

Item 1 - Cover Page

Driftwood Advisors, LLC

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March 29, 2024 Brochure

This brochure (the “Brochure”) provides information about the qualifications and business practices of Driftwood Advisors, LLC (the “Adviser”). If you have any questions about the contents of this Brochure, please contact us at 305-500-9998 or jlg@driftwoodcapital.com. 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.

Additional information about the Adviser also is available on the SEC’s website at www.AdviserInfo.sec.gov.

Item 2 - Material Changes

This Brochure is a document that the Adviser provides to its clients as required by the SEC's rules.

The purpose of Item 2 of this Brochure is to provide clients with a summary of any material changes made to this Brochure.

Since the previous annual amendment filing on March 31, 2023, the Adviser has made no material changes to this Brochure.

The Adviser will provide clients with a new Brochure as necessary based on changes, new information, or at a client's request, at any time, without charge.

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Item 4 - Advisory Business

General Information

Driftwood Advisors, LLC is a Delaware limited liability company with its principal place of business in Florida. The Adviser was organized in 2017.

Fund Investment Advisory Services

The Adviser provides investment advisory services to Driftwood Development Partners, LP (the "Development Fund"), Driftwood Acquisitions Partners, LP (the "Acquisitions Fund"), Driftwood Lending Partners, LP (the "Lending Fund," and together with the Development Fund and the Acquisitions Fund, the "Funds") each of which is a pooled investment vehicle. Each Fund is not required to register under the Investment Company Act of 1940, as amended (the "1940 Act"), and each Fund's securities are not registered under the Securities Act of 1933, as amended (the "Securities Act"). As the investment adviser of each Fund, the Adviser, along with Driftwood Development Partners GP, LLC, the Development Fund's general partner (the "Development Fund GP"), Driftwood Acquisitions Partners GP, LLC, the Acquisition Fund's general partner (the "Acquisitions Fund GP"), and Driftwood Lending Partners GP, LLC, the Lending Fund's general partner (the "Lending Fund GP" and together with the Development Fund GP and the Acquisitions Fund GP, the "General Partners"), identifies investment opportunities for, and participates in the acquisition, management, monitoring and disposition of investments of, each Fund.

Each Fund or each Fund's General Partner will organize a special purpose entity (an "SPE") for the purpose of making each Fund investment. While each Fund may enter into joint venture arrangements with respect to ownership of the general partner of each SPE (each, an "SPE GP"), the Fund, individually or collectively with other affiliates of the General Partner, including, without limitation, any management incentive vehicle (owned and controlled by Fund employees), will directly or indirectly control each SPE GP.

The Adviser provides investment advisory services to each Fund pursuant to the terms of a separate investment advisory agreement or the Fund's limited partnership agreement (each, a "Fund Agreement"). Investment advice is provided by the Adviser directly to each Fund, subject to the direction and control of the applicable General Partner of the Fund and not individually to the investors in the Fund.

Investment Limitations

The Funds will not, without the prior approval of the advisory board of the applicable General Partner and a majority in interest of the Limited Partners, (a) invest in any single investment an amount of funds which would represent, on a Post-Syndication Basis (as hereinafter defined), more than 30% of the aggregate capital commitments made to the Fund and accepted by the General Partner in the offering; or (b) invest in any single metropolitan statistical area an aggregate amount of funds which would represent, on a Post-Syndication Basis, more than 40% of the aggregate capital commitments made to the Fund and accepted by the General Partner in the offering. In addition, neither the Development Fund nor the Acquisitions Fund will (y) invest in assets other than hotels or related hospitality assets (including, without limitation, co-living projects and mixed or multiple use projects with a hospitality component) and "temporary investments" (short-term, highly liquid investments where the General Partner believes there is an appropriate safety of principal) an aggregate amount of funds which would represent, on a Post-Syndication Basis, more

than 25% of the aggregate capital commitments made to the Fund and accepted by the General Partner in the offering; or (z) make any acquisition and/or development investment or preferred equity investment related to any real estate asset located outside of the United States.

“Post-Syndication Basis” means the basis determined following the syndication of interests in special purpose entities (“SPEs”) formed for acquisition, development or lending investments, as applicable.

These restrictions on investments are established by the General Partner of each Fund and are set forth in the documentation received by each limited partner before investment in the applicable Fund. Once invested in a Fund, investors cannot impose restrictions on the types of investments the Fund may make.

Type and Value of Assets Currently Managed

All of the Adviser’s investment advisory services are provided on a discretionary basis. As of December 31, 2023, the Adviser managed \$821,324,898 in regulatory Fund assets under management.

Principal Owners

The Adviser is a wholly-owned subsidiary of Driftwood Capital LLC (“Driftwood Capital”). The principal owners of Driftwood Capital are Carlos J. Rodriguez, Sr. and Carlos J. Rodriguez, Jr.

Item 5 - Fees and Compensation

Fees for Fund Investment Advisory Services

As compensation for investment advisory services rendered to each Fund, the Adviser receives from each Fund an asset management fee, as further described in each Fund’s offering document (the “Asset Management Fee”) and as described generally below. The fee structure described below may be modified from time to time.

Each Fund will pay to the Adviser an annual Asset Management Fee, which is deducted from the Fund’s assets. The Asset Management Fee will be payable monthly in arrears on the first business day of each calendar month (each, a “Payment Date”), with the first such payment being due on the first Payment Date following the initial closing of a Fund. Each monthly installment of the Asset Management Fee will be in an amount equal to 0.14583% (*i.e.*, the monthly equivalent of 1.75% per annum) of the total capital commitments of the Fund’s limited partners (with respect to the Development Fund, this will include the capital commitment of Driftwood Acquisition & Development L.P., an affiliate of the General Partners) as of the last day of the month immediately preceding the applicable Payment Date (without regard to or deduction for any capital contributions made by, or distributions paid to, the Fund’s limited partners).

Notwithstanding the foregoing, the Adviser or the General Partner may negotiate or set an Asset Management Fee different from the foregoing with respect to a Fund. Additionally, please see **Item 6 – Performance-Based Fees and Side-By-Side Management** below for information regarding “carried interest” that the Funds may pay.

Hotel Management Fee

In the discretion of each General Partner, Driftwood Hospitality Management II, LLC (“DHM”), a hotel management company and affiliate of Driftwood Capital, or a subsidiary of DHM may be engaged to manage any or all of the hotels or other hospitality assets of the Development Fund or the Acquisitions Fund. In consideration for its services, DHM or its subsidiary will receive a management fee of 3% of the gross revenue of each hotel or other hospitality asset it is engaged to manage, as well as accounting fees consistent with market rates. In addition, the Development Fund, the Acquisitions Fund, Development Fund GP, Acquisitions Fund GP, and the SPEs may also contract with affiliates of a General Partner to provide other services with respect to particular investments.

Structuring Fee

In consideration for services provided or to be provided by Driftwood Capital or its affiliates with respect to the organization and structuring of the Lending Fund and related matters, at each closing of the offering of the Lending Fund, the Lending Fund will pay to Driftwood Capital a fee in an amount equal to 1% of the total Capital Commitments accepted by the Lending Fund GP at such closing.

Expense Sharing Agreement

The Funds and certain affiliates of the Funds, including Driftwood Capital, Driftwood Acquisition & Development L.P. (“DAD”), and Driftwood IP Holdings, LLC (“IP Holdco” and together with the Funds, Driftwood Capital, and DAD, the “Parties”), are parties to an Expense Sharing Agreement (the “Expense Sharing Agreement”), which provides for the allocation of costs and expenses incurred by one or more of the Parties for the benefit of any or all the other Parties.

Specifically, the Expense Sharing Agreement provides that each Fund will be responsible for 33.33% of the shared expenses, which include, without limitation, the following expenses: payroll-related expenses, including the salaries and benefits paid or provided to the Chief Accounting Officer and non-executive employees, as well as payroll software expenses, workers compensation insurance costs, relocation expenses and recruiting expenses, if any, and other payroll costs; transaction costs, including certain business development costs; professional services expenses, including fees for information technology services, insurance expenses, certain bank service charges, certain tax expenses, including tangible personal property taxes and state taxes, and fees for other professional services; expenses for information technology services, including internet services, telephone services, pipeline software subscriptions, and other software subscriptions; office-related expenses, including costs and expenses for furniture, fixtures, and equipment, rent for office space, parking, storage space rental, office supplies, kitchen supplies, postage and courier services, copy machine(s), water cooler machine(s), and stamp machine(s) as well as depreciation expenses relating to the same; and expenses relating to an annual investor event and “know your client” obligations.

Pursuant to the Expense Sharing Agreement, a Fund is allocated a portion of the expenses of DAD, Driftwood Capital, and the other Funds, and such expenses are not necessarily directly related to the activities of the Fund or the Fund’s General Partner and may not directly benefit the Fund that is allocated the expenses.

If Driftwood Capital or one of its affiliates launches one or more additional pooled investment vehicles in the future, it is expected that each such fund would become a party to the Expense Sharing Agreement, and the allocation of shared expenses to each Fund would decrease based on the addition of such fund party.

EB-5 Investment Vehicles and Qualified Opportunity Funds

Driftwood Capital manages certain EB-5 investment vehicles (each, an “EB-5 fund”) and qualified opportunity funds (each, a “QOF”) that co-invest in Development Fund deals. In connection with such EB-5 funds and QOFs, Driftwood Capital (or an affiliate) earns management fees and other economic benefits that are paid by the investors in such vehicles and not paid by the Development Fund.

Guarantee Fee

In connection with certain investments made by the Development Fund, Carlos J. Rodriguez, Sr., one of the principal owners of the Adviser, has agreed to personally provide a completion guarantee for the associated projects in exchange for a guarantee fee equal to 1% per annum of the total amount of each applicable loan, payable for the period from the date of the first draw on the loan until issuance of the Certificate of Occupancy. The Development Fund has agreed to reimburse Mr. Rodriguez for any loss he is subject to pursuant to the guarantee.

Other Expenses

Finally, each Fund is responsible for all costs, expenses and liabilities that, in the good faith judgment of the Fund’s General Partner, are incurred by or arise out of the operation and activities of the Fund.

Item 6 - Performance-Based Fees and Side-By-Side Management

While the Adviser does not receive a performance-based fee, a portion of each Fund’s net investment profit is allocated to the capital account of its respective General Partner as “carried interest.” Each General Partner is a related person of the Adviser.

While each Fund has a long-term investment strategy, potential investors should note that the payment by the Fund of carried interest may nonetheless provide an incentive for the Adviser to make investments that are riskier or more speculative than would be the case in the absence of such an arrangement. Generally, and except as may be otherwise set forth in the partnership agreements of the Funds, this conflict is mitigated to a substantial extent by, among other things, the fact that payment of the carried interest distributions will be conditioned on all of the partners of the Fund first receiving the preferred return and the return in full of their capital contributions to the applicable Fund. In addition, provisions and procedures set forth in the Adviser’s Code of Ethics (“the Code”) require the Adviser to act in accordance with principles of honesty, good faith, and fair dealing.

Please see ***Item 10 – Other Financial Industry Activities and Affiliations*** below for additional information relating to how conflicts of interests are generally addressed by the Adviser.

Item 7 - Types of Clients

The Adviser currently provides investment advisory services solely to the Funds. Investment advice is provided directly to the Funds, subject to the direction and control of the applicable General Partner, and not individually to the limited partners of each Fund.

Interests in each Fund are offered pursuant to applicable exemptions from registration under the Securities Act and the 1940 Act. Permitted investors in a Fund may include high net worth individuals, banks, thrift institutions, pension and profit-sharing plans, endowments, foundations, trusts, estates, charitable organizations and other business entities.

The minimum investment requirement for the Development Fund and the Acquisitions Fund is \$500,000 and for the Lending Fund is \$250,000. However, each General Partner, in its sole discretion, may permit investments that are less than the required minimum investment commitment set forth in the Fund's offering documents. In addition, legal eligibility requirements must be met to invest in each Fund.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategies

The Development Fund principally intends to acquire or lease parcels of raw land or other sites or properties, including commercial properties currently being utilized other than as a hotel or related hospitality asset, and subsequently construct, develop and finance thereon hotels or related hospitality assets, including co-living projects and mixed or multiple use projects with a hospitality component and/or other types of commercial properties.

The Acquisitions Fund principally intends to acquire operating hotels and related hospitality assets, including co-living projects and mixed or multiple use projects with a hospitality component. Subject to certain limitations, the Acquisitions Fund may also acquire other types of operating commercial properties and acquire or lease land for the development of hotels, related hospitality assets and other types of commercial properties.

The Lending Fund principally intends to provide debt financing and make preferred equity investments, in each case, for the intended purpose of the acquisition or development of hotels or other hospitality assets (including, without limitation, co-living projects and mixed or multiple use projects with a hospitality component) or, subject to the consent of a majority in interest of the limited partners, other real estate projects.

Each of the Development Fund and the Acquisitions Fund seeks investments that the Fund's General Partner believes, based on the results of the financial underwriting of and due diligence associated with the investment, will yield an internal rate of return of at least 15% to the limited partners. It is currently expected that each of the Development Fund and the Acquisitions Fund generally will hold each investment for a period of five to ten years.

The Lending Fund seeks investments that the Lending Fund GP believes will yield a 10% to 15% interest rate or preferred equity position, as applicable, from the respective borrower/sponsor, as well as a promote from syndicated investors in any particular lending investment in the form of a "spread" or "scrape" of approximately one-third of such interest rate or preferred equity position on each lending investment.

Each investment will be held through an SPE. It is expected that each Fund, directly or indirectly, will initially own 100% of the limited partner interests in each SPE. After an SPE acquires or leases a property or makes a lending investment, the SPE GP will generally seek to raise funds from equity investors who will be admitted as partners of the SPE.

Each Fund's strategy involves significant risks, including the risk that the Fund (and, in turn, the underlying investors in the Fund), could lose some or all of any invested capital. An investment in each Fund will provide limited liquidity because there are significant restrictions on transferability of the Fund's interests and withdrawals from the Fund.

Risk of Loss

All investment portfolios are subject to risks. Accordingly, there can be no assurance that a Fund will be able to fully meet its investment objectives and goals, or that investments will not lose money. Below is a description of several of the principal risks that each Fund may face.

Risks Associated with the Hospitality and Tourism Industries. Each Fund will be subject to the business, financial and operating risks inherent to the hospitality and tourism industries, including, without limitation, the following:

- adverse changes in economic conditions or in the hospitality and tourism industry generally and specifically in the local markets where the Fund's investments are located;
- the seasonal nature of the hospitality and tourism industries;
- significant competition for guests, employees and service providers from multiple hospitality providers, many of which will have greater marketing and financial resources than the Fund;
- changes in consumer preferences and the rising popularity of Airbnb and other alternative sources of lodging and co-living, which have increased the competition in the hospitality industry;
- changes in operating costs, including energy, food, employee compensation and benefits and insurance;
- increases in costs due to inflation that may not be fully offset by price and fee increases;
- changes in tax and governmental regulations that influence or set wages, prices, interest rates or construction and maintenance procedures and costs;
- the costs and administrative burdens associated with complying with applicable laws and regulations;
- the costs of complying with local practices, and the costs or desirability of complying with local customs;
- significant increases in cost for health care coverage for employees and potential government regulation with respect to health care coverage;
- shortages of labor or labor disruptions;
- the ability of third-party internet and other travel intermediaries to attract and retain customers;
- the availability and cost of capital necessary to fund capital expenditures and to service debt obligations;
- delays in or cancellations of planned or future development or refurbishment projects;
- cyclical over-building in the hospitality industry;
- changes in the supply and demand for hotel and other lodging services, including rooms, food and beverage and other products and services; and

- decreases in the frequency of business travel that may result from alternatives to in-person meetings, including virtual meetings hosted online or over private teleconferencing networks.

Any of these factors could result in increased costs, limit or reduce prices which may be charged or otherwise adversely affect a Fund's performance, operating results and financial condition.

General Real Estate Investment Risks. Each Fund will be subject to the risks associated with real estate investments generally. The real estate industry is highly cyclical by nature, and future market conditions are uncertain. There are many factors that affect real estate investments, and many of these factors are beyond the Fund's control, including, but not limited to:

- changes in local and general economic conditions, including low consumer confidence, unemployment levels and the severity and duration of economic downturns;
- changes in the financial condition of buyers and sellers of property;
- changes in the availability of debt financing and refinancing;
- changes in interest rates, real estate taxes and operating and other expenses;
- changes in environmental, zoning and other applicable laws and regulations (and changes in the application and interpretation of such laws and regulations);
- changes in fiscal policies;
- changes in utility rates;
- development and improvement of competitive properties;
- ongoing capital improvement and repair requirements;
- risks and operating problems arising out of the presence or shortage of certain construction materials, or the shortage of labor;
- environmental claims arising with respect to real estate acquired with undisclosed or unknown environmental problems or as to which adequate reserves had not been established;
- the risk of loss from casualty or condemnation;
- physical destruction and depreciation of equipment and property;
- damage to, and destruction of, properties, including uninsurable losses, resulting from wind storms, hurricanes, earthquakes, floods or other natural disasters or acts of nature, or acts of terrorism, and other risks and uncertainties related to any such acts of nature or terrorism;
- changes in availability and cost of insurance, including the inability to obtain insurance against various risks, including, without limitation, those set forth in the previous bullet point;
- increases in the costs of labor and materials; and
- strikes, lockouts, slowdowns and labor disputes.

Adverse conditions in the real estate and credit markets may have a material, adverse impact on each Fund's operating results and financial condition. Further, a strong real estate market may result in increased prices for real estate, which, in turn, may increase a Fund's acquisition costs and limit a Fund's ability to diversify its portfolio. Increased real estate prices may not be sustainable, and each Fund may not otherwise be able to dispose of its investments at a profit or in an amount sufficient to return the Fund's investment.

In addition, as previously described, each Fund may invest (directly or indirectly) in commercial properties other than hotels and related hospitality assets. Investments in commercial properties

other than hotels and related hospitality assets will subject a Fund to the various risks associated with the property class and type invested in, as well as the Fund's ownership thereof and activities with respect thereto, including, without limitation, leasing risks and liability issues, as applicable.

Impact of Macroeconomic and Other Factors. Certain other factors, including macroeconomic factors, beyond each Fund's control may adversely affect the Fund. These factors include, but are not limited to:

- war, political conditions and civil unrest, terrorist activities or threats and heightened travel security measures instituted in response thereto;
- conditions which negatively shape public perception of travel, including travel-related accidents and travelers' fears of exposures to contagious diseases;
- the financial condition of the airline, automotive and other transportation-related industries;
- the physical risks of climate change and/or availability and quality of natural resources, such as a secure and economical supply of water or energy; and
- foreign exchange fluctuations.

General Risks Relating to Lending Investments. The Lending Fund's investments will subject the Lending Fund to a variety of risks relating to the provision of financing, including, without limitation, risks of borrower default (including loss of principal and nonpayment of interest), illiquidity, lack of control, mismanagement or decline in value of collateral, contested foreclosures, bankruptcy of the debtor, claims for lender liability, violations of usury laws, and the imposition of common law or statutory restrictions on the exercise of contractual remedies for defaults. The Lending Fund will also be exposed to the specific risks relating to the provision of financing for the acquisition or development of hotels, related hospitality assets and other real property, including, without limitation, the risks associated with real estate-related investments generally, risks associated with the hospitality and tourism industries (including the unprecedented, continuing and unpredictable impact of the COVID-19 pandemic), and economic, market and real estate conditions. In addition, purchases of participations in real estate loans raise substantially the same risks as investments in real estate loans. Debt financing has special inherent risks relative to collateral value. In the event of default, the source of repayment is limited to the value of the collateral and may be subordinate to other lien holders (and the collateral value of the property may be less than the outstanding amount of the investment).

Lack of Liquidity in Investments. Hotel and other real estate investments are generally illiquid. Additionally, the securities held by each Fund in connection with its preferred equity investments may be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly traded securities. Accordingly, each Fund will have a limited ability to vary its portfolio of investments in response to changes in economic and other conditions. In addition, each Fund may not be able to timely dispose of investments when advantageous or necessary (or complete the disposition of investments under contract to be sold). In addition, the governing documents of an SPE GP not owned 100% by a Fund may also place restrictions on the Fund's ability to control the business and affairs of the SPE or otherwise take actions which the Fund desires to take, including selling the underlying asset. Further, any such dispositions which are completed may not provide proceeds in excess of the amount of a Fund's investment or even in excess of the amount of any related indebtedness. Any sale of investments a Fund makes may result in the Fund recognizing a loss on the sale.

Opportunistic Fund; Lack of Diversification. Each Fund expects to opportunistically consider and pursue investments. There are no guidelines regarding the minimum number of investments that each Fund must make or the maximum amount of funds invested by the Fund in any single investment or location, with the exception of certain approvals required by the advisory board of the applicable General Partner and a majority in interest of the limited partners.

Highly Competitive Market for Investment Opportunities; Difficulty in Locating Suitable Investments. There can be no assurance that each Fund will be able to identify and complete investments that satisfy its investment objectives. The activity of identifying, completing, and realizing attractive investments is highly competitive and involves a high degree of uncertainty. Each Fund may encounter substantial competition in seeking suitable investments. Competition for investments may have the effect of increasing costs, thereby reducing investment returns to a Fund. In addition, over the past several years, an increasing number of investment funds have been formed and it is likely that many additional funds with similar investment objectives will be formed in the future. Certain of each Fund's competitors will have greater capital resources than the Fund will have and may be able to accept lesser returns on their investments than the Fund will seek. Due to such competition as well as market forces and other factors outside of each Fund's control, each Fund may be unable to find a sufficient number of attractive opportunities to meet its investment objectives or may have to modify its objectives and criteria for investing.

Acquisition, Development and Construction Risks. Each of the Acquisition Fund's and the Development Fund's acquisition, development and construction activities will entail, among other risks, the risk of unexpected liabilities, the risk that necessary property construction or improvement costs may be greater than estimated when the investment was selected for acquisition and the risk that construction or renovation may not be completed on schedule, thereby resulting in increased debt service and construction costs. The Lending Fund is subject to such risks to the extent a borrower or investee of the Lending Fund engages in development or construction of the underlying real estate asset.

Risks Related to Use of SPE Structure. Each Fund will be subject to risk to the extent of its equity investment as well as in connection with any guarantees it provides with respect to the SPE and its indebtedness and other obligations. In addition, each Fund will not be entitled to 100% of the benefits associated with ownership of any SPE which is not wholly owned by the Fund, including the right to receive 100% of any distributions made by any such SPE. Further, each Fund's returns from its investments will depend on the governing documents of the SPE and the arrangements between the SPE and the SPE GP, which may not contain terms as favorable to the SPE GP as currently anticipated. In addition, each Fund's entitlement to any proceeds received by the SPE GP, and the amount to which it may be entitled, will depend on its actual ownership in the SPE GP and the terms of the governing documents of the SPE GP. Investors will not be able to evaluate the terms, including those related to distributions, fees and management, of any SPE or SPE GP formed for any future investment.

Joint Venture Risks. To the extent an SPE GP is a joint venture not owned solely by a Fund, the Fund may be exposed to several potential risks, including, but not limited to:

- restrictions on transfers of ownership of interests and/or the property;
- reduced control over investment and disposition decisions;
- other joint venture partners may breach their obligations under the agreements relating to the investment, which may cause a default under indebtedness, violate applicable laws or have other adverse consequences on the investment or otherwise to the Fund;

- other joint venture partners could seek to bring an action to partition the property; and
- other joint venture partners could become bankrupt or insolvent.

In addition, other joint venture partners may at any time have economic or business interests or goals which may conflict or be inconsistent with the Fund's or may be in a position to take action contrary to the Fund's investment objectives. The Fund may also be liable for the actions of its joint venture partners.

Please see each Fund's offering documents for information about the specific risks associated with an investment in that Fund.

Item 9 - Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of the Adviser or the integrity of the Adviser's management. The Adviser has no disciplinary events to report.

Item 10 - Other Financial Industry Activities and Affiliations

The Adviser is under common control through Driftwood Capital with each of the Development Fund GP, the Acquisitions Fund GP, and the Lending Fund GP, who manage the Development Fund, the Acquisitions Fund, and the Lending Fund, respectively.

Conflicts of Interest

The discussion below reflects both historical and current practices of the Adviser and the Funds. Please refer to the Fund Agreement of each Fund for more details regarding its practices.

Carried Interest. The structure and payment of the carried interest by each Fund to the Fund's General Partner may involve a conflict of interest because it may create an incentive for the General Partner to cause the Fund to make riskier or more speculative investments than it otherwise would.

Other Business Relationships. The Adviser and its affiliates, including the General Partner of each Fund, engage in a broad range of activities, including investment activities for their own account and for the account of other investment funds or accounts and providing advisory, management and other services to other funds. The funds and accounts advised or managed by the Adviser or its affiliates, other than the Development Fund, the Acquisitions Fund, or the Lending Fund, as the case may be, are referred to as the "Related Funds." The Related Funds may have investment objectives similar to those of the Development Fund, the Acquisitions Fund, or the Lending Fund. In the ordinary course of conducting its activities, the interests of each Fund or its limited partners will, on occasion, conflict with the interests of the Adviser or its affiliates or one or more other Related Funds. Specifically, the Adviser's and its affiliates' time, effort, and resources will not be devoted exclusively to the business of each Fund, but must be allocated between that business and the Related Funds.

Each Fund's General Partner and its principals will devote as much of its time and resources to the activities of each Fund as it deems necessary and appropriate. Each Fund Agreement generally does not restrict the Fund's General Partner or its principals from entering into other relationships or engaging in other business activities, even though those activities may be in competition with the Fund and/or may involve substantial amounts of their time and resources.

Management Incentive Vehicle. A management incentive vehicle may directly or indirectly own up to a 10% ownership interest in each SPE GP. Management incentive vehicles will not be owned by a Fund. Rather, each management incentive vehicle will be controlled by Driftwood Capital and will be organized for the benefit of the owners and employees thereof. This structure may result in such parties having interests in the SPE GP which are different from, or in conflict with, those of the Fund's other partners.

Expense Sharing Agreement. The Expense Sharing Agreement provides that each Fund will be responsible for 33.33% of the operating expenses of the Parties, regardless of whether the expenses are directly related to the activities of the Fund or the Fund's General Partner or directly benefit the Fund that is allocated the expenses. Please see **Item 5 – Fees and Compensation** for more information.

Purchase of Acquisitions Fund Interest Investment by the Lending Fund. On or about May 2021, the Lending Fund purchased from the Acquisitions Fund the interest held by the Acquisitions Fund in an entity which indirectly held a mezzanine loan meeting the Lending Fund's investment objectives. The Lending Fund purchased the unsyndicated balance of the Acquisitions Fund's interest in the indirect owner of the mezzanine lending entity "at cost." The Acquisitions Fund retained the origination fee and any interest accrued to date, but all subsequent interest, exit fees, pro-rated syndication and structuring fees will be received by the Lending Fund. There is no assurance that the purchase price for such interest was equal to the fair market value of such interest or that the Lending Fund will be able to dispose of such interest, or any portion thereof, if and when so desired at a price equal to or exceeding the purchase price.

Right of First Offer. In the event that the investment committee of the Lending Fund determines that it desires for an SPE to sell a lending investment as a result of, or in connection with, a default with respect to such lending investment, then the Acquisitions Fund (if the lending investment was made for the primary purpose of acquiring an operating hotel or other hospitality or real estate asset) or the Development Fund (if the lending investment was made for the primary purpose of developing a hotel or other hospitality or real estate asset) will, in accordance with the Fund Agreement, have a right of first offer to purchase such lending investment from the applicable SPE. If any such offer is made, then the SPE may sell the investment to the Acquisitions Fund or the Development Fund, as the case may be, at the price and on the other terms set forth in the offer if the offer is accepted, subject to certain approvals of the investment committee and/or the advisory board. The price at which an SPE may sell a lending investment to the Acquisitions Fund or the Development Fund pursuant to the right of first offer may be less than the price that the SPE would receive if the SPE was to market and sell the lending investment or if the sale was otherwise to an unaffiliated third party or not subject to a right of first offer.

Co-Investment Vehicles. With respect to each lending investment, the Lending Fund GP may, in its sole discretion, elect to allow a co-investment vehicle (including, without limitation, a co-investment vehicle organized and/or managed by Driftwood Capital, Carlos J. Rodriguez, Sr., Carlos J. Rodriguez, Jr., David Buddemeyer, or any of their respective affiliates) to co-invest with the Lending Fund as a limited partner of the applicable SPE in such amount as determined by the Lending Fund GP and the co-investment vehicle, subject to certain approvals of the investment committee. Co-investment vehicles may be offered or receive more favorable economic or other terms than those offered to or received by other syndicated investors in SPEs, including, without limitation, that co-investment vehicles may, in the sole discretion of the Lending Fund GP, not be charged or otherwise be responsible to pay any syndication fees, structuring fees or other

downstream fees charged to a borrower or other syndicated investor of an SPE, or fees or other amounts tied to the interest rate spread.

Competition for Investments. The existence of multiple pooled investment vehicles with comparable objectives can create conflicts for allocating investment opportunities as they arise. Certain principals are required to present to each Fund investment opportunities first identified by them which meet the applicable Fund's primary business purposes; however, such requirement is subject to certain exceptions and timing limitations.

Management Company Interest. DHM, an entity affiliated with the Adviser, will sometimes own an equity interest in a property in which a Fund invests. The interest owned by DHM will in all cases be a non-controlling interest, so the terms of any transaction in which a Fund purchases DHM's interest will be negotiated on an arm's length basis.

Services Related to Investments. A Fund, its General Partner, and/or an SPE may contract with affiliates of the General Partner, including DHM, to provide services with respect to particular investments, including management, accounting and other services. The fees, payment, compensation and service arrangements with affiliates have not or may not be determined by arms-length negotiations.

Resolution of Conflicts

The Adviser will deal with all conflicts of interest using its best judgment, but in its sole discretion. In resolving conflicts, the Adviser will generally consider various factors, including the interests of the Funds and the other Related Funds. In the case of all conflicts involving each Fund, the determination as to which factors are relevant, and the resolution of such conflicts, will be made in the sole discretion of the Adviser, except as required by the governing documents of each Fund.

Mitigating Factors. The following factors may alleviate, but will not eliminate, conflicts of interest among the Funds and other Related Funds, management incentive vehicles and future funds:

- Each Fund will not make any investment unless the General Partner of the Fund believes that such investment is an appropriate investment considered solely from the viewpoint of the Fund;
- Certain principals are required to present to each Fund investment opportunities first identified by them which meet the applicable Fund's primary business purposes;
- Certain investments require the consent of a majority in interest of the limited partners; and
- The Adviser's Code sets forth provisions and procedures requiring the Adviser to act in accordance with principles of honesty, good faith, and fair dealing.

Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics and Personal Trading

The Adviser has adopted a Code of Ethics ("the Code"), the full text of which is available to you upon request. The Adviser's Code has several goals. First, the Code is designed to assist the Adviser in

complying with applicable laws and regulations governing its investment advisory business. Under the Investment Advisers Act of 1940, as amended, the Adviser owes fiduciary duties to its clients. Pursuant to these fiduciary duties, the Code requires the Adviser's managers, officers and employees (collectively, "Associated Persons") to act with honesty, good faith and fair dealing in working with clients. In addition, the Code prohibits Associated Persons from trading or otherwise acting on insider information.

Next, the Code sets forth guidelines for professional standards ("Professional Standards") for the Adviser's Associated Persons. Under the Code's Professional Standards, the Adviser expects its Associated Persons to put the interests of its clients first, ahead of personal interests. In this regard, the Adviser's Associated Persons are not to take inappropriate advantage of their positions in relation to Adviser clients.

Third, the Code sets forth policies and procedures to monitor and review the personal trading activities of Associated Persons, as summarized below:

Personal Trading

From time to time, Associated Persons may invest in the same securities the Adviser recommends to clients. Under the Code, the Adviser has adopted procedures designed to reduce or eliminate conflicts of interest that this could potentially cause. Associated Persons are generally required to submit information about their personal trading activities to the Adviser's CCO or the CCO's designee for review. In addition, Associated Persons are generally required to notify the CCO or the CCO's designee and obtain advance approval of certain personal trades in securities that may be traded by the Adviser for client accounts or otherwise affected by investments made on behalf of clients. Violations of the Code may result in disciplinary action up to and including dismissal.

Participation or Interest in Client Transactions

Under the Code, Associated Persons are prohibited from trading in securities on the basis of material, non-public information or communicating material, non-public information about the issuer of any security to any other person.

Item 12 - Brokerage Practices

As each Fund primarily makes investments in real estate and related assets, the Adviser anticipates that investments in publicly traded securities will be infrequent occurrences. As a result, the Adviser does not normally utilize the services of securities broker-dealers for securities transactions. In the event the Adviser chooses to use a securities broker-dealer for a securities transaction, the Adviser has, subject to the direction of each General Partner, sole discretion over the purchase and sale of investments (including the size of such transactions) and the securities broker or dealer, if any, to be used to effect transactions. In placing each securities transaction for a Fund involving a securities broker-dealer, the Adviser will seek to obtain best execution of the transaction. "Best execution" means obtaining for a Fund account the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputability and reliability of the executing broker or dealer as well as certain other factors.

In determining whether a particular securities broker or dealer is likely to provide best execution with respect to a particular securities transaction, the Adviser takes into account all factors that it

deems relevant to the securities broker's or dealer's execution capability, including, by way of illustration, price, the size of the transaction, the nature of the market for the security, the amount of the commission, the timing of the transaction taking into account market prices and trends, the reputation, experience and financial stability of the securities broker or dealer, and the quality of service rendered by the securities broker or dealer in other transactions.

In selecting broker-dealers to be used, the Adviser will consider client and/or investor referrals from broker-dealers. This practice presents a conflict of interest, because the Adviser may have an incentive to select a broker-dealer based on its interest in receiving referrals, rather than on whether the broker-dealer provides best execution. During the last fiscal year, the Adviser did not direct transactions to a particular broker-dealer in return for referrals.

Directed Brokerage

The Adviser does not allow directed brokerage accounts. To the extent consistent with its duty to seek best execution, the Adviser may trade with the securities broker who has custody of the applicable assets.

Aggregation of Trades

Each Fund normally does not trade in securities. However, the Adviser may aggregate one Fund's securities trades with those of another Fund to the extent consistent with receiving best execution. Generally, Funds participating in an aggregated order will receive an average price of all trades placed that trading day and pay their ratable share of brokerage costs. In some cases, the Adviser may be excluded from aggregated block trades due to legal, regulatory or other concerns.

Soft Dollar Transactions

The Adviser does not generate or use soft dollars, which are credits generated by securities transactions placed with certain securities broker-dealers that may be used to "purchase" certain research and brokerage products from such securities broker-dealers.

Item 13 - Review of Accounts

Oversight and Monitoring

The investments of each Fund are generally private, illiquid and long-term in nature, and accordingly, the Adviser's review of them is not directed toward a short-term decision to dispose of securities. However, the investments of each Fund are continuously reviewed by the Fund's General Partner, who closely monitors the Fund's investments and generally maintains an ongoing oversight position in such investments. These reviews will focus on appropriateness of each Fund's investments for the Fund's portfolio and the performance of the Fund.

Reporting

Within 120 days after the end of each fiscal year, each Fund's General Partner will make available to each limited partner a written annual report, which generally will include (a) an audited balance sheet of the Fund as of the end of such fiscal year and audited statements of operations, partners' equity and changes in financial position of the Fund for such fiscal year, in each case, on a "parent company only" basis, and as examined and reported on by the Fund's independent certified public accounting firm; (b) a consolidated balance sheet of the Fund as of the end of such fiscal year; (c) a

consolidated statement of operations of the Fund for such fiscal year; (d) such limited partner's unreturned capital balance as of the end of such fiscal year; (e) summary descriptions of each investment made or disposed of during the fourth quarter of such fiscal year, which shall include such information relating to the transaction as the Fund's General Partner, in its sole discretion, may determine is appropriate; and (f) such other information as the Fund's General Partner may determine to provide, including, without limitation, if so determined by the Fund's General Partner, a consolidated statement of cash flows of the Fund for such fiscal year.

Within 60 days after the end of each fiscal quarter of each Fund (other than the fourth fiscal quarter), the Fund's General Partner will make available to each limited partner a written quarterly report, which will include: (i) a consolidated balance sheet of the Fund as of the end of such fiscal quarter; (ii) a consolidated statement of operations of the Fund for such fiscal quarter; (iii) summary descriptions of each investment made or disposed of during such fiscal quarter, which shall include such information relating to the transaction as the Fund's General Partner, in its sole discretion, may determine is appropriate; and (iv) such other information as the Fund's General Partner may determine to provide, including, without limitation, if so determined by the Fund's General Partner, a consolidated statement of cash flows of the Fund for such fiscal quarter.

The Adviser and each Fund's General Partner may, from time to time, in their sole discretion, provide additional information upon request relating to the Fund to one or more investors in such Fund as they deem appropriate.

Item 14 - Client Referrals and Other Compensation

Each Fund does not currently utilize the services of a securities broker or placement agent to sell interests in the Fund on a "best efforts" or agency basis. If one or more securities brokers or placement agents are engaged, they will receive compensation for their services. Any such compensation would generally be paid by the applicable Fund, either directly in the form of a retainer or similar payment, and/or from the proceeds of the Fund offering, which would decrease the amount of funds available for investment by the applicable Fund. Each Fund may also agree to indemnify the broker(s) or placement agent(s) against certain liabilities, including liabilities under the Securities Act, and to reimburse them for certain of their costs and expenses.

Item 15 - Custody

The Adviser (through each General Partner) is deemed to have custody of certain assets of each Fund. Each Fund currently is audited annually by an independent public accountant, and the annual audited financial statements of each Fund are sent to the Fund's investors.

Item 16 - Investment Discretion

The Adviser provides investment advisory services to the Funds pursuant to the Fund Agreements. The Adviser has discretionary authority to determine the investments to be bought or sold and the amounts to invest for each Fund. Investment advice is provided by the Adviser directly to the Funds, subject to the direction and control of the affiliated General Partner of each Fund and not individually to the investors in the Funds. Any restrictions on investments in certain types of securities are established by each Fund's General Partner and are set forth in the documentation received by each limited partner prior to investment in the Fund.

Item 17 - Voting Client Securities

Each Fund is not able to direct the vote of its General Partner. To the extent applicable, the General Partner intends to vote proxies or similar corporate actions in the best interests of each Fund, taking into account such factors as it deems relevant in its sole discretion.

The Adviser's proxy voting policy is designed to ensure that if a material conflict of interest is identified in connection with a particular proxy vote, that the vote is not improperly influenced by the conflict.

To the extent applicable, the Adviser will maintain a detailed Proxy Voting Policy and a record of how the Adviser has voted proxies, each of which is available to clients upon request.

Item 18 - Financial Information

The Adviser does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, but the Adviser (through each Fund's General Partner) is deemed to have custody of certain assets of the Funds. The Adviser has no financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its clients and has not been the subject of a bankruptcy petition at any time during the past ten years.