration of the securities of the partnership, any parallel fund, any alternative investment vehicle and/or any vehicle under applicable securities laws or regulations; (x) all reasonable expenses relating to the activities of an LP Advisory Committee (including reasonable out-of-pocket costs and expenses incurred by an LP Advisory Committee member, permitted observers and other persons in attending or otherwise participating in meetings of an LP Advisory Committee and reasonable legal expenses pursuant to a Partnership Agreement), (xi) obtaining, satisfying or repaying indebtedness and guarantees, including financing, commitment, origination and similar fees and expenses; (xii) legal, capital raising, accounting, research, auditing, technology, administration (including fees and expenses associated with the partnership's third-party administrator, including capital call and distribution notices, anti-money laundering identity assessments and checks, "alternative investment product" platform reporting, web portal reporting, identity theft prevention and administration, and any other tracking or reporting software), information, appraisal, advisory, valuation (including third-party valuations, fairness opinions, appraisals or pricing services), real estate title, survey, hedging, consulting (including consulting

and retainer and other fees, incentive equity, stock awards fees and other compensation paid to consultants performing investment initiatives or providing services related to environmental, social and governance investment considerations and policies) and other consultants, including consultants retained to assist with investment hiring and personnel matters (which is expected to include headhunter fees, background checks and/or relocation services incurred on behalf of investments), tax and other professional services; (xiii) reverse break-up, termination and other similar fees; (xiv) filing, title, licensing, transfer, survey, registration and other similar fees and expenses; (xv) printing, communications, mailing, courier, marketing and publicity; (xvi) developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software (including accounting, investor reporting, ledger systems, financial management), cybersecurity software or other administrative, valuation, information gathering or reporting tools (including subscription-based services) for the benefit of the partnership or the limited partners; (xvii) any activities with respect to protecting the confidential or non-public nature of any information or data; (xviii) (A) complying with any law or regulation related to the activities of a Fund, the General Partner and/or the Investment Manager (including the fees and expenses of any third-party regulatory compliance consultants or similar service providers (e.g., cybersecurity consultants)), recurring and non-recurring regulatory expenses (including related legal fees and expenses incurred in connection with, the regulatory compliance of the General Partner and the Investment Manager incurred in connection with acting as the investment adviser to, or the operation of a Fund (including in connection with any REIT subsidiary and with respect to the initial and annual preparation and filing of the Investment Manager's Form ADV, Form PF and any other regulatory filings (and any amendments thereto)) and related legal fees and expenses) and/or (B) any litigation or governmental inquiry, investigation or proceeding involving a partnership, including any costs and expenses of discovery related thereto and the amount of any judgments, settlements or fines paid in connection therewith, except to the extent such expenses or amounts have been determined to be excluded from the indemnification provided for in a Partnership Agreement; (xix) distributions to partners and other expenses associated with the consideration, acquisition, holding and direct or indirect disposition of a partnership's investments, including extraordinary expenses, incurred by or on behalf of a partnership, any parallel fund, any alternative investment vehicle and/or any vehicle; (xx) Management Fees; (xxi) defaults by partners in the payment of any capital contributions; (xxii) unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer contemplated by a Partnership Agreement or any limited partner's name change, internal restructuring or change in trust, registered agent or custodian; (xxiii) meetings or conferences of or with Fund investors, if any; (xxiv) preparation, negotiation, distribution and approval of amendments to and waivers, consents or approvals pursuant to, a Partnership Agreement or the other organizational documents of a feeder fund, parallel fund, alternative investment vehicle or any vehicle; (xxv) the termination, liquidation, winding-up and dissolution of a partnership, any parallel fund, any alternative investment vehicles and any vehicles; (xxvi) any travel (including, where appropriate as determined by the General Partner, the cost of using private aircraft or other private air travel at a cost no higher than the cost of first class commercial airfare; provided that the General Partner determines in its reasonable discretion that substantially similar first class (or equivalent) commercial air travel was unavailable or not feasible), car or ride sharing services, other modes of transportation, lodging or meals or entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities or in

connection with the activities or proceedings of an LP Advisory Committee; (xxvii) organizational expenses; (xxviii) placement fees; (xxix) any pre-approved expense reimbursement; and (xxx) any other fees, costs, expenses, liabilities or obligations approved by an LP Advisory Committee. To the extent that any operating expenses are paid by the General Partner or the Investment Manager (or any affiliate thereof) such operating expenses shall be reimbursed as appropriate by the partnership, any parallel fund, any alternative investment vehicle and/or any vehicle *pro rata* based on their respective Fund Commitments. It is the intent of the General Partner that operating expenses be borne by the partners *pro rata* in accordance with their respective percentage interests. Except where the relevant Governing Documents or side letter(s) expressly provide to the contrary, Broken Deal Expenses (as defined below) generally are allocated among Fund investors regardless of whether any individual investor negotiated for an elective or automatic contractual right that would have excused them from participating in the investment. Each Fund also generally will bear the costs of implementing, monitoring, and complying with investment guidelines and directives relating to the Fund's strategy, including in side letters relating thereto, and (where applicable) environmental, social, governance and other standards to which the relevant General Partner has committed in making investments on behalf of the Fund.

A Fund also bears expenses indirectly to the extent a portfolio investment pays expenses, including expenses of AJ Capital and/or its affiliates. As further described in each Fund's Partnership Agreement, excluded from Fund expenses are ordinary administrative and overhead expenses of AJ Capital's advisory business, which generally includes costs and expenses relating to office space, facilities, utility services, supplies, and necessary administrative and clerical functions in connection with AJ Capital's advisory operations and salaries and benefits provided to AJ Capital's related personnel. As is typical for private equity funds, the Funds likely bear additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds. To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth in "Brokerage Practices."

In certain circumstances, one Fund is expected to pay an expense common to multiple Funds and/or one or more co-investors (including, without limitation, legal expenses for a transaction in which all such Funds and/or co-investors participate, or other fees or expenses in connection with services the benefit of which are received by other Funds over time) and be reimbursed by the other Funds and/or co-investors for their share of such expense, without interest. While AJ Capital believes such circumstances to be highly unlikely, it is possible that one of the other Funds or co-investors could default on its obligation to reimburse the paying Fund. To the extent the paying Fund makes use of a credit facility to pay such expense, it generally will not be reimbursed separately by other Funds for use of the facility. In certain circumstances, AJ Capital is expected to advance amounts related to the foregoing and receive reimbursement from the Funds to which such expenses relate.

As described above, in certain circumstances, AJ Capital is expected to permit certain investors to co-invest in investments alongside one or more Funds, subject to AJ Capital's related policies and practices, the relevant Partnership Agreement(s) and/or side letter(s) or similar arrangements. Where a co-invest vehicle is formed, such entity will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. In the

event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction, ultimately is not consummated, all fees and expenses, or other liabilities or obligations, incurred for transactions not consummated (“**Broken Deal Expenses**”) relating to such unconsummated transaction will be borne by the Fund(s), and not by any prospective co-investors, that were to have participated in such transaction. However, to the extent that such co-investors have already executed definitive documentation to invest in such transaction, such co-investor is expected to bear its *pro rata* share of such Broken Deal Expenses. To the extent the Fund makes use of a credit facility to invest in a portfolio investment or pay related expenses, it generally will not be reimbursed separately by co-investors for the costs of establishing, negotiating or maintaining of the facility as a whole.

A Fund, AJ Capital (and/or, in certain cases, its affiliates and personnel) as well as properties owned by a Fund expect to make charitable contributions or donations, or otherwise sponsor various events and organizations, in furtherance of a Fund’s or a property’s business, as determined by the General Partner in its sole discretion, which also may provide a benefit to AJ Capital and/or its affiliates, including other funds and/or projects managed by AJ Capital or its affiliates. Such contributions, donations and sponsorships (collectively, “**Sponsorships**”) are expected to support, among other things, development of community facilities and infrastructure (e.g., playgrounds or bicycle paths), community events (e.g., festivals or art installations), local organizations (e.g., recreational sports activities or seasonal camps) and other causes as determined by the General Partner in its sole discretion to be generally beneficial to long-term community development (e.g., scholarships for higher education). Any such Sponsorships made by, or allocated to, a Fund will generally be funded by capital contributions from the limited partners, which will reduce the aggregate amount of capital that would otherwise be available to a Fund to consummate investments. Any such Sponsorships made by a property owned by a Fund will generally be funded by cash flows generated by the operation of such property, which will reduce the aggregate amount of capital that would otherwise be available to the property to allocate to capital expenditures and ongoing cash needs. There can be no assurance that any Sponsorships will ultimately benefit a Fund or any property owned by a Fund, and AJ Capital may indirectly benefit from any name recognition or goodwill generated by such Sponsorships.

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

As described under “Fees and Compensation,” AJ Capital receives a carried interest allocation on certain realized profits in the Funds. AJ Capital currently does not advise any Funds not subject to a carried interest, although it generally has the authority to waive or reduce carried interest with respect to certain affiliated partners (and/or other limited partners). The terms of the Management Fee and Carried Interest are further described under “Fees and Compensation.”

The existence of performance-based compensation has the potential to create an incentive for AJ Capital to operate the relevant Fund in a riskier, more speculative or other manner that is less favorable to investors than it would otherwise make in the absence of such arrangement, although AJ Capital generally considers performance-based compensation to better align its interests with those of its investors.

## **ITEM 7 —TYPES OF CLIENTS**

AJ Capital provides investment advice to the Funds. The Funds may include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The investors participating in Funds may include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates, endowments, charitable organizations, corporations or other business and investment entities and often include, directly or indirectly, personnel of AJ Capital and its affiliates and members of their families and other service providers retained by AJ Capital or a Fund, as well as executives of portfolio investments.

AJ Capital generally has a required a minimum investment amount for certain Funds. However, AJ Capital reserves the right, in its sole discretion, to waive such minimum investment amounts.

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

### **General**

AJ Capital is a privately owned real estate investment firm that specializes in researching, conceptualizing, and executing real estate investments and developments with a focus on creative real estate opportunities located in premier urban communities, gateway markets, and university locations. The primary emphasis of AJ Capital is to seek to carefully identify and manage the risks inherent in real estate investing while producing attractive risk-adjusted returns through the Funds.

AJ Capital provides investment advisory services to the applicable Funds. As described below and in the applicable Governing Documents each Fund has a unique investment methodology and strategy. There can be no assurance that AJ Capital will achieve the investment objectives of each of the Funds and a loss of investment may be possible.

### **Investment and Operating Strategies**

The Funds typically pursue their investment strategies by investing through one or more limited partnerships, limited liability companies or other entities that, in turn, invest in the properties described below. The Funds plan to invest in opportunities which aim to allow AJ Capital to create significant value through AJ Capital's unique approach to real estate development. Target markets will share common characteristics and fundamentals.

Each Fund will leverage AJ Capital's disciplined, institutional approach to real estate development. Each Fund intends to target properties that AJ Capital believes have significant upside potential and opportunities to deliver attractive multiples on equity over time through development, redevelopment, repositioning, refurbishment, and asset management strategies.

### Selection Process

Each Fund will employ a rigorous approach to deal selection and analysis. AJ Capital's underwriting process has been developed through years of experience. Each transaction will have a detailed business plan describing the specific asset's opportunities and significant risk factors. Each opportunity will be reviewed and approved by AJ Capital's investment committee.

### Value-Add and Ground-Up Development and Asset Management

AJ Capital's development managers, designers, asset managers, and marketing team will assess each Fund's investment opportunities with the intention of either implementing a repositioning strategy and/or developing properties from the ground-up, in each case to enhance the value of an existing property and/or the underlying real estate.

In addition, AJ Capital expects to pursue investments in "qualified opportunity zones" within the meaning of the Internal Revenue Code ("**Opportunity Zones**"). Opportunity Zones are a community development tool designed to promote capital investment to census tracts across the U.S. that demonstrate higher poverty and unemployment rates than the rest of the country. U.S. tax law provides incentives for investors to reinvest capital gains into a Qualified Opportunity Fund ("**QOF**"). AJ Capital intends to operate certain Funds as QOFs.

In addition, AJ Capital pursues luxury and limited service hospitality assets, music venues, build-to-rent single family residential, hospitality-inspired multi-family, mixed-use and Class A retail developments.

AJ Capital also engages in other real estate property investment and development strategies in association with the management of existing and future Funds.

### Geographic Scope

In addition to its primary focus of investing in the United States, AJ Capital has pursued, and expects in the future to pursue, strategies similar to those outlined above in connection with identifying and developing investments in the UK and in other non-U.S. territories, including the Bahamas.

### Investment Realization

AJ Capital seeks to assess the particular market for each investment and consider disposition strategies and timing over the investment's life cycle. The time horizon for investments will vary depending on the particular strategy; however, investments will have a target hold period within the stated term of the Funds and as detailed in the applicable Partnership Agreement. To achieve attractive dispositions, AJ Capital also seeks to leverage its extensive network and relationships as well as the higher-profile characteristics of Fund investments to identify strategic private and institutional buyers for real estate.

### ESG

It should not be assumed that any environmental, social and governance (commonly referred to as “ESG”) practices or standards will apply to every investment in which the Funds invest or that they have applied to all of the Funds’ prior investments. ESG is one of many considerations AJ Capital takes into account when making investment decisions, and no single consideration can be expected to be viewed by AJ Capital as being the predominant consideration taken into account in determining whether an investment should be made or not. Accordingly, certain investments may exhibit characteristics that are inconsistent with certain other practices or standards.

## **Risks of Investment**

Each Fund and its investors bear the risk of loss from the investment strategy employed by AJ Capital. Investors should review each Fund’s Memoranda and each Fund’s Partnership Agreement, as applicable, for additional information regarding risks specific to each Fund. An investment in the Funds involves a high degree of risk and, therefore, should be undertaken only by qualified investors whose financial resources are sufficient to enable them to assume these risks and to bear the loss of all or part of their investment.

In general, the risks involved with the Investment Manager’s investment strategy and an investment in the Funds include the risks discussed below. The following risk factors should be considered carefully but are not meant to be an exhaustive listing of all potential risks associated with an investment in the Funds. Investors should consult with their own financial, legal and tax advisors prior to investing in the Funds.

For purposes of this section, references to a Fund should generally be understood to apply to all Funds.

### **General Real Estate Risks**

Funds directly or indirectly will be acquiring real estate and investing in equity related to real estate. Real estate historically has experienced significant fluctuations and cycles in performance that may result in reductions in the value of a Fund’s real estate-related investments. The performance and value of its investments once acquired depends upon many factors beyond such Fund’s control. The ultimate performance and value of a Fund’s investments are subject to the varying degrees of risk generally incident to the ownership and operation of the properties in which such Fund invests. The ultimate performance and value of a Fund’s investments will depend upon, in large part, such Fund’s ability to operate any given property so that it produces sufficient cash flows necessary to pay that Fund as an equity investor. Revenues and cash flows may be adversely affected by: changes in national or local economic conditions, including unemployment rates and consumer spending/confidence; changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics; the supply of available properties to acquire at attractive pricing in a particular market; competition from other investors pursuing the same or similar strategies; competition from other properties offering the same or similar services and amenities, including technology capabilities; access to transportation, highways and roadways; changes in interest



rates and in the state of the debt and equity capital markets; the on-going need for capital improvements, particularly in older building structures; changes in real estate tax rates and other operating expenses; civil unrest, acts of God, including earthquakes, hurricanes and other natural disasters, acts of war or terrorism, which may decrease the availability of or increase the cost of insurance or result in uninsured losses; changes in governmental rules/regulations and fiscal policies which may result in adverse tax consequences, unforeseen increases in operating expenses generally or increases in the cost of borrowing; the bankruptcy or liquidation of major tenants or a decline in the business operated by tenants; adverse changes in zoning laws; the impact of present or future environmental legislation and compliance with environmental laws; the impact of lawsuits which could cause the applicable Fund to incur significant legal expenses and divert management's time and attention away from the day-to-day operations of such Fund; and other factors that are beyond a Fund's control and the control of the property owners. In the event that any of a Fund's investments experience any of the foregoing events or occurrences, the value of, and return on, such investments would be negatively impacted.

#### *Lack of Diversification*

The investments made by a Fund could potentially be concentrated in one investment type or in relatively few investment types. Furthermore, a Fund may make investments in contemplation of sales or refinancings which do not occur as expected, resulting in a Fund having an unintended long-term investment and reduced diversification. As a consequence, the aggregate return on a Fund's investments may be adversely affected by the geographic concentration of a Fund's investments or the unfavorable performance of a particular investment type and will be at a greater risk to overall changes in the economy or interest rates than if a Fund were less concentrated in a particular investment type or location. Because a Fund may only make a limited number of investments and since many of the investments may involve a high degree of risk, poor performance by a few of the investments could severely affect the total returns to investors. In addition, if a Fund is unable to raise its target capitalization, a Fund may make fewer investments, which may result in a greater concentration of a Fund's capital and the types of investments available to a Fund may be more limited than if a larger portion of the maximum offering proceeds is raised. This lack of diversification may have a negative impact on the ability of a Fund to achieve its investment objectives.

#### *Investment in Hospitality Properties*

Certain Funds intend to invest in hospitality properties or other types of hospitality-related investments. Macroeconomic and other factors beyond the control of a Fund as well as the business, financial, operating, and other risks of the hospitality industry can adversely affect demand for hospitality products and services. This includes demand for rooms at properties that a Fund may develop, own or, operate. These factors include: general changes in business and leisure travel patterns; increases in lodging supply or competition; war, civil unrest, terrorist activities or threats and heightened travel security measures instituted in response to these events; fear of outbreaks or outbreaks of pandemic or contagious diseases; changes in the desirability of particular locations or travel patterns of customers; the financial condition of the airline, automotive and other transportations-related industries and its impact on travel; decreased airline

capacities and routes; travel-related accidents; oil prices and travel costs; and organized labor activities, which could cause a diversion of business from hotels involved in labor negotiations and loss of group business for hotels generally as a result of certain labor tactics.

In addition, the Graduate Hotels® branded hotels are targeted in or near cities or towns with universities or colleges which form an essential part of the local economy. The utilization of such hotels will be heavily influenced by the level of student enrollment at and economic viability of such universities and colleges. Field & Stream Lodge Co.® branded hotels are targeted in markets with outdoor recreation demand, including national parks, drive-to beaches, regional lakes, fly fishing locations, destination golf courses, mountain and ski towns, and amusement parks which are influenced by conditions of their respective local economies. The success of such hotels will be influenced by a number of factors including overall rates of tourism, weather conditions, and general economic conditions. Marine & Lawn Hotel & Resorts® are destination golf course resort hotels located in Scotland and Ireland marketed to international leisure travelers and outdoor enthusiasts offering access to prestigious golf courses. The success of such hotels is heavily influenced by the popularity of the sport of golf and overall rates of tourism to the UK and U.S.

Hospitality properties are subject to certain operating risks. For example, if a property's occupancy or room rates drop to the point where its revenues are insufficient to cover its operating expenses, then additional funds, including reserves, will need to be expended to cover such property's operating expenses. Hospitality properties are continually subject to increases in real estate and other tax rates, wages and benefits, utility costs, insurance costs, repairs and maintenance and administrative expenses, all of which may adversely affect such property's cash flows. More so than other property types, hospitality properties are impacted by an on-going obligation to make renovations and other capital improvements in order to stay competitive, including replacements, of furniture, fixtures, and equipment, particularly if the hotel is a branded hotel. This obligation is subject to the risks that cash flow from operations and reserves may be inadequate to fund capital improvements, financing for these capital improvements may not be available to a Fund's properties on affordable terms and market demand for hotel properties following the undertaking or completion of capital improvements will not exist or will continue to be diminished until the economy recovers. Consequently, the costs of these capital improvements could negatively impact the financial condition of a Fund's investments and in turn the amount of cash available for distribution to a Fund's investors.

The hotels acquired by or invested in by a Fund will be managed by third-party hotel management companies or by a newly organized affiliate of AJ Capital, AJMC LLC, pursuant to management agreements. Under the terms of these management agreements, the third-party hotel managers control the daily operations of the hotels and are compensated with a base management fee tied to revenues generated from operations and in many cases, an incentive management fee based on achieving specific performance thresholds. Accordingly, the hotel's business and operating results depend in large part upon the performance of these hotel management companies under their management agreements. While a Fund will seek to invest in hotel properties and put quality management in place, there is no guarantee that the management company for any given hotel property will meet the performance objectives desired by a Fund.

### Investment in Development and Construction Projects

Development and construction work are subject to a number of risks, including the cost and timely completion of construction, risks of construction delays or significant cost overruns that may increase project costs, risks that the project will not achieve anticipated occupancy levels or sustain anticipated rent levels or generate anticipated revenue and new project commencement risks, such as the failure to obtain zoning, occupancy or other required governmental permits and authorizations. The ability to obtain zoning, occupancy or other governmental permits and authorizations are subject in large part to the discretion of one or more governmental bodies and can involve political interests and community level concerns or involvement, which may result in delays or the failure to obtain these necessary permits or authorizations. Latent site conditions may also lead to increased costs and loss of revenue. The purchase price of each project will be based upon projections as to the expected operating results of such project, subjecting a Fund to risks that the project may not achieve anticipated operating results or may not achieve these results within anticipated time frames. For all of these reasons, development and construction projects entail risks that investments may not perform in accordance with expectations and can carry an increased risk of litigation (and its attendant risks) with contractors, subcontractors, suppliers, partners, and others.

### Opportunity Fund Risks

Certain Funds were organized with the express purpose of qualifying as QOFs. However, there can be no assurance that any of these Funds will be successful in qualifying as a QOF or maintaining such status. The laws and regulations establishing QOFs (the “**QOF Rules**”) are relatively new and their provisions are as yet untested. In addition, future guidance from the Internal Revenue Service may negatively affect these Funds ability to qualify as a QOF.

These Funds may not meet the requirements to be treated as a QOF, even though they intend to operate in conformity with the requirements of the QOF Rules and any subsequently issued guidance thereunder. In general, a QOF is any investment vehicle organized as a corporation or a partnership for the purpose of investing in certain qualified property (other than another QOF) and that holds at least 90% of its assets in qualified property. The Investment Manager will generally be required to test for compliance with these requirements twice a year. Qualified property includes “qualified opportunity zone partnership interests.” The Investment Manager intends that investments will be held through one or more entities complying with the requirements to qualify as a “qualified opportunity zone business” within the meaning of the Internal Revenue Code and certain related safe harbors, and as such, interests in such entities will be qualified opportunity zone partnership interests. However, there can be no assurance that such interests will be so treated. In the event that these Funds failed to qualify as a QOF, such Fund would likely be adversely affected, including lower than expected returns.

The QOF Rules have been established in order to incentivize investment in areas that have otherwise suffered a historical lack of investment. Such lack of investment may have resulted from problems relating to the applicable location, such as crime, pollution, lack of infrastructure, or local economic malaise. It is possible that additional investment incentivized by the QOF Rules

may be insufficient to overcome the problems that led to the applicable opportunity zone designation in the first place, resulting in lower-than-expected returns.

#### *Investment in Non-Performing or Troubled Assets*

A Fund may make investments in non-performing or other troubled assets that involve a high degree of financial risk and there can be no assurance that a Fund's investment objectives will be realized or that there will be any return of capital to the limited partners of a Fund. Furthermore, investments in properties operating in workout modes or under bankruptcy protection laws may, in certain circumstances, be subject to additional potential liabilities that could exceed the value of a limited partner's original investment. In addition, under certain circumstances, payments to a Fund and distributions by a Fund to its limited partners may be reclaimed if any such payments or distributions are later determined to have been fraudulent conveyances or preferential payments under applicable law. Furthermore, investments in assets subject to restructurings may be adversely affected by statutes related to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims or re-characterize investments made in the form of debt as equity contributions.

#### *Investments in Concert Venues*

Certain Funds intend to invest in concert venues or other types of entertainment-related investments that are uniquely susceptible to the impact of a public health emergency, including the ongoing impact of COVID-19. Disruptions will be dictated by the currently unknowable duration and severity of COVID-19 and its variants, and among other things, governmental regulations and individual risk tolerance regarding large social gatherings going forward. .

Furthermore, the profitability of concert venues may depend on the demand for the events and artists hosted by a Fund. There can be no assurance that a Fund will be able to book popular events and artists for its concert venues, and the failure to make such bookings can have a negative impact on the ability of a Fund to achieve its investment objectives.

#### *Investments in Multifamily*

Certain Funds intend to invest in multifamily residential properties. A large number of risk factors could affect the value and successful operation of such properties, including: physical attributes of the property such as its age, condition, design, appearance, access to transportation, and construction quality; location of the property; ability of management to provide adequate maintenance and insurance; the types of services or amenities that the property provides; the property's reputation; the level of mortgage interest rates and availability of government incentives, which could increase or decrease the demand and ability of purchasers to buy condominiums rather than lease housing; presence of competing properties; the tenant mix, such as the tenant population being predominantly heavily concentrated on workers from a particular business or personnel from a local industrial unit; adverse local or national economic conditions, which could limit the amount of rent that could be charged and could result in a reduction of timely rent payments or a reduction in occupancy levels; state and local regulations, which could affect

the building owner's ability to increase rent to the level of market rents for an equivalent apartment; government assistance/rent subsidy programs; and the inventory of unsold condominium units in the local market, including those that are being rented until economic conditions in the condominium market improve. If any of such risk factors are heightened or the conditions associated with such risk factors deteriorate in an economic downturn, the Fund's investments in multifamily properties could incur losses.

### Casualty and Condemnation

Investments in real estate are subject to the risks of partial or total condemnation in accordance with applicable law or regulation and casualty, whether arising from destruction by fire, earthquake, flood, hurricane or otherwise. In either case, a Fund's investments (depending on such investments' status as lender, borrower or equity owner) may be subject to one or more of the following liabilities: (i) lenders may require prepayments of outstanding loans with any proceeds arising from a casualty or condemnation recovery event (i.e., insurance coverage), (ii) insurance coverage may not be sufficient to cover renewal of an investment, (iii) renovations or developments with respect to an investment may be delayed and (iv) a seller may bear the risk of loss for such casualty or condemnation in connection with the disposition of an investment through the date of disposition.

### Valuations

In most circumstances, a Fund's investments will be presented in the financial statements on a "fair market value" basis as determined by AJ Capital, or in limited circumstances, by an independent appraiser. Given the nature of the investments, the valuation of the investments may be difficult. There may be a relative scarcity of market comparables on which to base the value of a Fund's assets. As such, any such valuations could prove to be incorrect. Accordingly, limited partners will need to rely on the judgment of AJ Capital (or such independent appraiser) for valuing and pricing the investments.

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

or valuation of such asset. Broker charges and other selling expenses may also contribute to the realized value being less than the appraised value.

### *Illiquid Nature of Investment*

Real estate investments are relatively illiquid and some are highly illiquid. Such illiquidity may limit a Fund's ability to vary its portfolio of investments in response to changes in economic and other conditions. Illiquidity may result from the absence of an established market for investments as well as the legal or contractual restrictions on their resale. In addition, illiquidity may result from the decline in value of a property comprising one of a Fund's investments. There can be no assurances that the fair market value of any property held by a Fund will not decrease in the future, leaving a Fund's investment relatively illiquid.

### *Investments in Partnerships, Joint Ventures and Other Entities*

A Fund may make investments through partnerships, joint ventures or other entities. Such investments may involve risks not present in direct investments, including, for example, the possibility that a co-venturer or partner of a Fund might suffer financial difficulties or become bankrupt, or may at any time have economic or business interests or goals which are inconsistent with those of a Fund, or that any such co-venturer or partner may be in a position to take action contrary to a Fund's objectives. Such investments may also have potential risk of impasses on decisions, such as a sale, because neither a Fund nor the partner or co-venturer may have full control over the partnership or joint venture. Disputes between a Fund and partners or co-venturers may result in litigation or arbitration that could increase a Fund's expenses. Consequently, actions by, or disputes with, partners or co-venturers might result in subjecting properties owned by the partnership or joint venture to additional risk. Furthermore, if such co-venturer or partner defaults on its funding obligations, it may be difficult for a Fund to make up the shortfall from other sources. A Fund may be required to make additional contributions to replace such shortfall, thereby reducing the diversification of its investments. Any default by such co-venturer or partner could have an extremely deleterious effect on a Fund, its assets, and the limited partnership interests in the Funds. In addition, a Fund may be liable for the actions of its co-venturers or partners. While AJ Capital will attempt to limit the liability of a Fund by reviewing the qualifications of and previous experience of co-venturers or partners, it does not expect to obtain financial information from, or to undertake private investigations with respect to, prospective co-venturers or partners.

### *Risks Upon Disposition of Investments*

In connection with the disposition of an investment, a Fund may be required to make representations about the investment typical of those made in connection with the sale of any property. Although a Fund will attempt to structure transactions so that it does not have to do so, a Fund may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be incorrect, inaccurate, or misleading. These arrangements may result in contingent liabilities, which might ultimately have to be funded by

the limited partners of a Fund to the extent of their unfunded Commitments, or, in some cases, a Fund may have to reserve for such contingencies.

#### *Risk of Inflation*

Inflation is a decline in the purchasing power of money over time. Inflation risk is the risk that the future real value (after inflation) of an investment, asset, or income stream will be reduced by inflation. Periods of higher inflation may cause the Federal Reserve Board to raise interest rates, which can adversely affect a Fund

#### *Lack of Control Position in Investments*

In certain situations, a Fund may (a) acquire only a minority interest in a property or other asset in which it invests, (b) rely on independent third-party management or strategic partners with respect to the management of a property or other asset in which it invests, or (c) acquire only a participation interest in an asset underlying an investment. A Fund may also co-invest with third parties through partnerships, joint ventures, or other entities, thereby acquiring non-controlling interests in certain investments. Therefore, a Fund may not be able to exercise control over the investment. Such financial assets may involve risks not present in investments where senior creditors, servicers or third-party controlling investors are not involved. In addition, in these circumstances, a Fund may not receive sufficient information in order to monitor the performance of its investments.

#### *Possibility of Uninsured Losses*

A Fund will attempt to maintain insurance coverage on its investments against liability to third parties and property damage as is customary for similarly situated businesses. However, there can be no assurance that insurance will be available or sufficient to cover any such risks. Insurance against certain risks, such as earthquakes, floods or acts of terrorism, may be unavailable, available in amounts that are less than the full market value or replacement cost of investment properties or subject to a large deductible. In addition, there can be no assurance that the particular risks which are currently insurable will continue to be insurable on an economic basis. Because a Fund is a pooled investment fund, all Fund assets may be at risk in the event of an uninsured liability to third parties.

#### *Environmental and Other Related Liability*

A Fund may be exposed to substantial risk of loss arising from investments involving undisclosed or unknown environmental, health or occupational safety matters or inadequate reserves, insurance, or insurance proceeds for such matters. Through its interest in real estate, a Fund may be subject to a wide range of environmental, health and safety laws, ordinances, and regulations, including without limitation, those relating to the investigation, removal, and remediation of past or present releases of hazardous or toxic substances. Such laws may impose joint and several liability, which can result in a party being obligated to pay for greater than its share, or even all, of the liability involved. Such liability may also be imposed without regard as to whether the owner or operator knew of, or caused, the presence or release of such substances.

Environmental liabilities are generally not limited under such laws and could exceed the value of the relevant property and/or the aggregate assets of the responsible party. In addition to clean-up actions brought by governmental agencies and private parties, the presence of hazardous substances on a property may lead to claims of personal injury, property damage or other claims by private plaintiffs. “Acts of God” including earthquakes, hurricanes, and other natural disasters, may also decrease the availability of or increase the cost of insurance or result in uninsured losses.

#### *Risk of Litigation*

A Fund’s investment activities may include activities that will subject it to the risks of becoming involved in litigation by third parties. The expense of defending claims against a Fund by third parties and paying any amounts pursuant to settlements or judgments would be borne by a Fund and would reduce net assets and could require a Fund’s limited partners to return distributed capital and earnings to a Fund. AJ Capital and its affiliates will be indemnified by a Fund in connection with such litigation, subject to certain conditions.

#### *Limited Investment Opportunities*

A Fund’s operating results are dependent upon the availability of, as well as the ability of AJ Capital to identify, structure, consummate, leverage, manage and realize returns on, investment opportunities. In general, the availability of desirable investment opportunities and, consequently, a Fund’s returns, will be affected by the level and volatility of interest rates, conditions in the financial markets, general economic conditions, the market and demand for investment opportunities, the supply of capital for such investment opportunities, the level of government involvement in capital markets and the enactment of legislation changing tax and accounting rules historically favorable to investments in real estate. AJ Capital cannot make any assurances that it will be successful in identifying and consummating investments which satisfy a Fund’s rate of return objectives or that such investments, once consummated, will perform as anticipated. AJ Capital will potentially expend significant time and resources in identifying and pursuing targeted investments, some of which may not be consummated.

#### *Lack of Sufficient Investment Opportunities*

The business of identifying, structuring and completing real estate and real estate-related transactions is highly competitive and involves a high degree of uncertainty. It is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified. However, limited partners will be required to pay Management Fees through a Fund during the investment period based in part on the amount of the limited partners’ unfunded Commitments and other expenses as set forth in the Partnership Agreement.

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

A Fund’s business is highly competitive. Competition may cause a Fund to accept economic or structural features in its investments that a Fund would not have otherwise accepted and it may cause a Fund to search for investments in markets outside of the AJ Capital’s traditional product expertise. A Fund will compete with traditional investors, as well as existing funds, or



funds formed in the future, with similar investment objectives. A Fund will face competition from other companies, funds, real estate investment trusts and other entities engaged in the acquisition of real estate and other real estate-related businesses with similar investment objectives, which may make it more difficult for a Fund to consummate its target investments.

#### *Dynamic Investment Strategy*

While AJ Capital generally intends to seek attractive returns for a Fund primarily through making opportunistic investments in U.S. or non-U.S.-focused real estate and real estate-related assets as described herein, AJ Capital is permitted to pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process and investment techniques as it determines appropriate. AJ Capital is permitted to pursue investments outside of the sectors or regions in which the principals have previously made investments.

#### *Reliance on Due Diligence Process*

There can be no assurance that AJ Capital's due diligence processes will uncover all relevant facts that would be material to an investment decision. Before making an investment, AJ Capital will assess the strength of the underlying properties and any other factors that it believes are material to the performance of the investment. In making the assessment and otherwise conducting customary due diligence, AJ Capital will rely on the resources available to it and, in some cases, investigations by third parties.

In addition, AJ Capital will generally establish capital structures of prospective investments on the basis of financial projections for such investments. Projected operating results will normally be based primarily on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from AJ Capital's projections. General economic conditions, which are not predictable, can have a material adverse impact on the reliability of such projections.

#### *Decisions on an Expedited Basis*

Investment analyses and decisions by AJ Capital may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to AJ Capital at the time of making an investment decision may be limited, and AJ Capital may not have complete information regarding the investment asset(s), such as physical matters, zoning, regulations, or other local conditions affecting an investment. Therefore, no assurance can be given that AJ Capital will have knowledge of all circumstances that may adversely affect an investment. In addition, AJ Capital expects to rely upon specialized expert input from third-party consultants and service providers in connection with its evaluation of proposed investments.

### Availability and Use of Leverage

AJ Capital will utilize leverage with the goal of enhancing a Fund's returns. A Fund's failure to obtain leverage at the contemplated levels, or to obtain leverage on attractive terms, could have a material adverse effect on a Fund. Use of leverage will subject a Fund to risks normally associated with debt financing, including the risk that a Fund's cash flow will be insufficient to meet required payments of principal and interest, the risk that indebtedness on the investments will not be able to be refinanced, the risk that the terms of such refinancing will not be as favorable as the terms of the existing indebtedness or the risk that a Fund will be unable to repay its debt at maturity and the lender could seize a Fund's assets. A Fund may incur indebtedness in which recourse is not limited to specific assets of a Fund and indebtedness which is collateralized by more than one Fund asset, creating a situation where a Fund's investment in performing assets could be adversely impacted when those performing assets have been cross-collateralized with assets that become non-performing.

In addition, a Fund is also permitted to incur indebtedness that may bear interest at variable rates. Variable rate debt creates higher debt service requirements if market interest rates increase, which would adversely affect a Fund. A Fund reserves the right in the future to engage in transactions to limit its exposure to rising interest rates as it deems appropriate and cost effective, which transactions could expose a Fund to the risk that counterparties to such transactions may not perform and cause a Fund to lose the anticipated benefits therefrom, which would have the adverse effects associated with increases in market interest rates. Similarly, indebtedness by a Fund or portfolio investment may be denominated in non-U.S. currency. In such instances, changes in the relative value of such currency will have a corresponding effect on the indebtedness. See "Non-U.S. Currency Risks" for additional information.

It may be difficult or impossible for a Fund to obtain financing on terms that AJ Capital would otherwise deem favorable. Further, the current state of the credit markets may limit the amount of leverage available to a Fund to finance investments, which may, in turn, have a material adverse effect on a Fund's targeted rate of return. It may prove difficult for a Fund to refinance a Fund's indebtedness on favorable terms.

### Non-U.S. Currency Risks

Although many of a Fund's investments (including any indebtedness of the Fund or such underlying investments) are expected to be U.S. Dollar-denominated, a Fund's investments that are denominated in non-U.S. currencies are subject to the risk that the value of the particular currency in which such investment (or indebtedness) is denominated will change in relation to one or more other currencies, including the U.S. Dollar, the currency in which the books of the Funds are kept and contributions and distributions generally will be made. Among the factors that may affect currency values are trade balances between nations, monetary policies and other related activities of central banks, the level of short-term interest rates, differences in relative value of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. A Fund (or its portfolio investments or any underlying indebtedness related thereto) may incur costs in converting investment proceeds from one

currency to another. AJ Capital and/or its portfolio investments may, but are under no obligation to, employ hedging techniques in an effort to manage exposure, although there can be no assurance that such strategies will be effective. Such risks may have a material adverse effect on the value of a Fund's investments.

### *Risks of Leveraged Investments*

A Fund is permitted to make use of leverage by incurring or having a portfolio investment or intermediate entity incur debt to finance all or a portion of certain investments, whether on a temporary or long-term basis. Leverage generally magnifies both such Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. Leverage often imposes restrictive financial and operating covenants on an investment, in addition to the burden of debt service, and potentially will constrain its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio investments will increase the exposure of a Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of such Fund's investments in the leveraged portfolio investments in a down market. These risks generally are expected to increase as interest rates rise, including in circumstances where a portfolio investment's creditworthiness is such that it must borrow at higher interest rates than are available to the relevant Fund. In the event any portfolio investment cannot generate adequate cash flow to meet its debt service, a Fund may suffer a partial or total loss of capital invested in the portfolio investment, which could adversely affect the returns of such Fund. Furthermore, should the credit markets be limited or costly at the time a Fund determines that it is desirable to sell all or a part of a portfolio investment, the Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Furthermore, the companies in which a Fund invests generally will not be rated by a credit rating agency. Except where otherwise required by the relevant Governing Documents, a Fund will not be obligated to borrow on behalf of a portfolio investment, even in circumstances where the Fund's creditworthiness would permit borrowing at a lower rate than is available to the portfolio investment.

A Fund is also permitted to borrow money or guaranty indebtedness (such as a guaranty of a portfolio investment's debt, a letter of credit or other forms of promise to provide funding) or otherwise be liable therefor, and in such situations, it is not expected that such Fund would be compensated for providing such guarantee or exposure to such liability. The use of leverage by a Fund generally also will result in fees, interest expense and other costs to such Fund that may not be covered by distributions made to such Fund or appreciation of its investments. While Fund-level borrowings generally will be subject to limitations set forth in the Governing Documents and interim in nature, asset-level leverage generally will not be subject to any limitations, including with respect to the amount of time such leverage may remain outstanding.

A Fund generally is permitted to incur leverage on a joint, several, joint and several or cross-collateralized basis with one or more other Funds and entities managed by AJ Capital or any of its affiliates, including through Fund subsidiaries and other intermediate entities, and may have a right of contribution, subrogation or reimbursement from or against such entities. It is also possible that certain co-investors (including management, any roll-over investors and/or third-party co-investors) will not share in incurring such leverage and that the Fund will disproportionately bear the risk and/or costs of leverage arrangements. In addition, to the extent a Fund incurs leverage (or provides such guaranties), such amounts are permitted to be secured by Commitments made by such Fund's investors and such investors' contributions may be required to be made directly to the lenders instead of such Fund.

To the extent a Fund provides bridge financing to facilitate portfolio investments, it is possible that all or a portion of such bridge financing will not be recouped within the time period specified in the Governing Documents, in which case the investment would be treated as a permanent investment of the Fund. As a result, the relevant Fund's portfolio could become more concentrated with respect to such investment than initially expected or otherwise provided for under the Fund's investment limitations, certain of which exclude bridge financing investments.

*Mismatch between Duration of Investments and Financing*

In the event that a Fund's leverage has a shorter term than a financed investment, a Fund may not be able to extend or find appropriate replacement leverage and that would have an adverse impact on a Fund's liquidity and its returns. In the event that a Fund's leverage is longer term than a financed investment, a Fund may not be able to repay such leverage or replace the financed investment with an optimal substitute, which will negatively impact a Fund's desired leveraged returns. A Fund's attempts to mitigate such risk are subject to factors outside of a Fund's control, such as the availability to a Fund of favorable financing and hedging options, which are subject to a variety of factors, of which duration and term matching are only two such factors.

*Operating Restrictions Imposed by Credit Agreements*

A Fund may make certain representations, warranties and affirmative and negative covenants in credit agreements that may restrict a Fund's ability to operate while still utilizing those sources of credit. Such representations, warranties and covenants may include but are not limited to restrictions on partnership guarantees, the maintenance of certain financial ratios (including a Fund's ratio of debt to equity capital and its debt service coverage ratio), the maintenance of a minimum net worth, restrictions against a change of control of a Fund, required insurance limits or deductibles and limitations on alternative sources of capital.

*Fund Guarantees on Leverage and Contingent Obligations*

A Fund is permitted to guarantee the performance of some of its subsidiaries' obligations, including, but not limited to, some of its obligations to co-invest in vehicles and unsecured indebtedness. Non-performance on such obligations may cause losses to a Fund in excess of the

capital a Fund initially may have invested/committed under such obligations and there is no assurance that a Fund will have sufficient capital to cover any such losses.

### *High Degree of Risk*

An investment in a Fund requires a long-term commitment, with no certainty of return. A Fund is a discretionary Fund. Accordingly, investors will not have an opportunity to evaluate or approve specific investments prior to investing. Investors will be relying on the ability of AJ Capital, who will have wide latitude in determining the types of assets it may decide are proper investments for a Fund, to identify, consummate and manage investments. The limited partners have no right or power to take part in a Fund's management, other than by voting on certain limited matters as provided in the Partnership Agreement (including matters pertaining to specific investments as to which AJ Capital requests approval from a Fund advisory committee). Accordingly, no person should purchase an interest unless such person is willing to entrust all aspects of a Fund's management to AJ Capital.

### *Dependence on the Management Team*

The ability of AJ Capital to successfully manage a Fund's affairs depends on the management team and its ability to identify, structure and manage investments. AJ Capital will rely on the experience, relationships and expertise of the management team and key personnel. There can be no assurance that these individuals will remain in the employ of AJ Capital or otherwise continue to be able to carry on their current duties throughout a Fund's term. The loss of the services of any of such individuals could have a material adverse effect on a Fund's operations. In addition, AJ Capital and its affiliates have investments in real estate in which a Fund does not have an ownership interest.

Limited partners generally have no right or power to take part in the management of a Fund, and as a result, the investment performance of a Fund will depend on the actions of AJ Capital. In addition, certain changes in AJ Capital or circumstances relating to AJ Capital may have an adverse effect on a Fund or one or more of its real estate and real estate-related assets including potential acceleration of debt facilities.

### *Inability to Execute Business Plan*

There can be no assurance that AJ Capital will be able to execute the business plan for a Fund or any or all of a Fund's investments. Unforeseen factors may arise that AJ Capital is not in a position to control, which may interrupt AJ Capital's investment program and/or negatively impact returns on a Fund's investments. For example, opportunities to renegotiate or restructure existing, unfavorable debt with respect to a Fund investment may be limited due to the existence of conflicting priorities of property owners, lenders or other third parties. Furthermore, an applicable tax regime or regulation, such as planning or zoning regulations with respect to development projects that may have made a particular Fund investment desirable upon acquisition may be subsequently varied or amended and, as a consequence, a Fund investment may no longer achieve the same returns as originally anticipated.

### *Illiquidity of the Limited Partnership Interests in the Funds*

An investment in a Fund requires a long-term commitment, with no certainty of return. The limited partnership interests in the Funds have not been and will not be registered under the Securities Act of 1933, or any other applicable securities laws. There is no public market for the limited partnership interests in the Funds and none is expected to develop. The limited partnership interests in the Funds are subject to certain transfer restrictions and limited partners will have no right to cancel their Commitments or make a Fund redeem their limited partnership interests in the Funds. Consequently, limited partners will not be able to liquidate their investment in a Fund prior to the end of a Fund's term. Therefore, the limited partnership interests in the Funds should only be acquired by investors able to commit their funds for an extended period of time.

### *Subscription Lines*

A Fund generally is permitted to enter into a subscription line with one or more lenders in order to finance its operations, including the acquisition, financing or refinancing of the Fund's investments, as well as to consolidate or make less frequent capital calls to limited partners. Fund-level borrowing subjects limited partners to certain risks and costs. For example, because amounts borrowed under a subscription line typically are secured by pledges of the relevant General Partner's right to call capital from the limited partners, limited partners may be obligated to contribute capital on an accelerated basis if the Fund fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder. Moreover, any limited partner claim against the Fund would likely be subordinate to the Fund's obligations to a subscription line's creditors.

In addition, Fund-level borrowing will result in additional partnership expenses that will be borne by investors. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a subscription line, an upfront fee for establishing a subscription line, and other one-time and recurring fees and/or expenses, as well as legal fees relating to the establishment, structuring and negotiation of the terms of the borrowing facility, as well as expenses relating to maintaining, renegotiating or terminating the facility. Because a subscription line's interest rate is based in part on the creditworthiness of the relevant Fund's limited partners and the terms of the Governing Documents, it may be higher than the interest rate a limited partner could obtain individually. To the extent a particular limited partner's cost of capital is lower than the relevant Fund's cost of borrowing, Fund-level borrowing can negatively impact a limited partner's overall individual financial returns even if it increases the Fund's reported net returns in certain methods of calculation. Conflicts of interest have the potential to arise in that the use of Fund-level borrowing typically delays the need for limited partners to make contributions to a Fund, or results in short-term gains to a Fund, which in certain circumstances enhances the relevant Fund's return calculations and thereby may be deemed to benefit the marketing efforts of the General Partner and its affiliates and increases the likelihood that any hurdle or preferred return component in the Fund's carried interest arrangements will be met. A portfolio investment financing from a subscription line, rather than from a Fund-level equity commitment, has the potential to increase such returns, particularly in instances where the

relevant amount has been drawn for an extended period of time. In other circumstances the use of Fund-level borrowing can increase the base of a Fund's Management Fee calculation, such as during periods where Management Fees are based in whole or in part on an acquisition cost that includes a borrowing component. Because Management Fees are incurred whether an investment is financed through capital calls or borrowings, and a Fund's preferred return typically does not accrue on outstanding borrowings, the relevant General Partner has an incentive to cause the Fund to make investments and/or pay such amounts using a subscription line rather than making capital calls. The use of Fund-level borrowing arrangements, and the repayment or non-repayment thereof, can also influence the determination of the end of a Fund's investment period, and cause or defer a related change in the basis of the relevant Fund's Management Fee calculation under the Governing Documents. Conflicts of interest also have the potential to arise to the extent that a subscription line is used to make an investment that is later sold in part to co-investors (including one or more co-investing Funds) as, to the extent co-investors are not required to act as guarantors under the relevant facility or pay related costs or expenses, co-investors nevertheless stand to receive the benefit of the use of the subscription line and neither the relevant Fund nor investors generally will be compensated for providing the relevant guarantee(s) or being subject to the related costs, expenses and/or liabilities.

A credit agreement or borrowing facility frequently will contain other terms that restrict the activities of a Fund and the limited partners or impose additional obligations on them. For example, certain lenders or facilities are expected to impose restrictions on the relevant General Partner's ability to consent to the transfer of a limited partner's interest in a Fund or impose concentration or other limits on the Fund's investments, and/or financial or other covenants, that could affect the implementation of the Fund's investment strategy. In addition, in order to secure a subscription line, the relevant General Partner may request certain financial information and other documentation from limited partners to share with lenders. The General Partner will have significant discretion in negotiating the terms of any subscription line and may agree to terms that are not the most favorable to one or more limited partners. In certain circumstances, due to separate evaluations of creditworthiness by lenders or facility providers, a portfolio investment or other Fund subsidiary is expected to bear higher rates under a borrowing facility than are borne by the Fund, resulting in a potential net benefit to the Fund, or additional potential liquidity constraints or other burdens on the relevant portfolio investment or Fund subsidiary.

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows a General Partner to fund investments and pay partnership expenses without calling capital, potentially for extended periods of time. Calling a large amount of capital at once to repay the then-current amount outstanding under a subscription line could cause short-term liquidity concerns for limited partners that would not arise had the relevant General Partner called smaller amounts of capital incrementally over time as needed by a Fund. This risk would be heightened for a limited partner with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the limited partner to meet the accumulated, larger capital calls at the same time. A General Partner is authorized to use Fund-level borrowing to pay Management Fees and to reimburse AJ Capital for expenses incurred on behalf of the relevant Fund. A Fund is also permitted to utilize Fund-level borrowing when a General Partner expects to

repay the amount outstanding through means other than limited partner capital, including as a bridge for equity or debt capital with respect to an investment. If a Fund ultimately is unable to repay the borrowings through those other means, limited partners would end up with increased exposure to the underlying investment, which could result in greater losses.

If an investment appreciates in value and is disposed of prior to repayment, the relevant Fund generally would apply disposition proceeds to repay the borrowing and related interest and expenses, the absence of invested capital funded by limited partners potentially will result in a distribution of net proceeds without a preferred return accrual on the amount invested. Accordingly, borrowings have the potential to support the distribution of proceeds to limited partners and increase the potential carried interest for the relevant General Partner, as reduced by the interest incurred by the relevant Fund. Subject to any limitations in the Governing Documents, this scenario potentially incentivizes the relevant General Partner to permanently fund the acquisition and ongoing capital needs of a Fund's investments and related expenses with the proceeds of such borrowings in lieu of drawing down capital contributions on an as-needed basis, and, accordingly, capital contributions to repay such borrowings may be required only at the time of the disposition of an investment (or never, if principal and interest on such borrowings are always repaid out of disposition proceeds). Investment- and Intermediate Entity-Level Borrowing

Under the Governing Documents, each Fund is authorized to incur indebtedness that is secured by any assets of the Fund (e.g., asset-based borrowing, as well as "back leverage" and net asset value (NAV) facilities), and is permitted directly or indirectly through one or more intermediate entities (e.g., special purpose vehicles) to incur indebtedness, including to borrow money from any person, to make guarantees or provide other credit support to any person or to incur any other obligation (including other extensions of credit). Indebtedness is permitted to be incurred for any purpose relating to the activities of the Fund, including without limitation to: finance any investment-related activities of the Fund; increase the buying power of the Fund; provide interim financing to the extent necessary to consummate the purchase of investments prior to the receipt of permanent financing or capital contributions or distributions (as applicable); pay for Fund expenses or fund the payment of Management Fees; make, hold or dispose of investments; provide financing or refinancing; fund the payment of amounts to withdrawing limited partners; fund distributions to the partners; and/or provide collateral to secure outstanding letters of credit or to create reserves, in each case in accordance with the Governing Documents. Additionally, a Fund is expected to enter into letters of credit in support of one or more of its investments, including for the purpose of such Fund agreeing to fund additional equity financing or capital expenditures into a portfolio investment (regardless of who the beneficiary to such letter of credit may be) at a certain time or upon the occurrence of a certain event. Although in many cases the Governing Documents impose limits on borrowings at the Fund level, portfolio investments and intermediate entities generally do not have such limits on their ability to engage in borrowings or incur leverage with respect to all or a portion of the relevant investments.

#### Need for Follow-on Investments

Following its initial investment in a given property, a Fund is permitted to decide to provide additional funds with respect to such property or consider the opportunity to increase its



investment. There is no assurance that a Fund will make follow-on investments or that a Fund will have sufficient funds to make all or any of such investments. Any decision by a Fund not to make follow-on investments or its inability to make such investment may have a substantial negative effect on an asset in need of such an investment or may result in a lost opportunity for a Fund to increase its participation in a successful property. Funding of follow-on investments will likely also occur after the end of the commitment period.

#### *Risks of Multi-Step Acquisitions*

In the event a Fund chooses to affect a transaction by means of a multi-step acquisition, there can be no assurance that the remainder can be successfully acquired. This could result in a Fund having only partial access to its cash flow to service debt incurred in connection with the acquisition.

#### *Material, Non-Public Information*

As a result of the operations of AJ Capital and its affiliates, AJ Capital may come into possession of confidential or material, non-public information. Therefore, AJ Capital and its affiliates may have access to material, non-public information that may be relevant to an investment decision to be made by a Fund. Consequently, a Fund may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or AJ Capital's internal policies. Due to these restrictions, a Fund may not be able to make an investment that it otherwise might have made or sell an investment that it otherwise might have sold.

#### *Cybersecurity Risks*

Recent events have illustrated the on-going cybersecurity risks to which operating companies are subject, particularly operating companies in historically vulnerable industries such as the food services and retail industries. To the extent that a portfolio investment is subject to cyber-attack or other unauthorized access is gained to a portfolio investment's systems, such portfolio investment may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or portfolio investment financial information; (iii) portfolio investment software, contact lists or other databases; (iv) portfolio investment proprietary information or trade secrets; or (v) other items. In certain events, a portfolio investment's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. The use of internet- or cloud-based programs, technologies and data storage applications generally heightens these risks. Any of such circumstances could subject a portfolio investment, or the relevant Fund, to substantial losses, including losses relating to: misappropriation of assets, intellectual property, or confidential information; corruption, deletion, or destruction of data; physical damage and repairs to systems; reputational harm; financial losses from remedial actions; and/or disruption of operations. Third parties, including activist, criminal, nation-state, or terrorist actors, may also attempt fraudulently to induce portfolio investments or their personnel to disclose sensitive information (including passwords) in order to gain access to data, accounts, funds, or other assets, or otherwise to inflict

harm. In addition, in the event that such a cyber-attack or other unauthorized access is directed at AJ Capital or one of its service providers holding its financial or investor data, AJ Capital, its affiliates or the Funds may also be at risk of loss.

#### *Privacy and Data Protection Law Compliance Risk*

The adoption, interpretation and application of consumer protection, data protection and/or privacy laws and regulations in the United States, Europe and other jurisdictions (collectively, “**Privacy Laws**”) could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and current and planned business activities of AJ Capital, the General Partners, the Funds and/or their portfolio investments, and increase compliance costs and require the dedication of additional time and resources to compliance for such entities. A failure to comply with such Privacy Laws by any such entity or their service providers could result in fines, sanctions or other penalties or litigation, which could materially and adversely affect the results of operations and overall business, as well as have a negative impact on reputation and Fund performance. As Privacy Laws are implemented, interpreted and applied, compliance costs for AJ Capital, the General Partners, the Funds and/or their portfolio investments, are likely to increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

Certain jurisdictions, including U.S. states, have proposed, adopted or are considering similar Privacy Laws, which if enacted could impose significant costs, potential liabilities and operational and legal obligations. Such Privacy Laws are expected to vary from jurisdiction to jurisdiction, thus increasing costs, operational and legal burdens, and the potential for significant liability for regulated entities, which could include AJ Capital, the General Partners, the Funds and/or their portfolio investments.

#### *Uncertain Economic, Social and Political Environment*

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

### Market Conditions

The capital markets have experienced great volatility and financial turmoil. Moreover, governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) may have a negative effect on market conditions. General fluctuations in the market prices of investments and economic conditions generally may reduce the availability of attractive investment opportunities for a Fund and may affect a Fund's ability to make investments. Instability in the markets and economic conditions generally (including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates) may also increase the risks inherent in a Fund's investments and could have a negative impact on the performance and/or valuation of the investments. A Fund's performance can be affected by deterioration in the capital markets and by market events, such as the onset of the credit crisis in the summer of 2007 or the downgrading of the credit rating of the United States in 2011. Volatility and illiquidity in the financial sector may have an adverse effect on the ability of a Fund to sell and/or partially dispose of its investments. Such adverse effects may include the requirement of a Fund to pay break-up, termination or other fees and expenses in the event a Fund is not able to close a transaction (whether due to the lenders' unwillingness to provide previously committed financing or otherwise) and/or the inability of a Fund to dispose of investments at prices that the General Partner or Manager believes reflect the fair value of such investments. The impact of market and other economic events may also affect a Fund's ability to raise funding to support its investment objective.

### Non-U.S. Investments and Currency

Non-U.S. investments may be subject to certain additional risk due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the Funds), the application of complex U.S. and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on the Funds and/or the limited partners with respect to the relevant Fund's income, and possible non-U.S. tax return filing requirements for the Funds and/or the limited partners. Additional risks related to a Fund's non-U.S. investment(s) include: (i) economic dislocations in the applicable area; (ii) less publicly available information; (iii) less well-developed and/or more restrictive laws, regulations, regulatory institutions, and judicial systems; (iv) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction; (v) civil disturbances; (vi) government instability; and (vii) nationalization and expropriation of private assets. Further, volatility in the currency markets may result in a Fund incurring higher costs related to the non-U.S. investment and may adversely impact the profitability and cash flows from operations of such non-U.S. investment.

### Public Health Emergencies; COVID-19

Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, Ebola and COVID-19, have resulted in historic market disruptions, and future such emergencies have the potential to materially and

adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to the Funds.

The ultimate impact of any such health emergency—and any resulting decline in economic and commercial activity—on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict, but could have a significant adverse impact and result in significant losses to the Funds. The extent of the impact on the Funds’ and their portfolio investments’ operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors may limit the ability of the Funds to source, diligence and execute new investments and to manage, finance and exit investments in the future, and governmental mitigation actions may constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy the Funds intend to pursue, all of which could adversely affect the Funds’ ability to fulfill their investment objectives. They may also impair the ability of portfolio investments or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. In addition, the operations of the Funds, their portfolio investments, the General Partners and AJ Capital may be significantly impacted, or even temporarily or permanently halted, as a result of any such health emergencies, or any measures, restrictions, remote-working requirements and other factors related thereto, including its potential adverse impact on the health of any such entity’s personnel. These measures may also hinder such entities’ ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

#### *Public Health Emergencies; Hospitality-Specific Risks*

Certain Funds intend to invest in hospitality and/or other types of hospitality-related investments that are uniquely susceptible to the impact of a public health emergency, such as COVID-19. Decreased demand and confidence as well as increased governmental measures, particularly with respect to the entertainment, travel, and tourism industries, are having an outsized impact on the market for hospitality and lodging. Business and recreational travel have been adversely impacted due to delays or cancellations of conferences, retreats, sporting events, concerts and other large organized gatherings, and the growing accessibility to and migration towards alternatives for in-person meetings, including virtual meetings hosted online or via private teleconferencing networks. Governmental measures that have been taken in response to a public health emergency include travel bans and restrictions, business shutdowns (including food and beverage) and other steps that have been taken to prevent the spread of illness and disease. Lastly, due to the often discretionary nature of the demand for hospitality products, and to the extent that the overall consumer income-level decreases as a result of any of the above, the Funds’ investments are likely to be materially and adversely affected.

### Hedging and Interest Rate Risks

Changes in interest rates may adversely affect the investments of the Funds. Changes in the general level of interest rates can affect the Funds' income by affecting the spread between the income on their assets and the expense of their interest-bearing liabilities, as well as, among other things, the value of their interest-earning assets, the capitalization rate at which their real estate assets are valued in the market and their ability to realize gains from the sale of assets. Interest rates are highly sensitive to many factors, including governmental, monetary and tax policies, domestic and international economic and political considerations, fiscal deficits, trade surpluses or deficits, regulatory requirements, and other factors beyond the control of the Funds. Certain Funds may finance their activities with both fixed and floating rate debt. With respect to their floating rate debt, the Funds' performance may be affected adversely if the Funds fail to limit the effects of changes in interest rates on their operations by employing an effective hedging strategy, including engaging in interest rate swaps, caps, floors, or other interest rate contracts, or buying and selling interest rate futures or options on such futures. Should the Funds so elect (and they may be under no obligation to do so), the use of these instruments to hedge a portfolio carries certain risks, including the risk that losses on a hedge position will reduce the Funds' earnings and funds available for distribution to investors and that such losses may exceed the amount invested in such instruments.

### International Conflicts

Wars and other international conflicts, such as the Israeli-Palestinian conflict and the ongoing military conflict between Russia and Ukraine, have caused disruption to global financial systems, trade and transport, among other things. In response, multiple other countries have put in place sanctions and other severe restrictions or prohibitions on certain of the countries involved, as well as related individuals and businesses. However, the ultimate impact of these conflicts and their effect on global economic and commercial activity and conditions, and on the operations, financial condition and performance of the Funds or any particular industry, business or investee country and the duration and severity of those effects, is impossible to predict.

These conflicts may have a significant adverse impact and result in significant losses to the Funds. This impact may include reductions in revenue and growth, unexpected operational losses and liabilities and reductions in the availability of capital. It may also limit the ability of a Fund to source, diligence and execute new investments and to manage, finance and exit investments in the future. Developing and further governmental actions (military or otherwise) may cause additional disruption and constrain or alter existing financial, legal and regulatory frameworks and systems in ways that are adverse to the investment strategy which any Fund intends to pursue, all of which could adversely affect the Fund's ability to fulfill its investment objectives. Financial Institution Risk; Distress Events

An investment in a Fund is subject to the risk that one of the banks, brokers, hedging counterparties, lenders or other custodians (each, a "**Financial Institution**") of some or all of a Fund's (and/or any of a Fund's portfolio investments) assets fails to timely perform its obligations or experiences insolvency, closure, receivership or other financial distress or difficulty, similar to

that experienced by Silicon Valley Bank and Signature Bank in March 2023 (each, a “**Distress Event**”). Distress Events can be caused by factors including eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance or accounting irregularities. If a Financial Institution experiences a Distress Event, a General Partner, a Fund, or any of a Fund’s portfolio investments may not be able to access deposits, borrowing facilities or other services, either permanently or for an extended period of time. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by organizations such as the Federal Deposit Insurance Corporation (“**FDIC**”), in the case of banks, and the Securities Investor Protection Corporation (“**SIPC**”), in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of total loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose increased risk of loss. While in recent years governmental intervention has often resulted in additional protections for depositors and counterparties during Distress Events, there can be no assurance that such intervention will occur in a future Distress Event or that any such intervention undertaken will be successful or avoid the risks of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

Any Distress Event has a potentially adverse effect on the ability of a General Partner to manage a Fund and its investments, and on the ability of a General Partner, a Fund, and any portfolio investment of a Fund to maintain operations, which in each case could result in significant losses and in unconsummated investment acquisitions and dispositions. Such losses could include: a loss of funds; an obligation to pay fees and expenses in the event a Fund is not able to close a transaction (whether due to the inability to draw capital on a credit line provided by a Financial Institution experiencing a Distress Event, the inability of a Fund to access capital contributions or otherwise); the inability of a Fund to acquire or dispose of investments, or acquire or dispose of such investments at prices that the relevant General Partner believes reflect the fair value of such investments; and the inability of portfolio investments to fulfill obligations or maintain operations. If a Distress Event leads to a loss of access to a Financial Institution’s services, it is also possible that a Fund, or a Fund’s portfolio investment will incur additional expenses or delays in putting in place alternative arrangements or that such alternative arrangements will be less favorable than those formerly in place (with respect to economic terms, service levels, access to capital, or otherwise). Although the General Partner expects to exercise contractual remedies under agreements with Financial Institutions in the event of a Distress Event, there can be no assurance that such remedies will be successful or avoid losses or delays. A Fund, and its respective portfolio investments are subject to similar risks if a Financial Institution utilized by investors in a Fund, or by suppliers, vendors, service providers, tenants or other counterparties of a Fund, or a portfolio investment becomes subject to a Distress Event, which could have a material adverse effect on a Fund.

Many Financial Institutions require, as a condition to using their services (including lending services), that a General Partner and/or a Fund maintain all or a set amount or percentage of their respective accounts or assets with the Financial Institution, which heightens the risks associated with a Distress Event with respect to such Financial Institutions. Although the General Partner seeks to do business with Financial Institutions that it believes are creditworthy and capable of fulfilling their respective obligations to a Fund, a General Partner is under no obligation

to use a minimum number of Financial Institutions with respect to a Fund or to maintain account balances at or below the relevant insured amounts.

#### Impact of Government Regulation and Reform.

The SEC has proposed and enacted significant rules that will impact the business of AJ Capital and the Funds. In particular, the SEC has adopted a number of new rules that impose significant changes on private fund advisers and their management of private funds, and the SEC is expected to propose and/or adopt additional rules in the future. Such current and future rulemaking is expected to materially impact AJ Capital and its affiliates, the Funds and/or their investments. In addition, the Funds are expected to bear significant increased costs as a result of such rules, including costs relating to investor reporting and disclosures. Significant time and resources are expected to be required to comply with the new regulations, which potentially will detract from the time and resources dedicated to the Funds. Certain rules are or may become subject to legal challenge from private fund industry groups and others, and to the extent such legal challenges are successful, investors will not be afforded some or all of the protections provided by these rules.

#### U.S. Taxation of Carried Interest

U.S. federal income tax law treats certain allocations of capital gains to service providers by partnerships such as the Funds as short-term capital gain (taxed at higher ordinary income rates) unless the partnership has held the asset that generated such gain for more than three years. Additionally, Congress has considered proposed legislation that would treat certain income allocations to service providers by partnerships such as a Fund (including any carried interest) as ordinary income for U.S. federal income tax purposes that under current law are treated as an allocation of the partnership's income (and which may be taxed at lower rates than ordinary income). Such rules, as well as any such legislation that may be enacted in the future, could apply to reduce the after-tax returns of individuals associated with a Fund, its General Partner, or AJ Capital who were or may in the future be granted direct or indirect interests in carried interest, which could make it more difficult for the relevant General Partner and its affiliates to incentivize, attract and retain individuals to perform services for a Fund. This creates potential incentives for AJ Capital to cause a Fund to hold investments for a longer period than would be the case if such greater-than-three-year holding period requirement did not exist.

#### Changes to Benchmark Rates

To the extent that a Fund's investments, borrowing facilities, hedging activities, or other assets or structures are tied to interest rates based on benchmark or reference rates, including the London Interbank Offered Rate ("**LIBOR**"), Secured Overnight Financing Rate (SOFR) or other rates (each, a "**Benchmark Rate**"), the Fund may be subject to certain material risks, including the risk that a Benchmark Rate is terminated, ceases to be published or otherwise ceases to be broadly used by the market. Regulators, central banks, governments and other market participants have transitioned historical instruments and contracts away from LIBOR to new Benchmark Rates. This transition includes the potential to: increase volatility or illiquidity in markets; cause delays

in or reductions to financing options for the Funds and their portfolio investments; increase the cost of borrowing; reduce the value of certain instruments or the effectiveness of certain hedges; cause uncertainty under applicable legal documentation; or otherwise impose costs and administrative burdens relating to factors that include document amendments and changes in systems. Future transitions to and from Benchmark Rates have the potential to have similar effects.

### *Secondaries and other General Partner-Led Transactions*

There continues to be a significant market for secondary sales, General Partner-led transactions, continuation funds, successor fund investments and other transactions, and AJ Capital reserves the right to dispose of (or seek additional capital for) Fund investments through such means. Many of these transactions involve an auction process run by an investment bank and a buyer (or buyer group) that agrees to purchase all or a portion of one or more investments that will continue to be managed by AJ Capital following the transaction. Such transactions are permitted to be undertaken for various reasons, including, for example, to balance competing interests between offering liquidity to existing limited partners and maintaining exposure to an asset where AJ Capital believes there is the potential for additional value generation. Where undertaken, existing limited partners typically are offered certain options relating to receiving liquidity from the transaction or continuing to maintain exposure to the asset, assets or a new portfolio of assets (including a portfolio that combines assets from multiple Funds sponsored by AJ Capital and its affiliates), often on different terms than their original investment in the Fund. However, certain of such transactions are expected to involve: a limited partner investing (or being required to invest) additional capital in the existing Fund and/or other investment vehicles; a greater exposure to one or more particular portfolio investments; and/or a delay in the full liquidation of the Fund's investment. In other circumstances, even limited partners that elect to continue to hold a direct or indirect interest in the relevant portfolio investment will have their interest adjusted as if distributed (i.e., a portion of such interest will be allocated to the relevant General Partner to the extent of its right to receive carried interest, if any), effectively diluting their interests.

Each of these transactions has the potential for conflicts between the interests of a Fund or limited partner and those of AJ Capital or any buyer group that typically are not applicable to more traditional investment sales. For example, in circumstances where AJ Capital or an affiliate will continue to manage and receive fees and/or performance-based compensation relating to the subject assets following the transaction (potentially in addition to performance-based compensation earned by the relevant General Partner on the sale of an asset from an existing Fund in such transaction), their incentives are expected to diverge from those of limited partners who elect to sell their interests. Similarly, there are potential conflicts of interest among the selling Fund, AJ Capital, the relevant General Partner and any buyer group relating to the valuation and consideration offered for the subject investment(s). To the extent AJ Capital requires existing limited partners and/or new buyers to commit capital to a continuation fund or another Fund managed by AJ Capital in addition to the purchase amount paid in a transaction (including commitments to the relevant Fund in specified ratios to the purchase price), such requirement is expected to have a dilutive effect on the purchase price for the selling Fund and its limited partners. There can be no assurance that any such transaction will accurately reflect the fair market value of the investment(s) being sold. Further, the relevant General Partner is expected to be incentivized,



including through the possibility of receiving additional compensation, to make investments in portfolio investments with the view of holding such investments for longer periods of time or to make investments that it would not otherwise have made if the possibility of liquidity through a secondary transaction did not exist. Where co-investors historically have been invested in an investment subject to such a transaction, there can be no assurance that they will receive the same liquidity or other options as limited partners in the relevant Fund, and in such circumstances AJ Capital reserves the right to compel co-investors to receive cash or continue to hold an interest in the relevant investment. In other circumstances, certain limited partners will not be permitted to continue to maintain exposure to the asset(s) due to a lack of eligibility to invest in a continuation vehicle under relevant securities, tax or other considerations. Although relevant potential conflicts of interest are disclosed to limited partners and/or the relevant LP Advisory Committee prior to the closing of the transaction, there can be no assurance that AJ Capital will successfully identify all conflicts of interest or resolve or mitigate all such conflicts of interest in favor of Fund or any individual limited partner or group of limited partners. However, AJ Capital reserves the right, in its sole discretion, to determine to engage in such transactions, subject to any approvals required in the relevant Governing Documents. AJ Capital is permitted to seek the consent of the relevant Fund LP Advisory Committee(s) to approve conflicts associated with such transactions and accordingly not all limited partners will necessarily be able to approve or disapprove of such transactions. Similar to any prospective sale or disposition of Fund investments, to the extent such transactions are not consummated, the relevant Fund is expected to bear all of the related costs in the absence of an agreement with other parties to bear a portion of such costs.

#### *Social Media and Publicity Risk*

The use of social networks, message boards, internet channels and other platforms has become widespread within the United States and globally. As a result, individuals now have the ability to rapidly and broadly disseminate information or misinformation, without independent or authoritative verification. Any such information or misinformation regarding AJ Capital, the Funds or one or more portfolio investments could have a material and adverse effect on the value of the Funds.

#### **Conflicts of Interest**

AJ Capital and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own account and for the account of other Funds, and providing transaction-related, management and other services to Funds and to or with respect to portfolio investments. AJ Capital will devote such time, personnel and internal resources as are necessary to conduct the business affairs of the Funds in an appropriate manner, as required by the relevant Partnership Agreement, although the Funds and their respective investments will place varying levels of demand on these over time. In the ordinary course of AJ Capital conducting its activities, the interests of a Fund may conflict with the interests of AJ Capital, one or more other Funds, portfolio investments or their respective affiliates. Certain of these conflicts of interest are discussed herein. As a general matter, AJ Capital will determine all matters relating to structuring transactions and Fund operations using its best judgment considering all factors it deems relevant,

but in its sole discretion, subject in certain cases to the required approvals by the advisory committees of the participating Funds.

During the exclusivity period of a Fund (which generally is the earlier of the end of the commitment period or such time as a specified percentage of Fund Commitments have been invested, as described in the applicable Partnership Agreement), all appropriate investment opportunities (as determined in AJ Capital's discretion, and in accordance with the relevant provisions of any applicable Partnership Agreement) will be offered to such Fund, subject to certain limited exceptions. Without limitation, AJ Capital principals currently manage, and expect in the future to manage, several other investments similar to those in which a Fund will be investing, and may direct certain relevant investment opportunities to those investments. AJ Capital's principals and AJ Capital's investment staff will continue to manage and monitor such investments until their realization. Such other investments that AJ Capital principals control or manage may compete with portfolio investments of a Fund. AJ Capital personnel reserve the right to manage their own personal investments, whether or not through a formal family office or estate planning structure, and to pay or receive compensation relating to these arrangements. Unless restricted by the Governing Documents, AJ Capital personnel are permitted to serve on boards or act in other roles unaffiliated with AJ Capital, the Funds, or their portfolio investments, including boards of charitable and educational institutions, public companies, and former portfolio investments, and receive compensation in connection with such services and roles.

AJ Capital expects to be presented with certain investment opportunities that would be suitable not only for a Fund, but also for other Funds and other investment vehicles operated by AJ Capital or its advisory affiliates. In determining which investment vehicles should participate in such investment opportunities, AJ Capital and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. Investments by more than one client of AJ Capital in a given portfolio investment also raise the risk of using assets of a client of AJ Capital to support positions taken by other clients of AJ Capital.

AJ Capital must first determine which Fund(s) will, or are required to, participate in the relevant investment opportunity. AJ Capital generally assesses whether an investment opportunity is appropriate for a particular Fund based on a Fund's Partnership Agreement, as well as various factors including, but not limited to: investment restrictions and objectives (including those set forth in the relevant Fund's Partnership Agreement), strategy, risk profile, time horizon, life-cycle and structure, tax and regulatory considerations and other relevant factors. For example, a newly organized Fund generally will seek to purchase a disproportionate amount of investments until it is substantially invested. A Fund generally reserves the right to invest together with other Funds advised by AJ Capital in the manner set forth in the relevant Partnership Agreements and in accordance with AJ Capital's policies and procedures relating to the allocation of investment opportunities. AJ Capital will determine the allocation of investment opportunities among Funds in a manner that it believes is fair and equitable consistent with AJ Capital's obligations and will take into consideration various factors, generally including, without limitation, those described above.

Following such determination of allocation among Funds, AJ Capital will determine if the amount of an investment opportunity in which one or more Funds will invest exceeds the amount that would be appropriate for such Fund(s) and any such excess may be offered to one or more potential co-investors, including third parties, as determined pursuant to each applicable Fund's Partnership Agreement, side letters and AJ Capital's policies and procedures regarding allocation. AJ Capital's procedures permit it to take into consideration a variety of factors in making such determinations, including but not limited to: expressed interest in co-investment opportunities; any applicable side letter provisions; expertise of the prospective co-investor in the industry to which the investment opportunity relates; perceived ability to quickly execute on transactions; tax, regulatory, securities laws and/or other legal considerations (*e.g.*, qualified purchaser or qualified institutional buyer status); confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity; perceived ease of process in coordinating or completing the investment with the prospective co-investor or co-investors similar thereto; AJ Capital's perception of whether the investment opportunity may subject the prospective co-investor to legal, regulatory, reporting or other burdens that make it less likely that the prospective co-investor would act upon the investment opportunity if offered or would impair AJ Capital's ability to execute the relevant transaction in the desired time or on desired terms; size of the investment allocation and practicality of dividing it up among multiple co-investors; lender requirements; perceived public relations and reputational benefits or costs; and whether AJ Capital believes that allocating investment opportunities to an investor or person will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant portfolio investment, other portfolio investments, the Funds or AJ Capital. Although a prospective co-investor's willingness to invest in future Funds may be considered by AJ Capital, it generally will not be the sole determining factor considered by AJ Capital in identifying co-investors.

Furthermore, AJ Capital or its related persons expect to make decisions regarding whether and to whom to offer co-investment opportunities in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities may, and typically will, be offered to some and not to other AJ Capital investors, and the consideration of the factors set forth above may result in certain investors receiving multiple opportunities to co-invest while others expressing interest in co-investments may receive none. When and to the extent that personnel and related persons of AJ Capital and its affiliates make capital investments in or alongside certain Funds, AJ Capital and its affiliates are subject to conflicting interests in connection with these investments.

There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed. AJ Capital's allocation of investment opportunities among the persons and in the manner discussed herein may not, and often will not, be proportional. Such allocations may be more or less advantageous to some such persons relative to others. While AJ Capital will allocate investment opportunities in a manner that it believes in good faith is fair and equitable to its clients under the circumstances over time and considering relevant factors, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which such allocation is made, will be as favorable

as they would be if the potential conflicts of interest to which AJ Capital may be subject, discussed herein, did not exist.

Conflicts may arise when a Fund makes investments in conjunction with an investment being made by another Fund. A Fund may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Funds. This may result in differences in price, terms, leverage, and associated costs with respect to a portfolio investment. Further, there can be no assurance that the relevant Fund and the other Fund(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. AJ Capital and its affiliates reserve the right to express inconsistent views of commonly held investments or of market conditions more generally. There can be no assurance that the return on one Fund's investments will be the same as the returns obtained by other Funds participating in any given transaction. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to all Funds. In that regard, actions may be taken for one or more Funds that adversely affect other Funds.

Where multiple Funds invest at the same, different, or overlapping levels of a portfolio investment's capital structure, there is a potential for conflicts of interest in determining the terms of each such investment. Questions may arise subsequently as to whether payment obligations and covenants should be enforced, modified, or waived, or whether debt should be refinanced or restructured. In troubled situations, decisions including whether to enforce claims, or whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any workout or restructuring may raise conflicts of interest, particularly with respect to Funds that have invested in different securities within the same portfolio investment. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, Funds may or may not provide such additional capital, and if provided, each Fund generally will supply such additional capital in such amounts, if any, as determined by AJ Capital in its sole discretion. Because of the different legal rights associated with debt and equity of the same portfolio investment, AJ Capital may face a conflict of interest in respect of the advice it gives to, and the actions it takes on behalf of one Fund versus another Fund (e.g., the terms of debt instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies). If a Fund enters into any indebtedness with another Fund on a joint and several basis, AJ Capital is expected to enter into or otherwise arrange for one or more agreements that provide each Fund with a right of contribution, subrogation, or reimbursement. In administering, or seeking to reinforce, these agreements, AJ Capital may be subject to conflicts of interest, for example between a Fund with a reimbursement obligation and a Fund seeking reimbursement. AJ Capital intends to mitigate any potential conflicts by structuring such agreement in a manner intended to cause each Fund to bear its proportionate share of the applicable indebtedness, without undue favoritism over time.

Subject to any relevant restrictions or other limitations contained in the Partnership Agreements of the Funds, AJ Capital will allocate fees and expenses in a manner that it believes in good faith is fair and equitable to its clients under the circumstances and considering such factors as it deems relevant, but in its sole discretion. In exercising such discretion, AJ Capital may be faced with a variety of potential conflicts of interest.

In connection with its services to the Funds and their investments, AJ Capital, its affiliates, and personnel expect to receive the benefit of certain tangible and intangible benefits. For example, in the course of AJ Capital's operations, including research, due diligence, investment monitoring, operational improvements and investment activities, AJ Capital and its personnel expect to receive and benefit from information, "know-how," experience, analysis and data relating to Fund or portfolio investment (as applicable) operations, terms, trends, market demands, customers, vendors and other metrics (collectively, "**AJ Capital Information**"). In many cases, AJ Capital Information will include tools, procedures and resources developed by AJ Capital to organize or systematize AJ Capital Information for ongoing or future use. Although AJ Capital expects its Funds and their portfolio investments generally to benefit from AJ Capital's possession of AJ Capital Information, it is possible that any benefits will be experienced solely by other or future Funds or portfolio investments and not by the Fund or portfolio investment from which AJ Capital Information was originally received. AJ Capital Information will be the sole intellectual property of AJ Capital and solely for the use of AJ Capital. AJ Capital reserves the right to use, share, license, sell or monetize AJ Capital Information, without offset to Management Fees, and the relevant Fund or portfolio investment will not receive any financial or other benefit of such use, sharing, licensure, sale, or monetization. Additionally, expenses relating to the Funds or portfolio investments are expected to be charged using credit cards or other widely available third-party rewards programs that provide airline miles, hotel stays, travel rewards, traveler loyalty or status programs, "points," "cash back," rebates, discounts, and other arrangements, perquisites, and benefits under the available terms of such reward programs. Such programs are expected to vary, and any such rewards (whether or not *de minimis* or difficult to value) generally will inure to the benefit of the personnel participating in the rewards program, rather than the portfolio investments, the Funds, or their respective investors; no such rewards will offset Management Fees.

As a general matter, expenses typically will be allocated among all relevant Funds or co-invest vehicles receiving the benefit of such expenses (in the relevant General Partner's sole discretion) and eligible to reimburse expenses of that kind. In all such cases, subject to applicable law and legal, contractual, or similar restrictions, expense allocation decisions will generally be made by AJ Capital or its affiliates using their best judgment, considering such factors as they deem relevant, but in their sole discretion to be fair and equitable across those vehicles. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, *e.g.*, in determining which Funds or co-invest vehicles benefit (or the extent to which they benefit) from the relevant service relating to the expense, or whether to allocate *pro rata* based on number of Funds or co-invest vehicles receiving related benefits or proportionately in accordance with asset size. One Fund may have different expense reimbursement terms than another Fund which may result in the Funds bearing different levels of expenses with respect to the same investment.

Additionally, a portfolio investment or other entity in which one or more Funds invest typically will reimburse AJ Capital or service providers (including affiliates of AJ Capital) retained at AJ Capital's discretion for expenses (including without limitation travel expenses) incurred by AJ Capital or such service providers in connection with its performance of services for such entity. Service provider expenses are required to be reimbursed whether or not there is overlap in expertise, function or services performed by AJ Capital personnel. This subjects AJ Capital and

its affiliates to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements may be substantial. AJ Capital determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices. Because certain expenses are paid for by a Fund and/or its portfolio investments or, if incurred by AJ Capital, are reimbursed by a Fund and/or its portfolio investments, AJ Capital may not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio investments to incur) such expenses. Although the amount of individual reimbursements typically is not disclosed to investors in any Fund, their effect is reflected in each Fund's audited financial statements, and any fee paid or expense reimbursed to AJ Capital or such service providers generally is subject to: agreements with sellers, buyers, and management teams; the review and supervision of the board of directors of or lenders to portfolio investments; and/or third-party co-investors in its transactions. These factors help to mitigate related conflicts of interest.

As further described in the applicable Partnership Agreement, certain affiliates of AJ Capital currently, or reserve the right in the future to, perform services (*e.g.*, development, design, leasing, debt guaranteeing, marketing, brand licensing, property management and/or other similar services) with respect to a Fund or its portfolio investments. In the event that AJ Capital's affiliates provide such services, they are expected to receive Services Fees (as described above). As further described in the applicable Partnership Agreement, all such Services Fees will be in addition to (and will not offset) the Management Fee. Expenses incurred by AJ Capital or its affiliates in connection with providing such services also generally will be borne by (or reimbursed by) the relevant Fund or applicable portfolio investment. Certain personnel and related persons of AJ Capital and/or its affiliates are expected to work for or on behalf of such AJ Capital affiliate, and the applicable Fund will generally bear its proportionate share of the personnel costs and expenses related to the services provided by such persons (including, without limitation, an allocation of a portion of the overhead expenses related to such persons, such AJ Capital affiliate and the services provided). Any of such arrangements give rise to potential conflicts of interest. AJ Capital reserves the right to replicate this structure for future Funds.

The receipt by AJ Capital or its affiliates of Services Fees will give rise to potential conflicts of interest between the Funds, on the one hand, and AJ Capital and/or its affiliates on the other hand. AJ Capital intends for transactions between a Fund and AJ Capital or its affiliates relating to the affiliate services described above to be on reasonable terms as determined by AJ Capital in its sole good faith judgment and consistent with the provisions of a Fund's Partnership Agreement. Further, although, AJ Capital reserves the right to present transactions relating to such services to a Fund's advisory committee for its review prior to a Fund's commitment to such transactions, however AJ Capital generally is not obligated to do so under certain Partnership Agreements. It is possible that more favorable terms would be available to a Fund if a Fund's subsidiaries engaged third parties to provide such services instead of AJ Capital and/or its affiliates. The fees for services provided to a Fund or its portfolio investments by AJ Capital or its affiliates may be higher than those charged by AJ Capital or its affiliates to other Funds or other investments managed by or affiliated with AJ Capital. In conjunction with subscribing to a Fund, investors acknowledge and consent to the provision of such services by AJ Capital and/or its affiliates, as outlined in the applicable Partnership Agreement.

AJ Capital generally exercises its discretion to recommend to a Fund or to a portfolio investment that it contracts for services with (i) AJ Capital or a related person of AJ Capital (which is permitted to include a portfolio investment), (ii) an entity with which AJ Capital or its (current or former) personnel has a relationship or from which AJ Capital or its personnel otherwise derives financial or other benefit or (iii) certain current, former, or prospective limited partners or their affiliates. For example, AJ Capital may be presented with opportunities to receive financing and/or other services in connection with a Fund's investments from certain limited partners or their affiliates that are engaged in lending, administration, property management, accounting or related businesses. Additionally, certain principals of AJ Capital (and other individuals affiliated with AJ Capital) own interests in certain entities (*e.g.*, food and beverage operators, home furnishing providers) which may operate in, lease space from or supply various properties and portfolio investments developed by AJ Capital. These situations subject AJ Capital to conflicts of interest, because although AJ Capital selects service providers that it believes are aligned with its operational strategies and will enhance investment performance and, relatedly, returns of the relevant Fund, AJ Capital may have an incentive to recommend the related or other person because of its financial or other business interest. There is a possibility that AJ Capital, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or AJ Capital), may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Whether or not AJ Capital has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

AJ Capital and/or its affiliates reserve the right to employ personnel with pre-existing ownership interests in investments owned by the Funds or investment vehicles advised by AJ Capital; conversely, former personnel or executives of AJ Capital are expected to serve in significant management roles at service providers recommended by AJ Capital. Similarly, AJ Capital and/or its personnel maintain relationships with (or are permitted to invest in) Financial Institutions, service providers and other market participants, including managers of private funds, banks, and brokers. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, AJ Capital and/or the Funds or investment vehicles they advise. In other circumstances, these vendors are expected to provide personal banking, private wealth, or lending arrangements (including lending arrangements with respect to personal investments in or through AJ Capital entities) to AJ Capital personnel and their estate planning vehicles. AJ Capital expects to be subject to a potential conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to a Fund or an investment if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds, will provide AJ Capital information about markets and industries in which AJ Capital operates (or is contemplating operations) or will provide other services that are beneficial to AJ Capital. AJ Capital may have a conflict of interest in making such recommendations, in that AJ Capital has an incentive to maintain goodwill between it and the existing and prospective portfolio investments of a Fund, while the products or services recommended may not necessarily be the best available to a Fund or the portfolio investments thereof. Additionally, in connection with the

acquisition of a portfolio investment, AJ Capital reserves the right to structure such acquisition in its discretion, which can include providing a seller a profits interest in a Fund, permitting such seller (or an affiliate thereof) to invest as a limited partner in a Fund and/or provide (or continue providing) leasing and/or asset management services to such portfolio investment. One or more limited partners (or affiliates thereof) also are expected to be tenants or acquire leases from a portfolio investment in a Fund. Such scenarios raise potential conflicts of interest, and there can be no assurance that the terms applicable to the services provided by a pre-existing owner or a lease entered into by a current, former, or prospective limited partner will be as favorable to any Fund or limited partner if such conflicts did not exist.

AJ Capital, its affiliates, and equity holders, officers, principals and personnel of AJ Capital and its affiliates may buy or sell investments that AJ Capital has recommended to a Fund. In addition, officers, principals, and personnel may invest in transactions deemed unsuitable for a Fund. Such transactions are subject to the policies and procedures set forth in AJ Capital's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments may vary from those of any Fund. Personnel, related persons and/or affiliates of AJ Capital have, and are expected to continue to have, capital investments in or alongside certain Funds, or in prospective portfolio investments directly or indirectly, and historically have owned and invested in (and may continue to own and invest in) certain real estate businesses and ventures outside of AJ Capital's advisory business as described in Item 10. Therefore, such person may have additional conflicting interests in connection with these investments.

Because there is a fixed investment period after which capital from investors in a Fund may only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of a Fund, based upon funded Commitments by such Fund, this fee structure may create an incentive to deploy capital when AJ Capital may not otherwise have done so.

While AJ Capital intends that any services from an affiliate as described herein will be provided at appropriate and competitive compensation, such compensation (which is paid by the relevant Fund or an underlying project and not covered by the Management Fee) will not be determined through arm's-length negotiation, and AJ Capital will not guarantee the performance by its affiliates of any services provided to the Funds. AJ Capital has significant discretion in determining the compensation for such services, and there can be no assurance that no other service provider is more qualified or able to provide such services at a lesser cost. Additionally, such use or retention of AJ Capital or its affiliates for the provision of services to a Fund creates an incentive for AJ Capital to favor its affiliates over more qualified service providers.

AJ Capital is not required, and does not commit, to undertake any market survey or study or obtain any benchmarking data regarding the rates or other terms required, charged or quoted by third parties for similar services. AJ Capital will make determinations of market rates (e.g., rates that fall within a range that AJ Capital has determined is reflective of rates in the applicable market and certain similar markets, though not necessarily equal to or lower than the median rate of comparable firms) based on its consideration of a number of factors, which are generally expected to include AJ Capital's experience with non-affiliated service providers as well as benchmarking data and other methodologies determined by AJ Capital to be appropriate under the circumstances.



In respect of benchmarking, while AJ Capital generally seeks to obtain benchmarking data regarding the rates charged or quoted by third parties for services similar to those provided by its affiliates in the applicable market or certain similar markets, relevant comparisons may not be available for a number of reasons, including as a result of a lack of a substantial market of providers or users of such services or the confidential or bespoke nature of such services (e.g., within property management services, different assets may receive different property management services). In addition, benchmarking data is based on general market and broad industry overviews, rather than determined on an asset-by-asset basis. As a result, benchmarking data does not take into account specific characteristics of individual assets then owned or to be acquired by the Fund (such as location or size) or the particular characteristics of services provided. For these reasons, such market comparisons may not result in precise market terms for comparable services. Finally, in certain circumstances AJ Capital may determine that third-party benchmarking is unnecessary, including where AJ Capital believes it has access to adequate market data to make the determination without reference to third-party benchmarking. Consequently, AJ Capital undertakes no minimum amount of benchmarking, and does not represent that any such benchmarking ultimately will be accurate or comparable or relate specifically to the assets or services to which such rates or terms relate. Where such rates or terms include hourly components, AJ Capital reserves the right to rely on approximations or estimates of time spent for purposes of allocating or charging for services (including, as applicable, among the AJ Capital and a Fund). Any methodology, or choice among methodologies, involves potential conflicts of interest. In addition, such use or retention may create an incentive for AJ Capital to favor its affiliates over more qualified service providers.

The Governing Documents provide AJ Capital with wide-ranging authority to make determinations, including those related to investment purchases and dispositions (and their timing), valuation and other matters that in each case have the potential to affect compensation to AJ Capital. In making such determinations, AJ Capital is subject to potential conflicts of interest. For example, the potential to earn additional compensation creates an incentive for AJ Capital or its affiliates to make investments and to hold investments longer than otherwise would be the case in the absence of the relevant Fund's Management Fee and carried interest compensation arrangements. AJ Capital will be incentivized to cause a Fund to make, hold, value and/or dispose of investments (and to delay or forego a determination that the investments are Impaired Value Investments) in order to receive greater ongoing Management Fees and, potentially, earlier and/or larger carried interest distributions than would otherwise be the case.

Where the Management Fee is calculated taking into account the valuation of an investment, AJ Capital will have incentives to make determinations that result in the continued payment of, or a higher, Management Fee. Where the Governing Documents do not require Management Fees to be reduced in connection with investment reorganizations, restructurings, roll-over investments, extraordinary dividends or similar transactions, AJ Capital is incentivized to pursue such transactions. Additionally, the amount of carried interest owed to the relevant General Partner is dependent in part on the amount and timing of investment dispositions, as well as in certain instances determinations that investments are Impaired Value Investments, and the relevant General Partner expects to be subject to related potential conflicts of interest in determining whether and when to dispose of investments, make distributions, and/or determine

that an investment is an Impaired Value Investment, within the requirements of the relevant Governing Documents.

AJ Capital's wide-ranging authority on the determination of Impaired Value Investments, and the criteria used by the relevant General Partner or its affiliates in valuing an investment, or determining whether an investment is an Impaired Value Investment, have the potential to be subjective, to be influenced by market information and other factors and to vary over time. There can be no assurance that a third party or investor would agree with the substance or timing of the relevant General Partner's determination that an investment is an Impaired Value Investment, and except as set forth in the Governing Documents, neither the General Partner nor its affiliates is obligated to follow any third-party methodology in making its determination on whether an investment meets the relevant standards or whether value can be recovered or retained during the Fund's holding period. The General Partner is entitled to make its own determination taking into account all facts and circumstances it deems relevant, subject to the provisions of the Governing Documents. As a general matter, the standards for determining Impaired Value Investments are intended to be high, and are not intended to apply to investments experiencing partial or temporary declines in value. Because the amount of compensation to AJ Capital is dependent in part on an investment's status as an Impaired Value Investment, the relevant General Partner faces potential conflicts of interest in determining whether an investment meets, or continues to meet, the relevant criteria. Although AJ Capital intends to operate in accordance with the Governing Documents, as well as its valuation policy, in order to mitigate the potential for subjectivity in making such determinations, there can be no assurance that such policy will address all of the necessary factors to do so, or completely eliminate all potential conflicts of interest in such determinations.

AJ Capital and/or its affiliates reserve the right to enter into side letters with certain investors in a Fund providing such investors with different or preferential rights or terms, including, but not limited to, different fee structures or arrangements (including discounted or rebated compensation terms, modified waterfall mechanics and/or receipt of a portion of AJ Capital's compensation), information rights, specialized reporting, priority co-investment rights or targeted co-investment amounts, rights to serve on the Fund's advisory committee, liquidity or transfer rights, confidentiality protections and disclosure rights, modification of default remedies, as well as economic, procedural and other terms, many of which will not be subject to the "most-favored nation" provisions of a Fund's Governing Documents.

AJ Capital (and/or, in certain cases, and/or portfolio investments owned by a Fund) expect to receive the benefit of "friends and family" and similar discounts from investments owned by the Funds under which such portfolio investments make their goods and/or services available at reduced rates or without charge. Because its portfolio investments offer such discounts to customers other than AJ Capital and/or portfolio investments as part of their standard commercial practices in an effort to expand their respective customer bases, AJ Capital believes that the potential for conflicts of interest relating to such discounts is mitigated. AJ Capital and/or portfolio investments their affiliates and personnel generally refrain from requesting or negotiating for such discounts in the ordinary course and specifically limit such discounts if they would have the effect of preventing the use of such property by non-affiliated persons at prevailing market rates.

Although the Governing Documents generally contain broad exculpation and indemnification provisions, AJ Capital will not interpret such provisions to constitute a waiver of any person's non-waivable federal fiduciary duties to the relevant Fund under the Advisers Act. The relevant liability standards under insurance coverage procured by AJ Capital are expected to vary by carrier, and such standards are expected to vary depending on, for example, coverage features or limitations then-available from the carrier at the time of insurance contract renewal. As a result, insurance coverages are expected to vary from relevant liability and/or indemnity standards in the Governing Documents. Investors generally will be responsible for insurance premiums, as set forth in the Governing Documents, regardless of whether the liability and/or indemnity standards in AJ Capital's insurance coverage are higher or lower than that set forth in the Governing Documents.

Any of these situations subjects AJ Capital to potential conflicts of interest. AJ Capital attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by AJ Capital to investors in other investment vehicles managed by them, and attempts to allocate investment opportunities among a Fund, other Funds, and such investment vehicles in a fair and equitable manner. To the extent that an investment or relationship raises particular conflicts of interest, AJ Capital will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, AJ Capital consults and receives consent to conflicts from a Fund's advisory committee consisting of limited partners of the relevant Fund and such other investment vehicles.

#### **ITEM 9 —DISCIPLINARY INFORMATION**

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

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

AJ Capital is affiliated with certain other advisory entities, who are considered registered with the SEC under the Advisers Act pursuant to AJ Capital's registration in accordance with SEC guidance. These advisers include the General Partners, Managers and Relying Adviser. These affiliated advisory entities operate as a single advisory business together with AJ Capital and serve as managers or General Partners of Funds and other pooled vehicles and generally share common owners, officers, partners, personnel, consultants, or persons occupying similar positions. Further, these affiliated entities do not have personnel of their own.

Related persons and affiliates of AJ Capital historically have made investments in or provided services (and expect in some cases to continue to make or provide services) with respect to real estate-related assets and ventures. Such real estate-related activities of the affiliates and/or related persons of AJ Capital generally are separate from and outside of AJ Capital's advisory business.

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

AJ Capital has adopted a Code of Ethics (the “**Code**”), which sets forth standards of conduct that are expected of AJ Capital principals and personnel and addresses conflicts that arise from personal trading. The Code requires certain AJ Capital personnel to report their personal securities transactions. The Code also requires pre-clearance for AJ Capital personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering and a private placement offering, and prohibits AJ Capital personnel from directly or indirectly acquiring beneficial ownership of these securities without first obtaining approval from AJ Capital’s Chief Compliance Officer. In addition, the Code requires such personnel to comply with procedures designed to prevent the misuse of, or trading upon, material, non-public information. A copy of the Code will be provided to any prospective or current limited partner upon request to AJ Capital’s Chief Compliance Officer, at 312-858-3116.

AJ Capital and its affiliated persons may come into possession of material, non-public 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, AJ Capital and its affiliated persons would be 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 AJ Capital.

Accordingly, should AJ Capital or any of its affiliated persons come into possession of material, non-public or other confidential information with respect to any public company, AJ Capital would be prohibited from communicating such information to clients, and AJ Capital will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law.

Principals and personnel of AJ Capital and their affiliates generally are expected to directly or indirectly own an interest in Funds, including certain co-investment vehicles. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio investments as the Funds. Co-invest opportunities may also be presented to certain affiliates of AJ Capital, as well as third party investors and other persons, and such co-investments may be effected through co-investment vehicles or directly in a particular portfolio investment. Such co-investment opportunities generally will be allocated in the manner described under “Methods of Analysis, Investment Strategies and Risk of Loss.”

AJ Capital and its affiliates, principals and personnel expect to carry on investment activities for their own account and for family members, friends or others who do not invest in the Funds, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for the Funds even though their investment objectives may be the same or similar.

In borrowing on behalf of a Fund, AJ Capital is subject to conflicts of interest between repaying its obligations and retaining such borrowed amounts for the benefit of the Fund, and in

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

AJ Capital will affect such borrowings in a manner it believes to be fair and equitable to the relevant Fund, and consistent with AJ Capital's obligations to the Fund under the Governing Documents.

## **ITEM 12 —BROKERAGE PRACTICES**

Generally, AJ Capital focuses on securities and other transactions in privately owned real estate properties and purchases and sells properties through privately negotiated transactions. In pursuing privately negotiated transactions, AJ Capital may engage the services of a real estate broker or other third-party intermediary in connection with the purchase or sale of an investment. In such circumstances, AJ Capital seeks to obtain best execution when selecting a real estate broker or other third-party intermediary to facilitate the consummation of such transactions. Selection of such real estate broker or third-party intermediary will be based on AJ Capital's judgment regarding a variety of factors which will not be limited solely to ultimate deal price, including: AJ Capital's prior experience in working with the broker or third party; the broker or third party's reputation within the industry; the broker or third party's expertise in dealing with investments that may be restrictive or illiquid in nature; and the cost, among other factors.

Although AJ Capital generally seeks competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent, especially in private securities transactions that rely heavily on the specialty services or experience of a real estate broker or broker-dealer that operates outside of a competitive bidding environment. Transactions that involve such specialized services on the part of a real estate broker or broker-dealer may thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

AJ Capital does not receive research or other soft dollar benefits in connection with securities transactions for the Funds, does not receive client referrals in connection with selecting or recommending real estate brokers or broker-dealers for the Funds, does not engage in directed brokerage and does not aggregate the purchase or sale of securities for Fund accounts.

### **ITEM 13 — REVIEW OF ACCOUNTS**

The investments made by the Funds generally are private, illiquid, and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of investments. AJ Capital monitors the portfolio investments of its Funds and maintains an on-going oversight position in such investments. A team of investment professionals reviews each Fund's portfolios on an on-going basis. These reviews include, without limitation, due diligence, review and approval by AJ Capital's Investment Committee, and execution. The team generally includes principals and other investment professionals of AJ Capital. Additionally, AJ Capital's Chief Compliance Officer (or a designee thereof) periodically checks to confirm that each Fund is maintained in accordance with its stated objectives.

Each Fund will provide to each of its limited partners (i) annual generally accepted accounting principles ("GAAP") audited and quarterly unaudited financial statements, including certain schedules and other reports specified in the applicable Partnership Agreement and (ii) annual tax information necessary for each limited partner's tax return. Such information is provided in writing and delivered to investors through AJ Capital's third-party administrator's portal.

In the course of conducting due diligence or otherwise, investors periodically request information pertaining to their investments. AJ Capital responds to these requests, and in answering these requests provides information that is not generally made available to other investors who have not requested such information. Additionally, upon request (*e.g.*, pursuant to a side letter), certain investors may receive additional information and reporting that other investors may not receive.

### **ITEM 14 — CLIENT REFERRALS AND OTHER COMPENSATION**

AJ Capital and/or its affiliates provide certain business or consulting services to companies in certain Fund's portfolios and receive compensation from these companies in connection with such services. As described in the applicable Partnership Agreement of each Fund, AJ Capital and its affiliates may be authorized to provide certain services to portfolio investments and may, as a result, receive certain supplemental fees and compensation (*e.g.*, Special Fees) which are separate and distinct from the Management Fee. The Management Fee for a Fund will generally be reduced by an amount equal to such Fund's share of Special Fees (net of any unreimbursed expenses incurred in connection with such portfolio investment) paid to AJ Capital. However, these should be distinguished from other fees (*e.g.*, reimbursements for out-of-pocket expenses directly related to a portfolio investment) which while also separate and distinct from the Management Fee, will generally not offset the Management Fee payable by any applicable Fund. *See* "Fees and Compensation."

AJ Capital enters into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a limited partner in a Fund. The related fees and expenses associated with solicitation arrangements typically will be borne by AJ Capital indirectly through an offset against the Management Fee.

#### **ITEM 15—CUSTODY**

AJ Capital and/or a Fund's General Partner or Manager are deemed to have custody under Advisers Act Rule 206(4)-2 (the "**Custody Rule**"). The Custody Rule requires that pooled investment vehicles for which the Adviser is deemed to have custody either undergo an annual audit pursuant to GAAP or be subject to a surprise custody examination by a Public Company Accounting Oversight Board ("**PCAOB**") registered auditing firm. In order to comply with the Custody Rule, AJ Capital has elected to undergo an annual GAAP financial statement audit by a PCAOB registered auditing firm for all Funds, copies of which are (or will be, for newly closed Funds) delivered to the Funds and their respective investors within 120 days of fiscal year end.

AJ Capital does not, however, have physical custody of any Fund client assets (other than certain privately offered securities to the extent permitted by the Advisers Act). Actual custody of funds and other client assets, however, is held at qualified custodians, not at the Investment Manager, in accordance with SEC regulations. Called capital is directly sent or wired into the relevant Fund's qualified custodial account. AJ Capital receives monthly statements from each of its qualified custodians on behalf of the Funds. For more information about AJ Capital's qualified custodians, please see Form ADV Part 1, Schedule D, 7.B.(1).

#### **ITEM 16—INVESTMENT DISCRETION**

AJ Capital has discretionary authority to manage the investments on behalf of each Fund. To become an investor in a Fund, an investor must execute, among other documents, a subscription agreement with such Fund. Such subscription agreement generally contains a power of attorney that grants AJ Capital, or its General Partner or Manager certain powers related to the orderly administration of the affairs of a Fund as well as the ability to execute the Partnership Agreement on behalf of the investor.

As a general policy, AJ Capital does not allow limited partners to place limitations on this authority. However, pursuant to the terms of the Partnership Agreements, as applicable, AJ Capital and/or its affiliates may enter into "side letter" arrangements with certain limited partners whereby the terms applicable to such limited partners' investment in a Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. AJ Capital assumes this discretionary authority pursuant to the terms of the Partnership Agreement, as applicable, and powers of attorney executed by the limited partners of the applicable Fund.

#### **ITEM 17—VOTING CLIENT SECURITIES**

By virtue of its Partnership Agreements with each Fund, AJ Capital has the authority to vote client proxy statements on behalf of the Funds. Because of the private nature of its

investments, the Funds have no investments that require proxy voting. AJ Capital has adopted Proxy Voting Policies and Procedures (the “**Proxy Policy**”) which addresses how it will vote proxies, as applicable, for each Fund’s portfolio investments. The Proxy Policy seeks to ensure that AJ Capital votes proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. AJ Capital generally believes its interests are aligned with those of the Funds’ investors, for example, through the principals’ beneficial ownership interests in the Funds and therefore will not seek limited partner approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that AJ Capital reserves the right to address the conflict using several alternatives, including by seeking the approval or concurrence of a Fund’s advisory board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, a Fund’s advisory board may approve the Adviser’s vote in a particular solicitation. Investors may request a copy of the Investment Manager’s Proxy Policy or information regarding how AJ Capital voted proxies for particular portfolio investments, if any, by contacting AJ Capital’s Chief Compliance Officer, at 312-858-3116.

#### **ITEM 18 —FINANCIAL INFORMATION**

AJ Capital 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.