



**FORM ADV**  
**UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION**  
**PART 2A: FIRM BROCHURE**

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**DATE OF BROCHURE: MARCH 29, 2024**

**WWW.ISLANDCAPITAL.COM**

This Brochure provides information about the qualifications and business practices of Island Investment Management LLC (“IIM”) and certain of its affiliates that are either (a) considered a “relying adviser” in accordance with Form ADV’s General Instructions or (b) organized as the general partner or managing member of certain collective investment vehicle clients for which IIM or an affiliate serves as the investment manager and are relying on IIM’s registration as an investment adviser in accordance with the Letter dated December 8, 2005 from the SEC to the American Bar Association Subcommittee on Private Investment Entities (“**2005 SEC Letter**”) and Form ADV’s General Instructions (all such affiliates, together with IIM, collectively, the “**Island Advisers**,” and each, individually, an “**Island Adviser**”). If you have any questions about the contents of this Brochure, please contact Lawrence S. Block, the Island Advisers’ Chief Compliance Officer, directly at (212) 705-5090 or by e-mail at [lblock@islecap.com](mailto:lblock@islecap.com).

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

Additional information about the Island Advisers is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration as an investment adviser does not imply a certain level of skill or training.

**ITEM 2: MATERIAL CHANGES**

This Brochure serves as the annual update to IIM's Brochure, and updates IIM's Brochure dated December 19, 2023, as follows:

1. Updating the Assets under Management and number of clients of IIM and C-III Investment Management LLC ("C3IM") as of December 31, 2023 (see Item 4.E.);
2. Updating Item 5: Fees and Compensation;
3. Updating Item 8: Methods of Analysis, Investment Strategies and Risk of Loss, as follows:
  - a. Item 8.D.: updating the Material Risks relating to the ICG Charge Vehicles (as defined in Item 4.B.);
  - b. Item 8.E.: updating the Material Risks relating to the MV ESC Holdings Vehicles (as defined in Item 4.B.); and
  - c. Item 8.F.: updating the Material Risks relating to Island TLCC Ventures LLC;
4. Removing one of IIM's management persons as an exempt commodity pool operator for C-III HY IV TIER Holdings Inc., an affiliate of IIM (see Item 10.B.); and
5. Updating New America Network Inc.'s licensing information (see Item 10.C.).

*The information set forth in this Brochure is qualified in its entirety by reference to the Governing Documents (as defined herein) and/or offering documents. In the event of a conflict between the information set forth in this Brochure and the information set forth in the Governing Documents and/or offering documents, the Governing Documents and/or offering documents shall take precedence.*

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#### ITEM 4: ADVISORY BUSINESS

##### A. BACKGROUND

Island Investment Management LLC (“**IIM**”), a Delaware limited liability company, is an SEC-registered investment adviser that began providing investment advisory services in 2020. IIM is wholly-owned by Island Capital Group LLC (“**ICG**”), a Delaware limited liability company of which Andrew L. Farkas is the managing member. ICG is a private investment management firm formed in 2003.

##### B. TYPES OF ADVISORY SERVICES OFFERED

###### ***IIM***

IIM serves as investment manager to Island NYC Recovery Fund I L.P. (“**NYCRF I**”) and Island Recovery Fund IV L.P. (“**RF IV**”), each of which invests primarily in commercial real estate investments. Each reference herein to “**IIM Client**” shall include NYCRF I, RF IV and any other collective investment vehicle formed in the future for which IIM serves as investment manager, investment adviser or other similar role.

IIM is a “filing adviser” pursuant to Form ADV’s General Instructions.

###### ***ICG CHARGE ME DIRECTIVES***

ICG Charge Me Directives LLC (“**ICG Charge Me Directives**”), a wholly-owned subsidiary of ICG and an affiliate of IIM, provides investment advisory services to, and serves as the managing member of, ICG Charge Me LLC (“**ICG Charge Me**”) and ICG Charge Me II LLC (“**ICG Charge Me II**”), each of which is a private investment fund. (ICG Charge Me and ICG Charge Me II are collectively referred to herein as the “**ICG Charge Vehicles**” and, individually, as an “**ICG Charge Vehicle**”).

ICG Charge Me has invested substantially all of its assets in Series C Convertible Preferred Stock, par value \$0.0001 per share (the “**Charge Series C Convertible Preferred Stock**”), of Charge Enterprises, Inc. (“**Charge Enterprises**”). ICG Charge Me II has invested substantially all of its assets in common stock, par value \$0.0001 per share (the “**Charge Common Stock**”), of Charge Enterprises, and a warrant (the “**Charge Warrant**”) to purchase additional shares of common stock of Charge Enterprises (the “**Charge Warrant Shares**”).

ICG Charge Me Directives is a “relying adviser” of IIM pursuant to Form ADV’s General Instructions. ICG Charge Me Directives (i) provides, is deemed to provide or has the authority to provide investment advisory services through IIM’s single advisory business and (ii) is relying on IIM’s registration with the SEC, in accordance with Form ADV’s General Instructions. See also “Miscellaneous: Additional Information” below.

###### ***MV ESC DIRECTIVES***

MV ESC Directives LLC (“**MV ESC Directives**”), a wholly-owned subsidiary of ICG and an affiliate of IIM, provides investment advisory services to, and serves as the managing member of, MV ESC Holdings LLC (“**MV ESC Holdings**”) and MV ESC Holdings II LLC (“**MV ESC Holdings II**”), which are private investment funds. (MV ESC Holdings and MV ESC Holdings II

are collectively referred to herein as the “**MV ESC Holdings Vehicles**” and, individually, as an “**MV ESC Holdings Vehicle**”).

MV ESC Holdings has invested substantially all of its assets in Series A1-A Preferred Units (the “**Series A1-A Units**”) of a private company (the “**Underlying MV Company**”) primarily focused on the development of gaming technology that supports multiple, simultaneous participants (which technology may be applicable to the metaverse). MV ESC Holdings II expects to invest substantially all of its assets in Series B Preferred Units (the “**Series B Units**”) of the Underlying MV Company.

MV ESC Directives is a “relying adviser” of IIM pursuant to Form ADV’s General Instructions. MV ESC Directives (i) provides, is deemed to provide or has the authority to provide investment advisory services through IIM’s single advisory business and (ii) is relying on IIM’s registration with the SEC, in accordance with Form ADV’s General Instructions. See also “Miscellaneous: Additional Information” below.

#### ***ISLAND TLCC DIRECTIVES***

Island TLCC Directives LLC (“**Island TLCC Directives**”), a wholly-owned subsidiary of ICG and an affiliate of IIM, provides investment advisory services to, and serves as the managing member of, Island TLCC Ventures LLC (“**Island TLCC Ventures**”), which is a private investment fund.

Island TLCC Ventures expects to invest substantially all of its assets in a Senior Secured Convertible Loan Note of a private company (the “**Underlying TLCC Company**”) that manufactures and sells hand-built electric junior automobiles.

Island TLCC Directives is a “relying adviser” of IIM pursuant to Form ADV’s General Instructions. Island TLCC Directives (i) provides, is deemed to provide or has the authority to provide investment advisory services through IIM’s single advisory business and (ii) is relying on IIM’s registration with the SEC, in accordance with Form ADV’s General Instructions. See also “Miscellaneous: Additional Information” below.

#### ***OTHER ADVISERS RELYING ON THE REGISTRATION OF IIM***

Certain other affiliates of IIM serve as the general partner (each, a “**General Partner**”) of the IIM Clients, as follows:

- (a) Island NYCRF Directives LLC (“**Island NYCRF Directives**”), a wholly-owned subsidiary of ICG, serves as the general partner of NYCRF I; and
- (b) Island RF Directives IV LLC (“**Island RF Directives IV**”), a wholly-owned subsidiary of ICG, serves as the general partner of RF IV.

Each General Partner is relying on IIM’s registration under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”) and is not registering itself in accordance with the 2005 SEC Letter.

ICG Charge Me Directives, MV ESC Directives, Island TLCC Directives and each General Partner are Supervised Persons (as defined in Item 11 below) of IIM and conduct their activities in accordance with the Advisers Act, and the rules promulgated thereunder. Officers and employees of ICG Charge Me Directives, MV ESC Directives, Island TLCC Directives, each General Partner and other persons acting on IIM's behalf are subject to the supervision and control of IIM, including being subject to IIM's investment adviser compliance manual (the "**Compliance Manual**") and other applicable policies and procedures.

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Each reference herein to "**Island Adviser**" shall include IIM, ICG Charge Me Directives, MV ESC Directives, Island TLCC Directives and/or each General Partner, as applicable, and each reference herein to "**Island Advisers**" shall include IIM, ICG Charge Me Directives, MV ESC Directives, Island TLCC Directives and each General Partner. Each reference herein to "**Client**" shall include the existing collective investment vehicles and any collective investment vehicle formed in the future for which an Island Adviser serves as investment manager, investment adviser, general partner, managing member or other similar role.

#### C. CLIENT INVESTMENT GUIDELINES AND PARAMETERS

##### ***IIM CLIENTS***

IIM serves as the investment manager to each IIM Client pursuant to an investment management agreement between each such Client and IIM (each, an "**IIM Client Investment Management Agreement**" and collectively, the "**IIM Client Investment Management Agreements**"). IIM also operates in accordance with the terms set forth in the limited partnership agreement of each IIM Client (each, a "**IIM Client Limited Partnership Agreement**" and collectively, the "**IIM Client Limited Partnership Agreements**") (and, together with the IIM Investment Management Agreements and, as applicable, any side letter agreement(s) negotiated with investors in an IIM Client, the "**IIM Client Governing Documents**"), which includes specific information concerning the operation and management of each IIM Client. IIM has the authority to recommend all investment decisions for each IIM Client, subject to compliance with the investment criteria set forth in the IIM Client Governing Documents of the particular Client. Such criteria generally include, if applicable, approval by (a) the Client's limited partners, members, advisory committee or independent representative(s) with respect to any affiliate transaction between the IIM Client, on the one hand, and IIM, one of its affiliates or an Affiliated Investment Entity (defined in *Conflicts of Interest - Other Activities of ICG* below), on the other hand, and (b) any other transaction requiring advisory committee approval as set forth in the IIM Client Governing Documents. See also Item 16 below.

IIM identifies investment opportunities for each IIM Client and participates in the acquisition, management, monitoring and disposition of each IIM Client's investments. Except for the initial determination as to a prospective investor's qualifications for investment in each IIM Client, the individual needs of the investors in an IIM Client are not considered in the management of the Client and are not the basis of investment decisions by IIM. Investment advice is provided directly to each IIM Client, and not individually to the investors in an IIM Client.

Each General Partner is also deemed to provide investment advisory services to its respective IIM Client.

IIM or an affiliate may organize one or more pooled investment vehicles in the future that may offer their interests, or investors may purchase interests in an IIM Client in a secondary transaction. Interests in an IIM Client are generally offered only to persons that are (i) “accredited investors,” as defined in Regulation D under the Securities Act of 1933, as amended (the “**Securities Act**”) and (ii) either “qualified purchasers” or “knowledgeable employees,” each as defined in the Investment Company Act of 1940, as amended (the “**Investment Company Act**”), and the rules thereunder.

#### ***ICG CHARGE VEHICLES***

ICG Charge Me Directives serves as the managing member of each ICG Charge Vehicle pursuant to a limited liability company agreement for each ICG Charge Vehicle (each, an “**ICG Charge LLC Agreement**” and collectively, the “**ICG Charge LLC Agreements**”), each of which includes specific information concerning the operation and management of the ICG Charge Vehicle. ICG Charge Me Directives also operates in accordance with any side letter agreements negotiated with investors in an ICG Charge Vehicle (together with the ICG Charge LLC Agreements, the “**ICG Charge Governing Documents**”). ICG Charge Me Directives has the authority to make all investment decisions for each ICG Charge Vehicle, subject to compliance with the ICG Charge Governing Documents.

ICG Charge Me Directives monitors the underlying investments held by each ICG Charge Vehicle. Except for the initial determination as to a prospective investor’s qualifications for investment in an ICG Charge Vehicle, the individual needs of the investor members of each ICG Charge Vehicle are not considered in the management of an ICG Charge Vehicle and are not the basis of investment decisions by ICG Charge Me Directives. Investment advice is provided directly to each ICG Charge Vehicle, and not individually to the investors in an ICG Charge Vehicle.

Interests in each ICG Charge Vehicle are offered only to persons that are (i) “accredited investors,” as defined in Regulation D under the Securities Act and (ii) either “qualified purchasers” or “knowledgeable employees,” each as defined in the Investment Company Act and the rules thereunder.

#### ***MV ESC HOLDINGS VEHICLES***

MV ESC Directives serves as the managing member of each MV ESC Holdings Vehicle pursuant to a limited liability company agreement for each MV ESC Holdings Vehicle (each, an “**MV ESC Holdings LLC Agreement**” and collectively, the “**MV ESC Holdings LLC Agreements**”), which includes specific information concerning the operation and management of each MV ESC Holdings Vehicle. MV ESC Directives also operates in accordance with any side letter agreements negotiated with investors in an MV ESC Holdings Vehicle (together with the MV ESC Holdings LLC Agreements, the “**MV ESC Holdings Governing Documents**”). MV ESC Directives has the authority to make all investment decisions for each MV ESC Holdings Vehicle, subject to compliance with the MV ESC Holdings Governing Documents.

MV ESC Directives monitors the underlying investments held by each MV ESC Holdings Vehicle. Except for the initial determination as to a prospective investor’s qualifications for investment in an MV ESC Holdings Vehicle, the individual needs of the investor members of each MV ESC Holdings Vehicle are not considered in the management of an MV ESC Holdings Vehicle and are not the basis of investment decisions by MV ESC Directives. Investment advice is provided directly



to each MV ESC Holdings Vehicle, and not individually to the investors in an MV ESC Holdings Vehicle.

Interests in each MV ESC Holdings Vehicle are offered only to persons that are (i) “accredited investors,” as defined in Regulation D under the Securities Act and (ii) either “qualified purchasers” or “knowledgeable employees,” each as defined in the Investment Company Act and the rules thereunder.

#### ***ISLAND TLCC VENTURES***

Island TLCC Directives serves as the managing member of Island TLCC Ventures pursuant to a limited liability company agreement for Island TLCC Ventures (the “**Island TLCC Ventures LLC Agreement**”), which includes specific information concerning the operation and management of Island TLCC Ventures. Island TLCC Directives also operates in accordance with any side letter agreements negotiated with investors in Island TLCC Ventures (together with the Island TLCC Ventures LLC Agreement, the “**Island TLCC Ventures Governing Documents**”). Island TLCC Directives has the authority to make all investment decisions for Island TLCC Ventures, subject to compliance with the Island TLCC Ventures Governing Documents.

Island TLCC Directives monitors the underlying investments held by Island TLCC Ventures. Except for the initial determination as to a prospective investor’s qualifications for investment in Island TLCC Ventures, the individual needs of the investor members of Island TLCC Ventures are not considered in the management of Island TLCC Ventures and are not the basis of investment decisions by Island TLCC Directives. Investment advice is provided directly to Island TLCC Ventures, and not individually to the investors in Island TLCC Ventures.

Interests in Island TLCC Ventures are offered only to persons that are (i) “accredited investors,” as defined in Regulation D under the Securities Act and (ii) either “qualified purchasers” or “knowledgeable employees,” each as defined in the Investment Company Act and the rules thereunder.

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The IIM Client Governing Documents, the ICG Charge Governing Documents, the MV ESC Holdings Governing Documents and the Island TLCC Ventures Governing Documents are collectively referred to herein as the “**Governing Documents**.”

#### **D. WRAP FEE PROGRAMS**

The Island Advisers do not participate in wrap programs.

#### **E. CLIENT ASSETS UNDER MANAGEMENT**

As of December 31, 2023, IIM and its relying advisers, ICG Charge Me Directives, MV ESC Directives and Island TLCC Directives, managed seven (7) client accounts on a discretionary basis with regulatory assets under management of \$781,344,816.

As of December 31, 2023, C-III Investment Management LLC, a wholly owned subsidiary of C-III Capital Partners LLC (“**C-III**”), and its relying adviser, C-III SA Management LLC, a wholly-owned subsidiary of C-III Investment Management LLC (C-III Investment Management LLC and



C-III SA Management LLC are collectively referred to herein as “**C3IM**”) (each of which is an affiliate of ICG and the Island Advisers), managed ten (10) client accounts with regulatory assets under management of \$3,475,010,379, as follows:

- (a) C3IM managed six (6) client accounts on a discretionary basis with regulatory assets under management of \$2,964,074,408; and
- (b) C3IM managed four (4) client accounts on a non-discretionary basis with regulatory assets under management of \$510,935,971.

## ITEM 5: FEES AND COMPENSATION

### A. COMPENSATION

IIM is compensated pursuant to the terms of the IIM Client Investment Management Agreements. ICG Charge Me Directives and MV ESC Directives do not receive any compensation (management fee or carried interest/promote) with respect to the management of the ICG Charge Vehicles or the MV ESC Holdings Vehicles, respectively. Island TLCC Directives is compensated directly by the investor members in Island TLCC Ventures.

#### *IIM*

As compensation for investment supervisory and advisory services rendered, IIM receives from each IIM Client an advisory fee (a “**Management Fee**”) calculated as described below. Management Fees paid by an IIM Client are indirectly borne by the investors in such Client. Capitalized terms used below and not defined herein have the meanings ascribed to such terms as defined in the applicable IIM Client Limited Partnership Agreement.

IIM is entitled to receive an annual Management Fee from NYCRF I, payable quarterly in advance, equal to (i) during the Commitment Period, the sum of (a) 1% per annum of the Remaining Capital Commitment of each Partner plus (b) 1.5% per annum of the aggregate Capital Contributions of each Partner contributed in respect of Investments that have not been the subject of a Disposition, and (ii) after the Commitment Period, the sum of (a) 1% per annum of any remaining Capital Commitments intended to be called with respect to any transaction in progress plus (b) 1.5% per annum of the aggregate Capital Contributions of each Partner contributed in respect of Investments that have not been the subject of a Disposition.

IIM is entitled to receive an annual Management Fee from RF IV, payable quarterly in advance, equal to (i) during the Commitment Period, the sum of (a) 1% per annum of the uncalled aggregate Capital Commitments and (b) 1.5% per annum of aggregate Capital Contributions of each Partner contributed in respect of Investments that have not been the subject of a Disposition, and (ii) after the Commitment Period, the sum of (a) 1% per annum of the uncalled aggregate Capital Commitments intended to be called with respect to any transaction in progress plus (b) 1.5% per annum of the aggregate Capital Contributions of each Partner contributed in respect of Investments that have not been the subject of a Disposition.

In addition, after the investors in an IIM Client receive distributions of Net Investment Revenues equal to their capital contributions and a preferred return thereon, the applicable General Partner will be entitled to receive a carried interest (or promote) in such IIM Client in an amount equal to (i) 50% of distributions of Net Investment Revenues until such General Partner has received

cumulative distributions equal to 20% of all distributions of Net Investment Revenues made pursuant to Section 5.02(B) and Section 5.02(C) of the applicable IIM Client Limited Partnership Agreement, and (ii) 20% of distributions of Net Investment Revenues thereafter. IIM will not directly receive any portion of such General Partner's carried interest (or promote). Please refer to Item 6 for additional information regarding performance-based compensation.

Certain investors in an IIM Client (e.g., Supervised Persons and affiliates of IIM) may pay no (or a reduced) Management Fee or carried interest in connection with their investment in such IIM Client. Notwithstanding that these investors will pay no (or a reduced) Management Fee or carried interest, these investors will bear their pro rata share of IIM Client expenses.

Each IIM Client Investment Management Agreement may be terminated by either IIM or the IIM Client upon 30 days' prior written notice to the other party.

### ***Island TLCC Directives***

Each investor member of Island TLCC Ventures pays its allocable portion of the \$250,000 annual maintenance fee (the "**Maintenance Fee**") to Island TLCC Directives. The Maintenance Fee is billed semi-annually in arrears. Island TLCC Directives, in its sole discretion, may waive the obligation of each Affiliated Member and/or any other Investor Member to pay its respective share of the Maintenance Fee. Capitalized terms used above and not defined herein have the meanings ascribed to such terms as defined in the Island TLCC Ventures LLC Agreement.

## **B. PAYMENT OF FEES**

Each IIM Client will pay IIM its Management Fee as set forth in the applicable IIM Client Investment Management Agreement described above.

Each investor member of Island TLCC Ventures will pay its allocable portion of the Maintenance Fee to Island TLCC Directives as described above.

## **C. ADDITIONAL FEES AND EXPENSES**

Other costs and expenses payable by a Client generally include (i) out-of-pocket expenses incurred in connection with the organization and formation of the Client and its related entities (including such Client's general partner/managing member and other related entities organized by the Client's general partner/managing member or its affiliates) and the offering of the interests therein, including, without limitation, legal and accounting (including audit and/or asset verification) fees and expenses; printing costs; filing fees; and the transportation, meal, travel, and lodging expenses of any personnel of an Island Adviser or its affiliates incurred during the provision of services in connection with the organization of the Client ("**Organizational Expenses**") and the offering of interests in such Client, and (ii) third-party costs and expenses of maintaining the operations of the Client and maintaining, acquiring, financing, hedging and disposing of its investments (to the extent not paid for or reimbursed by such investment), including costs incurred in connection with pursuing possible investments (including potential Warehoused Investments (as defined below)) that are not subsequently acquired (e.g., "dead deal costs"), including, without limitation, taxes; fees and other governmental charges levied against the Client; insurance costs (including, without limitation, with respect to indemnifiable liabilities, allocable portions of premiums for errors and omissions and directors and officers liability insurance for employees, officers and managers of the

Client, its general partner/managing member and investment manager); administrative fees (including maintaining the books and records of a Client); research fees (including data and information service subscriptions, related system and services from data providers and data management software); fees for outside services (including valuation and pricing services); expenses of custodians, outside advisors, counsel, accountants, auditors, administrators and other consultants and professionals; expenses associated with forming and operating Alternative Investment Vehicles (as defined in the applicable IIM Client Limited Partnership Agreement) and any related investment vehicle; technology-related expenses; data services, financial modeling software and financial modeling services; interest on and fees, costs and expenses arising out of all financings entered into by such Client (including, without limitation, those of lenders, investment banks, and other financing sources); bridge financing expenses (which may be payable to another Client co-investing in the bridge transaction or to an Island Adviser or its affiliates, in each case being the entity providing the bridge financing to the applicable Client); travel expenses (including, without limitation, expenses for chartered or first class travel, and meal and entertainment expenses); brokerage commissions; custodial expenses; litigation expenses (including the amount of any judgments or settlements paid in connection therewith); liquidation expenses; expenses incurred in connection with any tax audit, investigation, settlement or review; expenses of a Client's advisory committee members and the costs of any services provided by the applicable Island Adviser, the Client's general partner/managing member or any affiliate thereof (to the extent provided for in such Client's Governing Documents); Property-Related Services Fees (as defined below); expenses associated with meetings of the Client's advisory committee and the Client's investors and the preparation and distribution of reports, financial statements, tax returns and K-1s to the investors; indemnification and other unreimbursed expenses; risk management expenses; and any extraordinary expenses to the extent not reimbursed or paid by insurance ("**Operating Expenses**"). A Client may charge placement fees. Information regarding a Client's fees and expenses, and other important information regarding an investment in such Client, are set forth in the documents provided to such Client's eligible prospective investors, including the Governing Documents.

Except as otherwise provided and subject to any limits in the applicable Governing Documents, a Client will pay, or reimburse the applicable Island Adviser, such Client's general partner/managing member or any affiliate thereof, as applicable, for its payment of, such Client's *pro rata* share of Operating Expenses. The Client shall reimburse the applicable Island Adviser, such Client's general partner/managing member, or any affiliate thereof, as applicable, for the Client's *pro rata* share of Operating Expenses only to the extent the applicable Island Adviser, such Client's general partner/managing member, or any affiliate thereof, as applicable, incurs out-of-pocket expenses relating to the Client. Notwithstanding the foregoing and except as provided below and in the Governing Documents, each Island Adviser is responsible for any costs and expenses related to its own operations, including but not limited to insurance, rent, compensation of personnel (including salaries, bonuses and benefits), furniture and fixtures and other office equipment.

Except as otherwise provided and subject to any limits in the Governing Documents, a Client's general partner/managing member may cause such Client to pay, or reimburse the applicable Island Adviser, such Client's general partner/managing member or any affiliate thereof, as applicable, for its payment of such Client's Organizational Expenses and Placement Fees (as defined below); *provided*, that, in the case of an IIM Client, the Management Fee shall be reduced dollar-for-dollar for all payments or reimbursements by such Client of (i) Organizational Expenses that exceed the Client's *pro rata* share of \$1,500,000 and (ii) Placement Fees (the sum of the amounts described in clauses (i) and (ii) being "**Excess Formation Expenses**"). If at any point in time Excess Formation

Expenses exceed the amount by which previous installments of the Management Fee have been reduced, the excess shall be carried forward for offset against future installments of the Management Fee. If, upon liquidation of the Client, Excess Formation Expenses exceed the amount by which the payment of the Management Fee has been reduced, any distributions owing to the Client's general partner/managing member shall be reduced by the amount of such excess and, if such distributions are insufficient, the Client's general partner/managing member shall contribute the amount not covered to the Client, which shall be paid, *pro rata*, to the Client's limited partners/investor members directly.

In addition, each Client bears all costs associated with its underlying investments, including but not limited to the costs of acquiring land, property or other assets or investments, zoning or other development approvals, environmental approvals, the costs of complying with building, safety or governmental regulations (such as environmental legislation, rent control, compliance with the Americans with Disabilities Act or other regulations), design and engineering costs and expenses, development and redevelopment costs (including costs associated with delays in construction as a result of weather or material shortages), property management costs and expenses, costs associated with leasing and other marketing activities, sales or other brokerage expenses, costs associated with financing, refinancing, borrowing or other lending activities, legal and accounting expenses, the cost of annual audits, custodial fees, insurance and litigation expenses, and taxes, fees, and other governmental charges. In the case of real estate equity investments, such costs and expenses are generally borne by a "special purpose vehicle" ("SPV") that owns the underlying real estate. Because a Client owns all or a portion of such special purpose vehicle, such Client will indirectly bear such costs and expenses.

From time to time, the general partner/managing member of a Client may create certain SPVs or similar structuring vehicles for purposes of accommodating certain tax, legal and regulatory considerations of a Client's investors. In the event the general partner/managing member of a Client creates an SPV, consistent with the Client's Governing Documents, the SPV, and indirectly, the Client and its investors, will bear all expenses related to its organization and formation and other expenses incurred solely for the benefit of the SPV.

In certain cases, a co-investment vehicle, or other similar vehicle established to facilitate the investment by a Client's investors to invest alongside the Client, may be formed in connection with the consummation of a transaction. In the event a co-investment vehicle is created, the investors in such co-investment vehicle will bear all expenses related to its organization and formation and other expenses incurred solely for the benefit of the co-investment vehicle. The co-investment vehicle will bear its pro rata portion of expenses incurred in making an investment. If a proposed transaction is not consummated, either (i) no such co-investment vehicle generally will have been formed, and the full amount of any expenses relating to such proposed but not consummated transaction ("dead deal costs") would therefore be borne by the Client(s) selected by the Island Adviser as the proposed investor(s) for such proposed transaction or (ii) a cost-sharing agreement will have been put in place and the proposed co-investment vehicle investors (or an Island Adviser) will bear the co-investment vehicle's pro rata portion of any dead deal costs.

If a Client acquires title to or otherwise gains control of real property, the applicable Island Adviser or such Client's general partner/managing member may cause the Client (or its subsidiaries) to engage an Island Adviser, ICG, or their respective affiliates to provide property-level services in respect of such real property, including, without limitation, property management, construction management, leasing, construction, development, property zoning services, financing, primary or

special loan servicing, marketing, brokerage or other services (collectively, “**Property-Related Services**”). The Island Adviser may use an affiliate to provide Property-Related Services, rather than a third-party, if it determines that such affiliate has the requisite expertise to provide such services and that the use of an affiliate to provide such Property-Related Services, rather than an independent third-party, is beneficial to a Client. To the extent an Island Adviser, ICG or any of their affiliates perform any Property-Related Services and the fees and compensation (“**Property-Related Service Fees**”) are included in the operating expenses of a Client (and such Client therefore bears the cost of such Property-Related Services), such Property-Related Services and the terms and conditions of such Property-Related Services shall be on such terms as would generally be available in an arm’s-length transaction with an third-party (provided that such third parties are generally in the business of providing such services) in the applicable market, although such compensation will not actually be determined through arm’s-length negotiation. The applicable Island Adviser monitors the Property-Related Service Fees charged by each such affiliate to a Client to ensure that they are reasonable relative to the fees charged by third parties by obtaining quotes or estimates (where practical) of the fees to be charged by third parties. In addition to the payment of Property-Related Service Fees, a Client will also be required to reimburse the Island Adviser, ICG or their affiliates, as applicable, for its out-of-pocket expenses incurred in providing the Property Related Services. An Island Adviser may engage an independent consultant to determine whether the Property-Related Service Fees and other terms of the Island Adviser and its affiliates for Property-Related Services are reasonable.

Certain affiliates of the Island Advisers may earn or share (and may in the future earn or share) in real estate brokerage commissions or other fees (“**Transaction Fees**”) paid by a Client upon the closing of the sale of assets by such Client as compensation for such real estate brokerage or other services.

ICG Realty LLC (“**ICG Realty**”), an affiliate of the Island Advisers, performs (and may in the future provide) property management services for certain of the assets owned, directly or indirectly, by a Client and receives a portion of the property management fee paid by the entity that owns such asset(s).

Property-Related Service Fees and Transaction Fees may be substantial. Any Property-Related Service Fees, Transaction Fees and related expense reimbursements paid by a Client or its underlying investments to an Island Adviser, ICG or their affiliates are in addition to the Management Fees paid to IIM and will not reduce the Management Fees charged to such Client. See Item 8, below, for a discussion of the conflicts of interest involved in the retention of affiliated service providers.

An Island Adviser, ICG or their affiliates may, from time to time, enter into arrangements with third-party advisers and consultants who provide services relating to deal-sourcing and investment opportunities. Any fees and expenses associated with such investment opportunities may be allocated to the applicable Client(s), consistent with the allocation process described herein.

In addition, IIM or an IIM Client’s general partner may cause such IIM Client (or its subsidiaries) to engage an IIM, ICG or their respective affiliates (i) to provide legal services related to the acquisition, disposition, financing, refinancing, ownership or management of potential or actual investments, or to designate legal professionals of an IIM Client’s general partner or any of its affiliates to provide such services, in each case to be charged on an allocable basis and at a cost at least as favorable to such IIM Client as available in arm’s-length transactions with qualified third-



party providers of such servicers and/or (ii) to provide accounting, accounting supervisory, valuation and similar services related to an IIM Client's investments, or to prepare performance data for an IIM Client's investments at the request of any of such Client's investors, or to designate one or more members of an accounting group associated with ICG or any of its affiliates to provide such services, in each case to be charged on an allocable basis and at a cost at least as favorable to such IIM Client as available in arm's-length transactions with qualified third-party providers of such servicers, provided that all such services are for the direct benefit of such IIM Client or its investors and are not for the general operation of the IIM Client's general partner's (or of its affiliates') businesses.

Part of IIM's strategy includes investing in properties through joint ventures with other real estate investors and/or operators. IIM believes that these joint venture partners enhance the firm's competitive advantage in the marketplace through their knowledge, skill and experience in identifying and executing property strategies that optimize value at the asset-level. Joint venture partners may charge leasing commissions, property management fee, and construction management fees. In addition, a joint venture arrangement typically provides for performance-based compensation (including a profits interest in the joint venture) for an operating partner as an incentive for enhanced performance. These arrangements present a conflict of interest because such compensation will ultimately be borne by an IIM Client and not IIM.

A Client's general partner/managing member may cause such Client to make short-term borrowings from the applicable Island Adviser, such Client's general partner/managing member or any of its affiliates, as applicable, to fund obligations prior to the receipt of capital contributions, distributions or pending retaining mortgage financing in respect of an investment, each of which borrowings may be evidenced by a promissory note and shall accrue interest for the benefit of such Client's general partner/managing member or its affiliates and shall be repaid from capital contributions, distributions or other funds of such Client (or its subsidiaries).

A Client may, although it does not currently intend to, acquire certain "warehoused investments" (which would be identified in such Client's Governing Documents) ("**Warehoused Investments**") from an Island Adviser, ICG or its affiliates on the terms set forth in the Governing Documents and such acquisitions will be deemed approved by the Client's investors. In connection with a Client's acquisition (direct or indirect) of Warehoused Investments, the applicable Island Adviser, such Client's general partner/managing member or their affiliates, as applicable, may cause the Client to (i) pay affiliates of the Island Adviser (the "**Warehousing Finance Affiliates**") an amount equal to (a) the aggregate cost of the Warehoused Investments to the Warehousing Finance Affiliates, including costs incurred in connection with the origination, closing and warehousing of the Warehoused Investments, plus (b) interest on the amount described in clause (x) at a rate equal to 8% per annum, calculated from the dates such costs were paid by the Warehousing Finance Affiliates to the dates the Warehousing Finance Affiliates receive the payment described herein, minus (c) distributions received by the Warehousing Finance Affiliates in respect of the Warehoused Investment prior to the Client's acquisition of the Warehoused Investment; and (ii) assume responsibility for all obligations relating to any Warehoused Investment.

An Island Adviser and/or a Client's general partner/managing member may, or may cause such Client to, enter into placement, financial advisory or similar agreements with affiliates of the Island Adviser and/or the Client's general partner/managing member. The fees payable by such Client include the Client's *pro rata* share of all amounts payable to a Placement Agent by or on behalf of

the Client in respect of the subscription by the investors for interests in the Client and any related expenses (“**Placement Fees**”).

Costs and expenses applicable to a particular Client (e.g., legal, insurance, accounting, audit, tax, reporting or consulting) are generally paid by such Client, provided the Client’s Governing Documents permit the payment of such fees and expenses. Certain fees, costs and expenses, including, but not limited to, certain insurance premiums, research fees, technology expenses, and the cost of financial modeling software and services, may be incurred for the benefit of one or more Clients, on the one hand, and an Island Adviser, ICG, its affiliates, or one or more Affiliated Investment Entities (defined in *Conflicts of Interest - Other Activities of ICG* below), on the other hand. Any such fees, costs and expenses are allocated to such Client(s) and such Affiliated Investment Entity(ies) in a manner that is believed to be fair and equitable, subject to any requirements or restrictions provided in the Client’s Governing Documents and applicable Affiliated Investment Entity regarding the allocation and payment of such fees, costs and expenses.

Each investor member of Island TLCC Ventures pays its allocable portion of all Operating Expenses advanced by Island TLCC Directives or its affiliates on behalf Island TLCC Ventures.

Information regarding a Client’s fees and expenses, and other important information regarding an investment in such Client, are set forth in the Governing Documents and any other documents provided to such Client’s eligible prospective investors.

#### **D. REFUNDS FOR FEES CHARGED IN ADVANCE**

Investors in a Client agree to commit a certain amount of capital to such Client before the Island Adviser provides any advisory services.

Management Fees assessed by an IIM Client are generally deducted from a Client’s assets and are paid in advance. To the extent that an IIM Client pays Management Fees in advance, the terms applicable to such IIM Client do not contemplate the repayment of all or any part of the Management Fee to the extent that IIM’s advisory services terminate prior to the end of the relevant payment period. Accordingly, if an IIM Client terminates IIM’s services before they are provided for the applicable period, Management Fees that have been paid in advance will not be pro-rated for such period and will not be returned to investors that paid those fees in advance.

ICG Charge Me Directives and MV ESC Directives do not receive any compensation (management fee or carried interest/promote) with respect to the management of the ICG Charge Vehicles or the MV ESC Holdings Vehicles, respectively.

Each investor member of Island TLCC Ventures pays its allocable portion of the annual Maintenance Fee, which is billed semi-annually in arrears.

#### **E. SUPERVISED PERSONS**

No Supervised Person (as defined in Item 11 below) of an Island Adviser accepts compensation for the sale of securities or other investment products.

An Island Adviser or a Client may retain Anubis Securities LLC (“**Anubis**”), an affiliate of the Island Advisers indirectly owned by ICG, to serve as placement agent with respect to the offering of interests in a Client or any other pooled investment vehicle to be organized in the future and



managed by an Island Adviser or an affiliate, or for the solicitation of a client account to be managed by an Island Adviser or an affiliate.

The Underlying MV Company (with respect to itself and MV ESC Holdings II) and the Underlying TLCC Company (with respect to itself and Island TLCC Ventures) separately retained Anubis to serve as placement agent with respect to the offering of interests in the Underlying MV Company (either directly or indirectly through MV ESC Holdings II) and the Underlying TLCC Company (either directly or indirectly through Island TLCC Ventures), respectively.

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

The general partner of an IIM Client (including each General Partner) is generally entitled to receive performance-based compensation, as set forth in such IIM Client's Governing Documents. Performance-based compensation will be paid to an IIM Client's general partner in the form of a "promote" interest in conformity with the Advisers Act, as follows: after the investors in such IIM Client receive distributions equal to their capital contributions and a preferred return thereon, the IIM Client's general partner will be entitled to receive a carried interest (or promote) in such Client in an amount equal to (i) 50% until the Client's general partner has received cumulative distributions equal to 20% of all distributions of Net Investment Revenues made pursuant to Section 5.02(B) and Section 5.02(C) of the applicable IIM Client Limited Partnership Agreement, and (ii) 20% thereafter. IIM will not directly receive any portion of the IIM Client's general partner's carried interest (or promote). Please refer to Item 6 for additional information regarding performance-based compensation.

Island TLCC Directives is entitled to receive performance-based compensation, as set forth in the Island TLCC Ventures LLC Agreement. Performance-based compensation will be paid to Island TLCC Directives in the form of a "promote" interest in conformity with the Advisers Act, as follows: after the investor members of Island TLCC Ventures receive distributions equal to their capital contributions and a preferred return thereon, Island TLCC Directives will be entitled to receive a carried interest (or promote) in Island TLCC Ventures in an amount equal to (i) 50% until Island TLCC Directives has received cumulative distributions equal to 25% of all distributions to the investor members of Island TLCC Ventures, and (ii) 25% thereafter. Please refer to Item 6 for additional information regarding performance-based compensation.

Neither ICG Charge Me Directives nor MV ESC Directives are entitled to any performance based compensation with respect to the management of the ICG Charge Vehicles or the MV ESC Holdings Vehicles, respectively.

Performance-based compensation arrangements may create an incentive for (i) an Island Adviser to recommend and approve investments that are riskier or more speculative than those that would be recommended or approved under a different fee arrangement and (ii) an Island Adviser to favor client accounts paying performance-based compensation at a higher rate (or a higher effective rate) over other accounts in the allocation of investment opportunities, either of which would create a conflict of interest for an Island Adviser and its affiliates. Each Island Adviser and each Client's Investment Committee (to the extent applicable) consider such potential conflicts in recommending and approving such investment (see Item 13).

## **ITEM 7: TYPES OF CLIENTS**

The Island Advisers provide investment advisory services to their Clients. The minimum capital commitment for each investor in a Client is set forth in the applicable Client's Governing Documents and other documents provided to eligible prospective investors. Interests in a Client are offered only to persons that are "accredited investors," as defined in Regulation D under the Securities Act and, if so required by the applicable Client's Governing Documents, either "qualified purchasers" or "knowledgeable employees," each as defined in the Investment Company Act and the rules thereunder. The investors in a Client may include pension funds, high net worth individuals, insurance companies, investment banks, banks, trusts, endowments and other collective investment vehicles in which the foregoing invest.

Each investor in such Client executes a subscription agreement in connection with its investment. An investor is generally not permitted to withdraw or redeem from a Client prior to its dissolution, except as provided in the applicable Client's Governing Documents.

An Island Adviser and/or a Client's general partner/manager member (either on its own behalf and/or on behalf of such Client), without any act, approval or vote of any other investor in such Client, has entered into (and in the future may enter into) letter agreements or other similar agreements (each, a "**Side Letter**") with one or more Client investors that has the effect of establishing rights under, or altering or supplementing the terms of, a Client's Governing Documents. Any rights established, or any terms of a Client's Governing Document altered or supplemented, in a Side Letter with a Client investor govern, notwithstanding any other provision of the applicable Client's Governing Documents. As a result of Side Letters, certain investors in a Client may receive additional benefits that other Client investors will not receive, which may include different fee structures and other preferential economic rights (such as, rights to reduced or waived management fees or performance-based compensation), information and reporting rights, excuse or exclusion rights, waiver of certain confidentiality obligations, co-investment rights, certain rights or terms necessary in light of particular legal, regulatory or policy requirements of a particular investor, additional obligations and restrictions with respect to structuring particular investments in light of the legal and regulatory considerations applicable to a particular investor, veto rights and liquidity or transfer rights. Except as otherwise agreed to with an investor in a Client or as required by applicable law, rule or regulation, neither the Island Adviser nor a Client's general partner/managing member will be required to notify any other investor in a Client of the existence of any Side Letter or any of the rights, terms or provisions thereof, and neither the Island Adviser nor a Client's general partner/managing member will be required to offer such additional or different rights or terms to any other Client investor. No investor in a Client will have recourse against such Client, its general partner/managing member, an Island Adviser or any of their respective affiliates in the event that one or more investors in the Client receive additional or different rights or terms pursuant to any Side Letter. For more information regarding Side Letters please see Item 8.B. below.

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

Investing in securities involves risk of loss that investors in a Client should be prepared to bear.

## **A. METHODS OF ANALYSIS AND INVESTMENT STRATEGIES**

### **1. IIM**

IIM provides investment advisory services with respect to equity and debt investments in real estate-related assets, including multi-family, single family homes, manufactured housing, retail, office, industrial and hospitality properties.

With respect to real estate equity investments, IIM reviews (i) the occupancy level and physical condition of the real estate asset, (ii) the state of the local economy in the area where the asset is located and (iii) capital expenditure requirements of the underlying asset and ability to make improvements, as well as other relevant information on a case-by-case basis. Key information includes lease terms, net effective rental rates, occupancy levels, comparable sales, appraisals, property inspections and other industry reports that are collected and analyzed regularly.

With respect to real estate debt investments, IIM maintains proprietary financial models used to evaluate prospective investments and monitor existing holdings. The maintenance of these models is based, in part, on the ongoing surveillance and collection of credit performance statistics and updated collateral information from various affiliate and third-party sources, including issuers, broker-dealers, rating agencies, governmental agencies and data vendors. IIM will also generally conduct an in-depth, asset-level evaluation of each opportunity using proprietary quantitative and qualitative analyses that will assist in evaluating target investments.

For each investment, IIM utilizes its proprietary database and subscriptions to various third-party data sources containing real estate-related information, consultations with real estate investors, operators, experts and other professionals, supported by experts and professionals in related fields, and information provided by employees in IIM's affiliated real estate services companies.

### **2. ICG CHARGE ME DIRECTIVES**

ICG Charge Me Directives provides investment advisory services with respect to the underlying investments held by each ICG Charge Vehicle.

### **3. MV ESC DIRECTIVES**

MV ESC Directives provides investment advisory services with respect to the underlying investments held by each MV ESC Holdings Vehicle.

### **3. ISLAND TLCC DIRECTIVES**

Island TLCC Directives provides investment advisory services with respect to the underlying investments held by Island TLCC Ventures.

## **B. MATERIAL RISKS**

Investments by a Client, or an investment in a Client, is speculative and involves a high degree of risk.

Below is a summary of certain risks associated with investments by a Client, and an investment in a Client. A Client, and investors in a Client, should refer to the risk factors in such Client's offering documents, subscription agreement, Governing Documents or other documents provided to a prospective Client and prospective investors in a Client for a more complete description of the risks associated with investing or with an investment in such Client. The risks described below and in each Client's offering documents, subscription agreement, Governing Documents or other documents provided to prospective investors in a Client could adversely affect a Client's (or a prospective investor in a Client's) business, the value of a Client's (or a prospective investor in a Client's) investments and the return to a Client or a prospective investor in a Client. No guarantee or representation is made that a Client or an investor in a Client will achieve its or their investment objectives, goals or targeted returns, or that a Client or an investor in a Client, will receive a return of its capital. There is no certainty of return with respect to any such investment and a prospective Client or a prospective investor in a Client should be able to withstand a total loss of its investment. The following discussion does not purport to be an exhaustive explanation of all of the risks and significant considerations involved, and each prospective Client or prospective investor in a Client should consult with its own advisors.

## **C. MATERIAL RISKS – IIM CLIENTS**

### ***RISKS RELATED TO REAL ESTATE INVESTMENTS***

#### ***General***

The performance of a Client's real estate and real estate-related investments will be significantly affected by fluctuations in the value of the underlying properties and the cash flows generated by those properties. If the underlying properties do not generate revenues sufficient to meet operating expenses, a Client's cash flow and the ability to make distributions to investors in such Client will be adversely affected. The factors affecting the cash flows generated by the underlying properties and the values of those properties include:

- national and local economic conditions;
- changes in supply of, and demand for, competing properties in an area (including the consequences of overbuilding);
- changes in real property tax rates;
- changes in interest rates and the availability of mortgage funds (including changes that render the sale or refinancing of properties difficult or impracticable);
- financial resources of tenants;
- changes in building, environmental and other laws or government regulations;
- quality of management and maintenance of the properties; and
- changes in tax policies and legislation, including, in particular, tax rules in jurisdictions in which investments are made or fund entities are organized.

### ***Real Estate Market Conditions***

A Client's strategy may be based, in part, upon the premise that interests in real estate businesses and assets will be available for purchase by the Client at prices that IIM considers favorable. Further, a Client's strategy may rely, in part, upon market recoveries continuing during the term of the Client. No assurance can be given that interests in real estate businesses and assets can be acquired at favorable prices or that the market for such assets will recover or continue to improve, as the case may be, since this will depend, in part, upon events and factors outside the control of IIM.

### ***Declines in Real Estate Values***

Risks associated with investing in real estate and real estate-related investments are likely to be more severe during periods of economic slowdown or recession, especially if such periods are accompanied by declining real estate values. Further, declining real estate values significantly increase the likelihood of losses on real estate and real estate-related investments acquired by a Client in the event of default, as the value of the underlying real estate and the value of the loans collateralized by such real estate may be insufficient to pay amounts owed in respect of such investments and result in a loss to a Client. Low recovery on real estate or real estate-related investments might result in a loss on the investment. Any sustained period of increased payment delinquencies, foreclosures or losses could adversely affect the income received by a Client from its real estate and real estate-related investments, which would reduce the amount it has available for distribution. Furthermore, the underlying properties may be suffering varying degrees of financial distress or may be located in economically distressed areas.

In the case of real estate debt investments (including investments in CMBS and CRE-CDO tranches), adverse changes in the real estate market increase the probability of default, as the incentive of the borrower to retain equity in the property declines. In addition, loans may become non-performing for a wide variety of reasons and may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate, capitalization of interest payments and a substantial write-down of the principal of the loan. However, even if such restructuring were successfully accomplished, a risk exists that upon maturity of such mortgage loan, replacement "take-out" financing will not be available, which could ultimately impact the value of the related investments.

### ***Ownership of Properties***

To the extent that a Client owns a real estate asset, or becomes the owner of a real estate asset as a result of the resolution of a defaulted debt investment, the Client is responsible for the operation of such real estate investment.

### ***Type and Use of Properties; Alternative Use of Properties***

Additional risks are presented by the type and use of a particular commercial property. For instance, commercial properties that operate as hospitals and nursing homes present special risks to lenders due to the significant governmental regulation of the ownership, operation, maintenance and financing of health care institutions. Hotel and motel properties often are operated pursuant to franchise, management or operating agreements which may be terminable by the franchisor or

operator; and the transferability of a hotel's operating, liquor and other licenses upon a transfer of the hotel, whether through purchase or foreclosure, is subject to local law requirements.

Furthermore, a commercial property may not readily be converted to an alternative use in the event that the operation of such commercial property for its original purpose becomes unprofitable. In such cases, the conversion of the commercial property to an alternative use would generally require substantial capital expenditures. Thus, if a borrower becomes unable to meet its obligations under the related commercial mortgage loan, the liquidation value of any such commercial property may be substantially less, relative to the amount outstanding on the related commercial mortgage loan, than would be the case if such commercial property were readily adaptable to other uses.

### ***Competition***

The activity of identifying, completing and realizing attractive real estate investments is highly competitive and involves a high degree of uncertainty. The acquisition of investments may be based on competitive bidding, and other competitors for the acquisition, redevelopment and development of properties, including REITs, insurance companies, pension funds, partnerships, investment companies and real estate investment funds, may have greater economic and personnel resources than those of IIM or a Client or better relationships with sellers of the investments, lenders and others, thereby putting such Client at a competitive disadvantage. These entities, because of their resources, may also generally be able to accept more risk than IIM or a Client prudently can manage. This competition may generally reduce the number of suitable prospective investments offered to a Client and increase the prices for properties of the type such Client would likely pursue. In addition, no assurance can be given that a Client will be able to make investments on terms, including financing, favorable to such Client. As a result, a Client may not be able, or have the opportunity, to make suitable investments on favorable terms, which could have an adverse effect on such Client's results of operations and hinder such Client's returns. There can be no assurance that a Client will be able to locate, complete and exit investments which satisfy such Client's rate of return objectives, or realize upon their values, or that such Client will be able to invest fully its committed capital.

### ***Availability of Suitable Investments***

Investors will be relying on the ability of IIM and its affiliates to identify, acquire and manage investments using the proceeds of such Client's offering. Although IIM and its affiliates have been successful in identifying investments of the type suitable for a Client in the past, there can be no assurance that IIM and its affiliates will be able to identify a sufficient number of suitable investment opportunities for a newly-organized Client, or that a newly-organized Client will be successful in acquiring a sufficient number of suitable investments. As a consequence, the aggregate returns of a newly-organized Client may be substantially adversely affected by the unfavorable performance of even a single investment.

### ***Costs of Compliance with ADA and Similar Laws***

Under the Americans with Disabilities Act of 1990 (the "ADA"), all places of public accommodation are required to meet certain federal requirements related to access and use by disabled persons. Although a Client intends to acquire investments that are substantially in compliance with the requirements of the ADA, such Client may incur additional costs of complying with the ADA at the time of acquisition and from time to time in the future to stay in compliance



with any changes in the ADA. A number of additional federal, state and local laws exist that also may require modifications to the investments, or restrict certain further renovations thereof, with respect to access thereto by disabled persons. Additional legislation may impose further burdens or restrictions on owners with respect to access by disabled persons. The ultimate amount of the cost of compliance with the ADA or such other legislation is not currently ascertainable and, while such other costs are not expected to have a material effect on a Client, such costs could be meaningful.

### ***Uninsured Losses***

Each Client intends to maintain comprehensive insurance on each of its investments in real property, and require that comprehensive insurance on each of the properties underlying its debt investments be acquired and maintained, including general liability, fire, extended coverage and rental loss insurance, with reputable carriers and with policy specifications and insured limits that each Client's general partner believes are adequate and appropriate under the circumstances, given relative risk of loss, the cost of such coverage and industry practice. If a Client, or any applicable borrower, fails to comply with these requirements and an uninsured loss occurs, the consequences may be adverse for such Client.

Uninsured losses, whether because the owner of the property fails to maintain insurance adequate and appropriate under the circumstances or because certain types of losses of a catastrophic nature (including, without limitation, wars, natural disasters, terrorist attacks and other similar events) that may be uninsurable or insurable only on commercially unrealistic or unacceptable terms, may create a risk of loss to a Client. In general, losses related to terrorism are becoming more difficult and more expensive to insure against. Most insurers are excluding terrorism coverage from their all-risk policies. In some cases, insurers are offering significantly limited coverage against terrorist acts for additional premiums, which can greatly increase the total costs of casualty insurance for a property. As a result, some or all of a Client's investments in real property, or properties that collateralize a Client's debt investments, may not be insured against terrorism.

A Client may hold investments concentrated in markets where natural disasters, including earthquakes, floods and hurricanes are prone to occur. For example, real properties located in California may be more susceptible to certain hazards, such as earthquakes or widespread fires, than properties in other parts of the country, and real properties located in coastal states generally may be more susceptible to hurricanes than properties in other parts of the country. Hurricanes and related windstorms, floods and tornadoes have caused extensive and catastrophic physical damage in and to coastal and inland areas located in the Gulf Coast region of the United States and certain other parts of the southeastern United States, including Florida particularly. A Client may hold investments concentrated in these markets and may suffer significant uninsured losses if a natural disaster were to occur. Although a Client intends to maintain comprehensive insurance on each investment in real property (including requiring borrowers to maintain comprehensive insurance on each property underlying its debt investments), there is a possibility that such Client may suffer uninsured or uninsurable losses from a natural disaster notwithstanding its maintenance of comprehensive insurance policies. Exclusions in insurance policies (such as flood exclusions in areas highly susceptible to such event) can result in losses to the Client.

Additionally, a Client may be unable to obtain insurance proceeds even if it is adequately covered by insurance policies if the insurance carrier's financial condition suffers materially as a result of a natural disaster or other catastrophic event. Deductibles may be significant, resulting in a Client incurring higher costs with respect to investments even in the event insurance is in place. Finally,



even if a Client can obtain appropriate insurance to rebuild or repair its properties following a natural disaster, such Client's ability to obtain insurance proceeds covering interruption to its business and operations during the period in question could be materially and adversely affected by the same conditions described above or other conditions outside of the Client's control.

Even if insurance is in place and an insured loss is paid, inflation, changes in building codes and ordinances, environmental considerations and other factors may make it infeasible to use the insurance proceeds to repair or replace a property if it is damaged or destroyed. Should an uninsured loss or a loss in excess of insured limits occur with respect to one or more of the properties underlying a Client's investments, such Client could lose the value of those investments, as well as the anticipated future revenue from those investments and, in the case of debt which is with recourse to a Client, such Client would remain obligated for any mortgage debt or other financial obligations related to such investments. It is also possible that the lack of available insurance coverage for such risks in the future may adversely affect a Client's ability to obtain conventional financing for commercial properties, which in turn may adversely affect the liquidation proceeds that may be realized following a default on any commercial loan. Any such loss could adversely affect the financial condition, results of operations and cash flow of a Client.

### ***Capital Expenditures***

Under many leases, the owner of the property retains certain obligations with respect to the property, including, among other things, the responsibility for maintenance and repair of the property, the provision of adequate parking, the responsibility for maintenance of common areas, the responsibility for capital improvements such as roof replacement and major structural improvements and compliance with other affirmative covenants in the lease. The expenditure of any sums in connection therewith beyond those budgeted for by a Client will reduce the cash available for distribution and may require a Client to fund deficits resulting from the operations of a property. No assurance can be given that the Client will have funds available to make such repairs or improvements. If a Client were to fail to meet these obligations, then the applicable tenant may abate rent or terminate the applicable lease, which may result in a loss of capital invested in, and anticipated profits from, the property to a Client. In addition, significant capital expenditure projects, regardless of whether or not they are ultimately successful, typically require a substantial portion of management's time and attention, which could divert the time and attention of IIM from the day-to-day obligations to a Client and, in turn, impair a Client's financial condition and operating results.

### ***Environmental Risks and Health Risks***

The value of a Client's investments could be impaired if a property (or a property securing the loan underlying an investment) sustains losses related to an environmental claim. A Client could face meaningful risk of loss from lawsuits related to environmental claims based on environmental problems associated with real estate investments or the properties underlying an investment. A Client may be liable pursuant to environmental claims under various federal, state and local laws, ordinances and regulations, as well as common law principles (collectively, "**Environmental Laws**") for the costs of removal or remediation of certain hazardous or toxic substances on or in a property, and subject such Client to claims or liability for the costs of removal or remediation of hazardous substances that are released at, in, on, under or from the property. The cost of any required remediation and the owner's liability therefore as to any property generally are not limited under such laws and could exceed the value of the property and/or the aggregate assets of the owner.

In addition to claims for cleanup costs, the presence of hazardous substances on, or the release of hazardous substances from, a property or a facility and persons who arranged for off-site disposal activities could result in a claim by a private party for personal injury or property damage or could result in a claim from a governmental agency for other damages.

In addition, certain cooling towers, evaporative condensers, swimming pools, hot tubs, and other complex water systems have recently been linked to outbreaks of Legionnaires' Disease. To the extent an outbreak of Legionnaires' Disease is attributable to a Client's property, such Client could be subject to claims or liability for such an outbreak, which may be significant in the aggregate.

Liability under such Environmental Laws can be imposed on the owner or the operator of real property or a facility without regard to fault or even knowledge of the release of hazardous substances and other regulated materials on, at, in, under or from the property or facility. Any environmental studies that may be conducted with respect to properties before a Client makes the investment cannot guarantee that the Client will be aware of all contamination at those properties and the subsequent costs of removal, management or remediation, either because such conditions were latent or because of changes in laws and regulations. The presence of hazardous substances in amounts requiring response action or the failure to undertake necessary remediation may adversely affect the Client's ability to use or sell real estate or borrow money using such real estate as collateral, which could have an adverse effect on the Client's return from such investment.

#### ***Risks Associated with Lead Paint***

Federal legislation requires owners and landlords of residential housing constructed prior to 1978 to disclose to potential tenants or purchasers and to real estate brokers any known presence of lead paint and lead paint hazards and allows for treble damages, fines and attorneys' fees for failure to so notify. In addition, a Client may be held liable under state laws for any injuries caused by ingestion of lead-based paint or dust or particles thereof by children or others living in or using the properties. Under some state laws, the liability is without regard to fault and may also require a Client to remediate soil and groundwater contaminated with lead in and around the subject housing.

#### ***Risks Associated with Mold and Standing Water***

Mold is a fungus that may grow within buildings if sufficient moisture is present, for instance as a result of leaking roofs, burst pipes, flooding or poor insulation in bathrooms. Mold is allergenic to certain people and also is capable of producing toxins that may be harmful to people. Mold also can injure other living things and can damage property. It is customary practice to promptly remediate water damage that can result in mold, and any damage from mold growth, to prevent personal injury and property damage and unsafe living conditions. If mold grows in a property that a Client owns or operates, a Client may be liable for any personal injury and property damage that results. Under state or local laws pertaining to health, housing, building standards and consumer protection: (i) a Client may be required to remediate mold and may be fined due to the presence of mold in a building; (ii) the buildings' tenants may be evicted; (iii) a Client may be liable to others for rent during the period when mold was present in the building; (iv) a Client may not be entitled to rent when mold is present; and (v) the building may be condemned and/or razed. Mold remediation may be difficult and expensive. Moreover, it is difficult and expensive to obtain insurance to protect against liability, remediation costs and other damages pertaining to mold, and there may be no insurance coverage under existing policies. State and federal legislation pertaining

to mold, including its remediation and disclosure, may be enacted at any point during a Client's holding period of an investment, and it is unknown what economic impact such legislation could have on building owners and operators.

### ***Leasing Delays and Tenant Bankruptcies***

A Client's receipt of income may depend upon the cash flows it derives from lease payments under leases and the cash flows received by the borrower under a debt instrument held by such Client from lease payments under leases. Therefore, the performance of a Client's investments will depend upon the ability of the owner of the property to lease and re-lease space within the applicable properties and on the various tenants' payment of rent and performance of other obligations under leases, such as maintenance of properties, payment of taxes, utilities and other charges and maintenance of insurance. The owner of a property will have no control over the actions of any tenants of the properties in which it directly or indirectly invests and, at any time, any such tenants may delay lease commencement or renewal, fail to make lease payments when due or declare bankruptcy. Any leasing delays, tenant failures to make lease payments when due or tenant bankruptcies could result in the termination of the tenant's lease and, particularly in the case of a large tenant, material losses to a Client, and could harm the Client's ability to make distributions to its investors or otherwise operate its business.

If a tenant is unable to comply with the terms of its lease, the owner of the property may be unable to modify lease terms or be forced to modify lease terms in ways that are unfavorable to it. Alternatively, the failure of a tenant to perform under a lease or to extend a lease upon expiration of its term could require the owner of the property to declare a default, repossess the property, find a suitable replacement tenant, operate the property or sell the property. There is no assurance that the owner of the property will be able to lease the property on substantially equivalent or better terms than the prior lease, or at all, successfully reposition the property for other uses, successfully operate the property or sell the property on terms that are favorable to such owner.

### ***Significant Tenant Ceasing to Operate at a Retail Property***

A significant tenant ceasing to do business at a retail property could result in realized losses with respect to an investment. The loss of a significant tenant may be the result of the tenant's voluntary decision not to renew a lease or to terminate it in accordance with its terms, the bankruptcy or insolvency of the tenant, the tenant's general cessation of business activities or other reasons (including co-tenancy provisions permitting a tenant to terminate a lease prior to its term). There is no guarantee that any tenant will continue to occupy space in the related retail property. Additionally, the bankruptcy of, or financial difficulties affecting, a major tenant may adversely affect a borrower's ability to make its mortgage loan payments.

Some component of the total rent paid by retail tenants may be tied to a percentage of gross sales. As a result, the correlation between the success of a given tenant's business and property value is more direct for retail properties than other types of commercial properties. Significant tenants or anchor tenants at a retail property play an important part in generating customer traffic and making a retail property a desirable location for other tenants at that property. A retail "anchor tenant" is typically understood to be a tenant that is larger in size and is important in attracting customers to a retail property, whether or not it is located on the mortgaged property.

Some tenants at retail properties may be entitled to terminate their leases or pay reduced rent if sales are below certain target levels, or if an anchor tenant or one or more major tenants cease operations at that property or fail to open. If anchor stores in a mortgaged property were to close, the borrower may be unable to replace those anchor tenants in a timely manner on similar terms, and customer traffic may be reduced, possibly affecting sales at the remaining retail tenants. While an anchor tenant that ceases to do business at a particular location may continue to pay rent, the absence of that tenant in the retail center may adversely impact other tenants and the ability of the borrower to continue paying debt service. The lack of replacement anchors and a reduction in rental income from remaining tenants may adversely affect the borrower's ability to pay current debt service or successfully refinance the mortgage loan at maturity. These risks with respect to an anchored retail property may be increased when the property is a single tenant property. In addition, certain retail anchor tenants may own their building and improvements, while the borrower owns only the underlying land. In those cases, the collateral securing the mortgage loan will include only the land and the rights of the borrower as landlord with respect to the anchor lease.

#### ***Competition from Alternative Retail Distribution Channels***

Retail properties face competition from sources outside their local real estate market. Catalog retailers, home shopping networks, the Internet, telemarketing and outlet centers all compete with more traditional retail properties for consumer dollars. These alternative retail outlets are often characterized by lower operating costs. Continued growth of these alternative retail outlets could adversely affect the rents collectible at retail properties and result in realized losses on such investments. In addition, retail property owners may elect to undertake the expense of expanding or upgrading their facilities in connection with tenant turnover or in order to enhance competitive advantage (and thus decrease their available cash flow).

#### ***Investments in Net Lease Properties May Generate Losses***

A Client may make investments in net leased real estate assets. The value of such investments and the income from such investments in net lease properties will depend upon the ability of the applicable tenant to meet its obligations to maintain the property under the terms of the net lease. If a tenant fails or becomes unable to so maintain a property, the Client will be subject to all risks associated with owning real estate. In addition, under many net leases the owner of the property retains certain obligations with respect to the property, including among other things, the responsibility for maintenance and repair of the property, to provide adequate parking, maintenance of common areas and compliance with other affirmative covenants in the lease. If the owner of the property were to fail to meet these obligations, the applicable tenant could abate rent or terminate the applicable lease, which may result in a loss of a Client's capital invested in, and anticipated profits from, the property. In addition, the owner of the property may find it difficult to lease property to new tenants that may have been suited to the particular needs of a former tenant.

#### ***Risks of Acquisition, Development and Redevelopment Activities***

A Client may acquire, develop and redevelop real estate properties on a select basis. IIM does not anticipate that a Client will undertake new development as a strategic matter, although a Client may continue and complete the existing development of acquired properties and redevelop or enhance other properties. There can be no assurance that a Client will undertake to acquire, develop or redevelop any particular site or that it will be able to complete such acquisition, development or

redevelopment if it is undertaken. Risks associated with a Client's acquisition, development and redevelopment activities include the following:

- acquisition, redevelopment and development opportunities explored by a Client may be abandoned and, as a result, such Client may fail to recover expenses already incurred in connection with exploring such opportunities;
- acquisition, development and redevelopment costs for a property, including, without limitation, materials, labor or other expenses, may exceed original estimates, possibly making the property uneconomical;
- zoning, land-use, building, occupancy and other required governmental permits and authorizations may be difficult or impossible to obtain, leading to delays in and/or abandonment of all or a portion of the acquisition, development or redevelopment of a property;
- construction and lease-up may not be completed on schedule, resulting in increased debt service and development or redevelopment costs;
- leasing costs and tenant improvement costs may exceed expectations and, therefore, adversely affect the operating performance of a property; and
- construction and permanent financing may not be available on favorable terms.

The occurrence of any of the events described above could result in meaningful unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could adversely affect a Client's ability to achieve its projected yields on investments under development or redevelopment and, in turn, could reduce returns to a Client and potential distributions to investors in a Client. Properties under development or properties acquired for development may distribute little or no cash flow from the date of acquisition through the date of completion of development and may experience operating deficits after the date of completion. In addition, market conditions may change during the course of development that make such development less attractive than at the time it was commenced.

In addition, the failure to obtain necessary debt and equity financing on favorable terms could have a material adverse effect on a Client's ability to acquire, develop and redevelop real estate. Moreover, in the event that the cost of debt or equity financing for new acquisitions, development and redevelopment increases, the increased cost of such financing may result in a lower margin of profit on a Client's real estate investments than initially contemplated. If market conditions deteriorate, the financial condition of a Client may be materially adversely affected.

#### ***RISKS RELATED TO INVESTMENTS***

##### ***Nature of Investments***

Investments by a Client or investments in a Client, are speculative and generally require a long-term commitment with no certainty of return.

A Client may make investments in real estate and real estate related assets that are experiencing or are expected to experience severe financial difficulties that may never be overcome. Although investments by a Client may generate some current income, the return of capital and the realization of gains, if any, from each investment generally will occur (i) in the case of a real estate debt investment, when the borrower repays the related loan (at maturity or sooner) or (ii) in the case of a real estate equity investment, when a Client sells the investment. Although an investment may be sold or the related loan repaid at any time, it is not expected that this will occur for a substantial length of time, and in many cases several years, after the investment is acquired. Therefore, there may be little or no near-term cash flow available to a Client or the investors in a Client. Because a Client may only make a limited number of investments and because 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 a Client and the investors in a Client. Generally, a Client's investments will be selected and funded after an offering of interest in a Client is completed, so prospective investors will not be able to analyze a Client's portfolio of investments before investing in a Client.

### ***Distressed and Underperforming Assets***

A Client is expected to make meaningful investments in non-performing, underperforming or other troubled assets (including currently performing assets that may become non-performing or distressed in the future). These assets have or may in the future have legal and financial risks and are or may be experiencing or may be expected to experience severe financial difficulties that may never be overcome and there can be no assurance that a Client's return and/or cash multiple of invested capital objectives will be realized or that there will be any return of capital to a Client or its investors.

Investments in borrowers or issuers that have become financially distressed involve significantly greater risks than investments in non-distressed borrowers or issuers. The level of analytical sophistication, both financial and legal, necessary for successful financings to companies or assets experiencing significant business and financial difficulties is unusually high.

Troubled companies and assets require active monitoring and may, at times, require participation in the borrower's business strategy or in reorganization proceedings by the Client. To the extent that a Client becomes involved in such proceedings, the Client may have a more active participation in the affairs of its investments than that generally assumed by an investor. In addition, involvement by a Client in reorganization proceedings could result in the imposition of restrictions limiting the Client's ability to liquidate its position.

### ***Real Estate Debt Investments***

A Client may acquire on a selective basis sub-performing or non-performing debt interests and may acquire performing interests that become sub-performing or non-performing in the future. Some of these investments may be made with a goal of "loan-to-own." Investment in real estate debt generally carries with it many if not most of the risks associated with direct real estate investment. Notwithstanding that IIM will be responsible for the oversight and management of a Client's investments, the collateral for debt investments may be mismanaged or otherwise decline in value. There exists the risk that re-financing will not be available for assets serving as collateral for debt acquired by a Client. Moreover, the owner of the property may delegate the responsibility for the management and operation of some of a Client's investments to a third party and, therefore, such investments may be adversely affected. Further, investments operating under the close supervision



of a mortgage lender are, in certain circumstances, subject to certain additional potential liabilities that may exceed the value of the Client's original investment therein.

Certain Client's investments may include interests in commercial mortgage loans. Commercial mortgage loans are generally viewed as exposing a lender to a greater risk of loss through delinquency and foreclosure than residential mortgage loans on owner-occupied single-family residences. The ability of a borrower to repay a loan secured by commercial property primarily depends upon the successful operation and the operating income of that property (*i.e.*, the ability of tenants to make lease payments, the ability of a property to attract and retain tenants, and the ability of the owner to maintain the property, control operating expenses and comply with applicable zoning and other laws), rather than depending upon the existence of independent income or assets of the borrower. If the net operating income of the property deteriorates, the borrower's ability to repay the loan may be impaired. Net operating income of a commercial property can be affected by, among other things: tenant mix; success of tenant businesses; property management decisions; property location and condition; competition from comparable types of properties; changes in laws that increase operating expenses or limit rents that may be charged; any need to address environmental contamination at the property or the occurrence of any uninsured casualty at the property; changes in national, regional or local economic conditions and/or specific industry segments; declines in regional or local real estate values; declines in regional or local rental or occupancy rates; increases in interest rates; real estate tax rates and other operating expenses; changes in governmental rules, regulations and fiscal policies, including environmental legislation; and acts of God, terrorist attacks, social unrest and civil disturbances. Most commercial mortgage loans provide recourse only to the mortgaged property, and not against the borrower's other assets or personal guarantees, other than customary non-recourse carve-outs.

There is a significant risk that a Client may experience losses on its debt investments because of defaults by the applicable borrowers. The factors that may result in borrower defaults and losses on a Client's investments include (i) adverse changes in economic and real estate market conditions generally and in the sectors and geographic locations applicable to the specific investment, (ii) the terms and structure of the mortgage loans and (iii) any specific limits on legal and financial recourse upon a default under the terms of the mortgage loans.

Most residential mortgage loans are fully self-amortizing (meaning that the periodic payments made by the borrower are sufficient over the life of the mortgage to pay all principal as well as interest). By contrast, most commercial mortgage loans do not fully amortize, so that at the maturity of the loan the borrower must repay a substantial principal balance. This loan feature frequently requires the borrower either to sell the property or to refinance the remaining principal balance at or prior to maturity of the mortgage loan. Accordingly, investors in commercial mortgage loans bear the risk that the borrower will be unable to sell, refinance or otherwise generate the funds required to repay the mortgage loan at maturity, thereby increasing the ultimate likelihood of a default on the borrower's obligation. Such a default may be more likely if the encumbered real estate has declined in value or if market rates of interest have significantly increased.

In the event of any default under a mortgage loan held directly by a Client, such Client will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the mortgage loan, which could have a material adverse effect on the Client's cash flow from operations and limit amounts available for distribution to a Client's investors. In the event of the bankruptcy of a mortgage loan borrower, the mortgage loan to that borrower will be deemed to be secured only to the extent of the value of the underlying collateral



at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law. Foreclosure of a mortgage loan can be an expensive and lengthy process that could have a substantial negative effect on a Client's anticipated return on the foreclosed mortgage loan.

As part of its investment program, a Client may invest in fixed-rate and/or floating-rate loans. Floating rate loan investments would expose a Client to the risk of lower cash flow in the event that interest rates decrease from the date of investment. Fixed rate loan investments expose a Client to the risk of value deterioration in the event of interest rate increases. A Client's debt investments may be subject to early redemption features, refinancing options, pre-payment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by the Client earlier than expected, resulting in a lower return to the Client than projected. If market interest rates decline, it is likely that borrowers will seek to repay their loans prior to stated maturity in order to refinance at lower rates. If that happens, then, except as protected by any yield maintenance provisions, the Client will lose the benefit of the above-market interest rate payments it otherwise would receive on the repaid loans. In addition, certain of the mortgage loans in which a Client invests may be structured so that all or a substantial portion of the principal will not be paid until maturity, which increases the risk of default at that time.

Moreover, in certain situations, because IIM (on behalf of a Client) may, in the exercise of remedies or rights under loan documents, obtain contractual rights to participate in or to influence the management of properties by borrowers, the likelihood is increased that a borrower may claim that IIM or such Client interfered with the borrower's business, acted in bad faith in exercising its management rights or otherwise acted in a manner giving rise to a claim for lender liability. The exercise of rights or remedies may not be led or controlled by IIM, but may be led or controlled by a holder of a different debt position that may have interests that are in conflict with the interests of the Client. As a lender, a Client may also be subject to penalties for violations of state usury limitations, which penalties may be triggered by contracting for, charging or receiving usurious interest.

In the event of default and the exhaustion of any equity support, reserve fund or letter of credit support, a Client might not be able to recover all of its investment in the debt obligations purchased. A Client's investments in loans may involve workout negotiations, restructuring and the possibility of foreclosure. Even if a restructuring were successfully accomplished, however, there exist the risks of a substantial reduction in the interest rate and a substantial write-down of the principal of such loans. It is possible that IIM may find it necessary or desirable to foreclose on collateral securing one or more real estate loans purchased by a Client.

#### ***Enforcement of Rights Against Borrower Following Default***

If a borrower under the debt instrument owned by a Client's investment defaults in its obligations, such Client may seek to pursue the foreclosure and other remedies, if any, available under the terms of the related loan. Exercise of foreclosure and other remedies may involve lengthy delays and additional legal and other related expenses, which could adversely affect the value of the collateral and thus the Client's investment. The foreclosure process varies from jurisdiction to jurisdiction and can be lengthy and expensive. Applicable laws in certain jurisdictions may provide borrowers with an array of rights to resist foreclosure actions by asserting numerous claims, counterclaims and defenses against the holder of a real estate loan including, without limitation, lender liability

claims and defenses. In some jurisdictions, foreclosure actions can take several years or more to litigate. Foreclosure litigation can create a negative public image of the applicable property and may result in disruption of the ongoing leasing and management of the property. In certain circumstances, foreclosing mortgage creditors may also become liable, upon taking title to collateral, for environmental or structural damage at the property site. Because of the potential difficulties presented by the foreclosure process, in some cases instead of pursuing foreclosure or other remedies, a Client or senior lenders (if applicable), may seek to negotiate with the borrower to restructure the debt. Although a restructuring may avoid the delay and expense of foreclosure, it is likely to have other adverse consequences for a Client. Any restructuring may involve either or both a substantial reduction in the interest rate and a substantial write down of the principal of the restructured loans, which will reduce the value of a Client's investment and may result in a loss on the investment. A restructuring could also delay the realization of value. If any of the above occurs, a Client's ability to make anticipated distributions to its investors could be delayed or otherwise adversely affected.

### ***Participation Interests***

A Client's debt investments may be in the form of loan participations and assignments of portions of such loans. Participations and assignments involve special types of risk, including credit risk, control and management risks, liquidity risk as well as the normal or typical risks of being a lender. Participations in commercial real estate loans may be secured or unsecured. Loan participations typically represent direct participation in a loan to a borrower; however, participation interests in a commercial real estate loan typically result in a contractual relationship only with the holder of the related whole loan, not with the borrower. With respect to a Client's investments structured as participation interests, the Client generally would have no right either to enforce compliance by the borrower with the terms of the underlying loan or to set-off obligations that the Client may otherwise owe to the borrower and may only be able to enforce its rights through the holder of the related whole loan. Furthermore, the Client may not directly benefit from the collateral supporting the loan in which it holds the participation. As a result, the Client would assume the credit risk of both the borrower and the institution selling the participation. Investments in participation interests in commercial real estate loans raise many of the same risks as direct investments in commercial real estate loans and also carry risks of illiquidity and lack of control. It is likely that there will not be an active secondary market for certain types of loans that a Client intends to acquire or make or for certain equity participation rights of the kind that a Client might acquire.

### ***Bankruptcy Considerations***

Claims on real estate assets operating in workout modes or under applicable bankruptcy laws could, if a Client inappropriately exercises control over the management and policies of the debtors, be subordinated or disallowed, and may, in certain circumstances, be subject to additional potential liabilities that could exceed the value of the Client's original investment, including equitable subordination and/or disallowance of claims or lender liability. Furthermore, payments made to a Client in respect of such claims, and distributions by such Client, could be recovered if such payments or distributions are found to have been fraudulent conveyances or preferential payments or the equivalent under the laws of certain jurisdictions. Bankruptcy laws may delay the ability of a Client to realize on collateral for claims held by it or may adversely affect the priority of such claims through doctrines such as equitable subordination or may result in a restructuring of the debt through principles such as the "cramdown" provisions of the bankruptcy laws. In addition, there are other risks and uncertainties related to litigation, bankruptcy and other laws and regulations

affecting the rights and remedies of a Client with respect to these assets that can create additional financial risks to such Client.

### ***Subordinate Debt***

Certain debt instruments in which a Client may invest may be subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured and/or subject such Client to a “first loss” subordinate holder position. The ability of a Client to exercise its remedies upon a default, or to take action in anticipation of a default to protect the value of its investment, is likely to be substantially less than that of senior creditors. For example, under the terms of typical subordination agreements, senior creditors are able to block the acceleration of the junior debt or the exercise by junior debt holders of other rights they may have as creditors. Accordingly, in the case of an actual or pending default by the obligor on its investment, a Client may not be able to take the steps necessary to protect its interests in a timely manner or at all.

Debt securities and investments of the type in which a Client may invest are also subject to other risks arising out of the laws governing creditors’ rights, including (i) the possible invalidation of an investment transaction (*e.g.*, a mortgage lien or a payment made to a creditor) as a “fraudulent conveyance” under relevant creditors’ rights laws, (ii) the possible assertion of so-called “lender liability” claims by the issuer of the obligations and (iii) environmental liabilities that may arise with respect to the collateral securing the obligations. In many cases, IIM’s management of a Client’s investments and its remedies with respect thereto, including the ability to foreclose on any collateral securing such investments, will be subject to the rights of the senior lenders and contractual inter-creditor provisions. Accordingly, there can be no assurance that the Client’s rate of return objectives will be realized.

### ***Mezzanine Loans***

A Client may invest in so-called “mezzanine loans,” which are typically structured as a loan to a parent entity of the borrower (with the parent mezzanine borrower typically contributing the loan proceeds to the subsidiary borrower) where the parent mezzanine borrower’s repayment obligation is secured primarily by a pledge of its direct or indirect ownership interests in the subsidiary borrower. If a Client makes an investment in a mezzanine loan, its ability to foreclose on the pledged ownership interests in the subsidiary borrower may be constrained by intercreditor arrangements with the lender that, for example, may require the Client to cure material defaults under the loan before being entitled to foreclose on its collateral. Foreclosure may also be limited by the rights of the parent mezzanine borrower under applicable law. Even if a Client is able to foreclose on its collateral, as the new direct or indirect owner of the subsidiary borrower, the Client will become the borrower, in effect, with respect to the underlying loan and the owner (subject to the underlying loan and any other senior mezzanine indebtedness) of the underlying property.

Moreover, a mezzanine loan may become unsecured as a result of a foreclosure by the senior lender. In the event of a bankruptcy of the entity providing the pledge of its ownership interests as security, the Client may not have full recourse to the assets of the property-owning entity, or the assets of the entity may not be sufficient to satisfy the Client’s mezzanine loan. If a borrower defaults on the Client’s mezzanine loan or debt senior to the Client’s mezzanine loan, or in the event of a borrower bankruptcy, the Client’s mezzanine loan will be satisfied only after the senior debt is paid in full. As a result, the Client may not recover some or all of its mezzanine loan investment, which could result in losses.

Investments in mezzanine loans therefore involve not only the risks associated with subordination to the rights of senior lenders, but also the risks associated with ownership and management of the underlying property and the risks of being the borrower, in effect, with respect to a loan that may be in default.

In addition, a mezzanine loan may have a higher loan to value ratio than a conventional mortgage loan, resulting in less equity in the property and increasing the risk of loss of principal.

### ***Commercial Mortgage Backed Securities***

While not a primary purpose of any current Client, a Client's portfolio may also include exposure to commercial mortgage-backed securities ("CMBS"), which are securities secured by a single commercial mortgage loan or a pool of commercial mortgage loans (including certificates of participation in such loans). Any CMBS potentially being considered as an investment by a Client generally would be securities backed by obligations (including certificates of participation in obligations) that will be principally secured by mortgages on real property or interests therein having a multifamily or commercial use, such as retail space, office buildings, hotels and other hospitality assets, and industrial properties. Investing in CMBS involves the general risks typically associated with investing in traditional fixed-income securities (including interest rate and credit risk) and certain additional risks and special considerations, including the risk of principal prepayment, the risk of investing in real estate, lack of standardized terms, shorter maturities than residential mortgage loans and payment of all or substantially all of the principal only at maturity rather than regular amortization of principal. The exercise of remedies and successful realization of liquidation proceeds relating to CMBS may be highly dependent on the performance of third parties not under a Client's control.

Some investments in CMBS may be subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured and/or subject to a "first loss" subordinate holder position. Investments in such subordinate CMBS securities have a higher risk of such loss than investments in more senior securities. In the event that IIM underestimates the pool losses relative to the price the Client pays for a particular CMBS investment, the Client may experience losses with respect to such investment.

### ***Unrated Investments***

A Client may invest in debt instruments that are not rated by any recognized rating agency. The value of unrated debt obligations tends to be subject to more fluctuation as a result of economic conditions than rated debt obligations. Overall credit quality may move up or down frequently within this category. A Client's acquisition of credit support classes of securitizations (which may be "first loss" classes) that are unrated at the time of acquisition and that have lower ratings incrementally increase the risk of nonpayment or of a significant delay in payments on these classes. Should assets be downgraded, it may adversely affect their value and may adversely affect the value of a Client's investment. While not a primary purpose of either Client, there are no limits on the percentage of unrated or noninvestment grade assets that a Client may hold in its portfolio.

### ***Private Companies***

A Client may invest in property management companies or other real estate related businesses. Private companies are not subject to the same disclosure and reporting requirements that are

generally applicable to public companies. There can be no guarantee that the small number of individuals on which a private company relies will continue to be employed by such company once a Client has invested in it. Although IIM will monitor the performance of each investment, a Client will necessarily rely on the management teams of the individual portfolio companies in which a Client invests for day-to-day management.

A Client may designate directors to serve on the board of directors of a portfolio company. The exercise of control over a portfolio company may impose additional risks of liability for environmental damage, failure to supervise management, violation of government regulations and other types of liabilities, which could have a material adverse effect on the performance of a Client.

A Client also may hold minority interests in portfolio companies alongside one or more other investors and may not be able to designate directors to serve on the board of directors of a portfolio company. Although IIM will aim to negotiate shareholder rights that give a Client protections and visibility over the direction of the portfolio company, certain major decisions will require the consent of other investors, thereby lessening a Client's control and, therefore, IIM's ability to protect the position of a Client in such company.

#### ***Limited Liquidity of Real Estate Investments***

A Client's investments generally will be illiquid. Dispositions of a Client's investments also may be subject to contractually imposed limitations on transfer or other restrictions that could interfere with the sale of such Client's investments or adversely affect the terms that could be obtained upon any sale. This illiquidity may limit the ability of the Client to change the composition of its portfolio promptly in response to changes in economic or other conditions and limit near-term cash flow available for distribution to its investors. The lack of a liquid market for a Client's debt investments also means that if a Client for any reason sells its debt instruments before they are repaid by the borrower, the Client may receive a low price and, as a result, may realize a loss on its investment in those debt instruments.

Some of the debt instruments acquired by a Client may have terms (including grace periods) longer than the term of such Client. Thus, a Client may acquire investments that cannot be readily sold prior to the date that such Client will be dissolved, either by expiration of the Client's term or otherwise. Although IIM expects that Client investments will be repaid or disposed of prior to expiration of a Client's term or be suitable for in-kind distribution at expiration of a Client's term, IIM has only a limited ability to extend the term of a Client, and the Client may have to sell, distribute or otherwise dispose of its investments at a disadvantageous time as a result of the pending expiration of its term and subsequent dissolution.

#### ***Valuation Risks***

Because IIM does not expect there to be any liquid market, or only a limited liquid market, for Client investments, the fair value of such investments may not be readily determinable and IIM may not be able to dispose of the investment at fair value. A Client will value its investments periodically at fair value as determined by IIM or the applicable General Partner (which may involve or rely on the input and/or recommendation of a third-party valuation advisor). The valuations used by IIM for a substantial portion of a Client's investments may therefore not reflect the most recently available market information. The types of factors that may be considered in fair value pricing of a Client's investments include discounted cash flows, prevailing market conditions

with respect to the location of a property investment, similar property sales, and other relevant factors. Because such valuations are inherently uncertain, they may fluctuate over short periods of time and may be based on estimates. Therefore, IIM's determination of fair value may differ materially from the actual results obtainable in an arm's length sale of such investments to a third party.

### ***Diversification Risk***

A Client may be formed specifically to be non-diversified in certain respects. The investments of NYCRF I, for example, are limited geographically to New York City, although it will seek to acquire an investment portfolio that is diversified across real estate asset classes in New York City.

Moreover, there is no assurance as to the degree of diversification that will actually be achieved in a Client's portfolio of investments. A Client may make only a limited number of investments and, as a consequence, the aggregate return of such Client may be substantially adversely affected by the unfavorable performance of even a single investment. The applicable IIM Client Limited Partnership Agreement imposes limited requirements as to diversification of such Client's investments.

If a Client makes an investment in multiple related assets in a single transaction with the intent of selling a portion of the investment, there is a risk that such Client will be unable to successfully complete such a sale. This concentration could lead to increased risk as a result of a Client having an unintended long-term investment and reduced diversification.

### ***Geographic Concentration***

NYCRF I's investments are expected to be located exclusively in New York City and heavily concentrated in the borough of Manhattan. Due to the fact that NYCRF I's investments will be geographically concentrated in one market, NYCRF I's performance will be adversely affected if IIM's predictions regarding the New York City real estate market prove to be incorrect.

RF IV will seek investment opportunities in the United States and its territories. Due to the fact that RF IV's investments will be geographically targeted, RF IV's performance could be adversely affected if a local property market performs poorly. The performance of the economy in the United States will affect occupancy, market rental rates, and expenses and consequently will impact the income generated from RF IV's investments in these markets and their underlying values.

### ***Portfolio Acquisition Risks***

A Client may acquire multiple assets in a single transaction. Portfolio acquisitions are more complex and expensive, however, than single asset acquisitions, and the risk that a multiple asset acquisition will not close may be greater than in a single asset acquisition. A seller may require that a group of assets be purchased as a package, even though one or more of the assets in the portfolio does not meet a Client's investment criteria (in such cases, the Client may attempt to make a joint bid with another buyer that may default on its obligations, or the Client may purchase a portfolio of assets with the intent of subsequently disposing of those assets that do not meet its criteria).



### ***Multi-Step Transactions***

In the event that a Client chooses to effect a transaction by means of a multi-step acquisition, there can be no assurance that all of such required steps can be successfully consummated. This could possibly result in a Client owning a significant real estate investment without having working control over the assets or access to its cash flow to service debt incurred in connection with the acquisition and without being able to dispose of such position at prices equal to or greater than its purchase price.

### ***Investments through Partnerships and Joint Ventures***

Instead of purchasing investments directly, a Client may invest as a partner or a co-venturer with respect to the investments. A Client or joint venture investments may, under certain circumstances, involve risks not otherwise present, including the possibility that such Client's partner or co-venturer might become bankrupt or otherwise have financial difficulties that negatively affect an investment or the ability to consummate an investment, that such partner or co-venturer might at any time have economic or other business interests or goals that are inconsistent with the business interests or goals of a Client or that such partner or co-venturer may be in a position to take action contrary to the instructions or the requests of a Client or contrary to such Client's policies or objectives. Such investments may also have the potential risk of impasse on decisions because neither the partner nor the co-venturer would have certain controls over the partnership or joint venture.

### ***Controlling Person Liability***

A Client may effect an investment through the buyout or acquisition of controlling interests in a real estate company. The acquisition of a company has certain risks over and above the risks associated with the purchase of properties directly. In addition, the exercise of control over an entity can impose additional risks of liability for environmental damage, failure to supervise management, violation of government regulations (including securities laws) or other types of liability in which the limited liability characteristic of business ownership may be ignored. If these liabilities were to arise, a Client might suffer a significant loss.

### ***Real Estate Investment Trusts ("REITs")***

Because each Client expects to utilize one or more REIT Subs in its investment program, such Client may also be subject to certain risks associated with investments in REITs. A REIT may be affected by changes in the value of their underlying properties and by defaults by borrowers or tenants. Furthermore, a REIT is dependent upon specialized management skills, has limited diversification and is, therefore, subject to risks inherent in financing a limited number of projects. A REIT depends generally on its ability to generate cash flow to make distributions to shareholders, and certain REITs have self-liquidation provisions by which mortgages held may be paid in full and distributions of capital returns may be made at any time. In addition, the performance of a REIT may be affected by changes in the tax laws or by its failure to qualify as a REIT for U.S. federal income tax purposes.



### ***ERISA***

There is the possibility that certain investments which IIM might prefer to make might have to be rejected or deferred, in light of, if applicable, a Client's efforts to comply with the "venture capital operating company" or "real estate operating company" rules. It is also possible that timing of the liquidation of investments might not be optimal, in light of, if applicable, a Client's efforts to comply with the "venture capital operating company" or "real estate operating company" rules.

### ***Investment Portfolio Financing Risks***

*Inability to Obtain Leverage.* A Client's returns are dependent upon its ability to grow its portfolio of invested assets through the use of leverage. A Client's ability to obtain the leverage necessary on attractive terms will ultimately depend upon the market's availability and the Client's ability to maintain interest coverage ratios meeting market underwriting standards, any of which terms will vary according to each lender's assessment of the Client's (or its underlying subsidiary's) creditworthiness and the terms of the borrowings. The failure to obtain leverage at the contemplated levels, or to obtain leverage on attractive terms, could have a material adverse effect on a Client.

*Leverage of Investments.* IIM expects to leverage certain Client investments with non-recourse debt financing. A Client may also obtain recourse debt financing in select situations such as a completion guarantee for development projects. In addition, a Client may have indebtedness, including under a Subscription Facility (as defined below) that is directly or indirectly collateralized by multiple investments. Although the use of leverage may enhance returns and increase the number of investments that can be made, it may also substantially increase the risk of loss. In particular, indebtedness that is secured by multiple investments may cause a loss on any one investment to result in losses on other investments. Additionally, use of leverage on any particular investment will increase the exposure of such investment to adverse economic factors such as rising interest rates, severe economic downturns or deterioration in the condition of the real estate investment or its market. In the event a real estate investment is unable to generate sufficient cash flow to meet its principal and interest payments on its indebtedness, the value of a Client's equity investment in such real estate investment could be significantly reduced or even eliminated. In addition, if a property is mortgaged to secure payment of indebtedness and a Client is unable to meet its mortgage payments, the property could be foreclosed upon or otherwise transferred to the mortgagee, with a consequent loss of income and asset value to such Client. In addition, a Client may have indebtedness that is directly or indirectly collateralized by multiple investments. Indebtedness that is secured by multiple investments may cause a loss on any one investment to result in losses on other investments.

*Risks Involved in a Client's Use of a Subscription Facility.* A Client may utilize indebtedness that is secured by capital commitments from certain investors in such Client (a "**Subscription Facility**"). Such borrowings are generally secured by a pledge or other collateralization of the obligations of the Client's investors to make capital contributions to such Client. This may limit the ability of the Client's investors to use their interests in the Client as collateral for other indebtedness. In addition, the inability of a Client to repay borrowings under a credit facility secured by unpaid capital obligations could enable a lender to "step into" the place of the Client's general partner and take action against any investor to the extent of its then unpaid capital commitment to the Client. In addition, in the event that a Client does not have sufficient cash to repay the subscription facility debt and certain investors in the Client fail to honor their capital commitments, investors whose capital commitments have been pledged or otherwise collateralized

may be called upon to fund their entire capital commitment to repay indebtedness, which may result in a particular investor's payments exceeding its pro rata share of such indebtedness. IIM's ability to generate attractive investment returns for investors in a Client may be materially and adversely affected by the use of such subscription facilities.

*Financing Risks of Acquisition, Redevelopment and Development Activities.* The failure to obtain necessary debt and equity financing on favorable terms could have a material adverse effect on a Client's ability to acquire, redevelop and develop investments. Moreover, in the event that the cost of debt or equity financing for new acquisitions, redevelopment and development increases, the increased cost of such financing may result in a lower margin of profit on a Client's investments than initially contemplated. If market conditions deteriorate, the financial condition of a Client may be materially adversely affected.

*Lenders May Require a Client to Enter Into Restrictive Covenants Relating to its Operations.* In connection with obtaining financing, a bank or other lender could impose restrictions on a Client affecting its ability to incur additional debt and its distribution and operating policies. Loan documents entered into by a Client may contain negative covenants limiting a Client's ability to, among other things, further mortgage a Client's properties, discontinue insurance coverage or replace IIM as the investment manager.

*Risks of Insufficient Cash Flow.* A Client will be subject to the risks normally associated with debt financing, including the risk that such Client's cash flows may be insufficient to meet required payments of principal and interest. Alternatively, a Client's cash flows may be sufficient to satisfy the debt service on its debt financing, but such Client may not be able to retire the entire outstanding principal at maturity. Therefore, a Client may be required to refinance at least a portion of its outstanding debt when it matures. There is a risk, however, that a Client may not be able to refinance existing debt or that the terms of any refinancing may not be as favorable as the terms of the existing debt.

*Risks of Forfeiture on Default.* Certain Client's investments will be acquired, redeveloped and/or developed to some extent through borrowings, generally through the use of bank credit facilities, mortgage loans on real estate and other borrowings. Accordingly, if a Client cannot satisfy its obligations under any debt instrument, then the unpaid amounts likely will promptly become due and, thus, such Client may be required to forfeit the asset serving as collateral for debt secured by the affected asset(s). Forfeiture of an asset or foreclosure upon an event of default under a debt instrument will likely decrease or eliminate any proceeds from the disposition of such asset, thereby decreasing a Client's return.

*Recourse to Assets.* All of a Client's assets are available to satisfy all liabilities and other obligations of such Client including certain guarantees that a Client's general partner may make. If a Client becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to a Client's assets generally and may not be limited to any particular asset, such as the asset giving rise to the liability. Accordingly, investors could find their interests in a Client's assets adversely affected by a liability arising out of an investment in which they did not participate because, for example, they were excluded or excused by the Client's general partner.

*Risks of Leverage.* The amount of borrowings by a Client and its aggregate leverage outstanding, and/or the leverage on such Client's investments, at any time may be large in relation to its capital and available capital commitments. Although the use of leverage may enhance returns, it will also

substantially increase the risk of loss. Because many borrowings may be cross-collateralized, it is likely that a Client could experience concurrent forced sales of multiple financed assets, accompanied by attendant losses upon lender liquidations. The amount of borrowings by a Client and its aggregate leverage outstanding, and/or the leverage on such Client's investments, could result in the complete loss of the equity value in the Client if the Client is required to satisfy indebtedness in excess of the Client's equity in its aggregate assets.

*Rising Interest Rates on Borrowings Would Increase Costs.* A Client may incur variable rate indebtedness under credit facilities. In such a case, an increase in interest rates would increase the Client's interest costs, thereby, among other things, decreasing the amount of available funds for distribution to its investors. Increases in interest rates also may cause a reduction in the value of the Client's investments. Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond the control of the Client. A Client may employ a hedging strategy to limit the effects of changes in interest rates on its operations, including engaging in interest rate swaps, caps, floors and other interest rate exchange contracts. There is a cost associated with the use of these types of derivatives to hedge a Client's assets and liabilities. Moreover, there is no perfect hedge for any investment, and a hedge may not perform its intended use of offsetting losses on an investment. With respect to certain potential hedge instruments, a Client is exposed to the risk that the counterparty with which such Client trades may cease making markets and quoting prices in such instruments, which may render the Client unable to enter into an offsetting transaction with respect to an open position. Consequently, the profitability of a Client may be adversely affected during any period as a result of changing interest rates.

*Counterparty Risk.* A Client will be subject to the risk of the inability of a lender or swap counterparty to perform with respect to a loan or derivative transaction, whether due to insolvency, bankruptcy or other causes, which could subject such Client to substantial losses.

#### ***Risks Associated with NYCRF I's Real Estate Investments Located in New York City***

*Economic and Regulatory Developments in New York City.* Any unanticipated economic or regulatory developments in New York City or parts thereof could negatively affect NYCRF I's results of operations, financial condition, cash flow and ability to make distributions to NYCRF I's investors. NYCRF I's business is dependent on the condition of the economy in New York City and the views of potential tenants regarding living and working in New York City, which may expose NYCRF I to greater economic risks than if NYCRF I owned a more geographically diverse portfolio.

*Competition in New York City.* The leasing of real estate in New York City is highly competitive. The principal means of competition are rent charged, location, services provided and the nature and condition of the premises to be leased. NYCRF I will directly compete with all lessors and developers of similar space in the areas in which NYCRF I's real estate investments are located as well as properties in other submarkets. NYCRF I may also see competition from lessors that convert traditional office space to co-working office availabilities. Demand for retail space may be impacted by the bankruptcy of retail companies and a general trend toward consolidation in the retail industry. Demand also may be impacted by the influence of internet retailing which could adversely affect the ability of NYCRF I to attract and retain tenants, which could (i) reduce rents payable to NYCRF I, (ii) reduce NYCRF I's ability to attract and retain tenants at NYCRF I's

properties and (iii) lead to increased vacancy rates at NYCRF I's properties, any of which could materially and adversely affect NYCRF I.

NYCRF I's real estate investments may be concentrated in highly developed areas of Manhattan. Manhattan is the largest office market in the United States. The number of competitive office properties in the markets in which NYCRF I's properties are located (which may be newer or better located than NYCRF I's properties) could have a material adverse effect on NYCRF I's ability to lease office space at NYCRF I's properties, and on the effective rents NYCRF I is able to charge.

*Continuing Threat of a Terrorist Event in New York City.* The continuing threat of a terrorist event in New York City may materially and adversely affect NYCRF I's properties, their value and NYCRF I's ability to generate cash flow. There may be a decrease in demand for space in New York City because it is considered at risk for a future terrorist event, and this decrease may reduce NYCRF I's revenues from property rentals. In the aftermath of a terrorist event, tenants in New York City may choose to relocate their businesses to less populated, lower-profile areas of the United States that are not as likely to be targets of future terrorist activity. This in turn could trigger a decrease in the demand for space in New York City, which could increase vacancies in NYCRF I's properties and force NYCRF I to lease its properties on less favorable terms. Further, certain of NYCRF I's properties may be considered to be susceptible to increased risks of a future terrorist event due to the high-profile nature of the property. In addition, a terrorist event could cause insurance premiums at certain of NYCRF I's properties to increase significantly. As a result, the value of NYCRF I's properties and the level of NYCRF I's revenues could materially decline.

*Changes in Rent Control or Rent Stabilization.* NYCRF I will seek to invest in real estate properties that are subject to rent control and rent stabilization regulations. New York City's rent control or rent stabilization laws and regulations are subject to change and the city, state or federal government could take other actions which could impact the value of NYCRF I's investments. Depending on the extent and terms of future enactments of rent control or rent stabilization laws and regulations in New York City such future enactments could have a significant adverse impact on NYCRF I's results of operations and the value of NYCRF I's real estate investments.

For example, on June 14, 2019, the New York State Senate passed the Housing Stability and Tenant Protection Act of 2019 (the "**HSTP Act**"), which, among other things, limits the ability of landlords to increase rents in rent stabilized apartments in New York State at the time of lease renewal and after a vacancy. The HSTP Act also limits potential rent increases for major capital improvements and for individual apartment improvements in such rent stabilized apartments. In addition, under current laws and regulations, eviction proceedings for delinquent residents are costly and time-consuming, especially in markets like New York City where housing courts are backlogged.

NYCRF I intends to invest in multifamily mortgage loans, securities, and other investments affected by rent control or rent stabilization laws, and other regulations or ordinances. While it is too early to measure the full impact of the legislation, in total, it generally limits a landlord's ability to increase rents on rent regulated apartments and makes it more difficult to convert rent regulated apartments to market rate apartments. NYCRF I intends to take advantage of the market dislocation resulting from this regulatory environment. If IIM's predictions regarding the impact of such legislation prove to be incorrect, or if such regulations and ordinances are revised, then the performance of NYCRF I may be adversely affected.

*Risks Related to New York City's Building Emissions Law ("Local Law 97").* New York City's Local Law 97 establishes building emission requirements for most commercial and residential properties that are 25,000 gross square feet or larger, including condominiums and co-ops (or two or more buildings that aggregate to more than 50,000 gross square feet under certain circumstances). Each property covered under Local Law 97 will be subject to an emissions limit that caps the amount of greenhouse gas it is permitted to emit each year. To meet the required targets, property owners will need to tailor their properties to become more energy-efficient by taking measures such as fuel switching, installing insulation, installing new windows, upgrading boilers and other capital improvements.

Starting in 2025, the owner of any property covered under Local Law 97 will be required to file an annual report regarding the property's greenhouse gas emissions during the prior calendar year and indicate whether or not the emissions exceeded the applicable limits. Properties that fail to comply with the law's requirements will incur fines, which could be material. Moreover, there will be criminal penalties for knowingly making materially false statements in emissions reports and civil penalties for failure to file the required reports. Local Law 97 may impose meaningful burdens and restrictions on NYCRF I. The ultimate cost to NYCRF I of compliance with Local Law 97, and any other emissions regulations that are passed in the future, is difficult to estimate and may be substantial, which could have a material adverse effect on the performance of NYCRF I.

*Risks Related to New York City's Indoor Allergen Law ("Local Law 55").* New York City's Local Law 55 requires all multiple-dwelling property owners in New York City to investigate and remove all indoor health hazards, such as mold, other allergens, rodents and cockroaches. In order to comply with the law, property owners must undertake safe and successful procedures to ensure that their properties remain free of indoor health hazards. As of January 19, 2019, property owners must perform annual inspections of their units for indoor allergen hazards, such as pests (e.g., rats, cockroaches, mice) and mold. Local Law 55 contains several other requirements for multiple-dwelling property owners including, but not limited to, annual inspections of each unit and common areas, delivery of annual notices and copies of New York City Department of Health and Mental Hygiene pamphlet to current and prospective tenants, integrated pest management to address infestations, remediation of mold, pest, and underlying defects and thorough cleaning of carpeting or furniture before a new tenant moves in. Compliance with Local Law 55 and similar legislation may have a meaningful economic impact on property owners and therefore may impose a substantial burden on NYCRF I.

*Hotel Industry in New York City.* Certain of NYCRF I's real estate investments may be hotels located in New York City that are subject to all the risks of the hotel industry, particularly the hotel industry in the New York City area, which may include:

- increases in supply of hotel rooms that exceed increases in demand;
- increases in energy costs and other travel expenses that reduce business and leisure travel;
- reduced business and leisure travel due to continued geo-political uncertainty, including terrorism, or for other reasons;
- reduced business and leisure travel from other countries to the United States due to the strength of the U.S. Dollar as compared to the currencies of other countries;

- adverse effects of declines in general and local economic activity;
- increased competition from other existing hotels in New York City and with alternative lodging companies, such as Airbnb;
- new hotels entering New York City, which may adversely affect the occupancy levels and average daily rates of NYCRF I's lodging properties;
- an increase in internet bookings, which may enable internet booking intermediaries to obtain higher commissions, reduced room rates or other significant contract concessions from NYCRF I's third-party hotel property manager;
- increases in operating costs due to inflation and other factors that may not be offset by increased room rates;
- unavailability of labor;
- changes in, and the related costs of compliance with, governmental laws and regulations, fiscal policies and zoning ordinances;
- inability to adapt to dominant trends in the hotel industry or introduce new concepts and products that take advantage of opportunities created by changing consumer spending patterns and demographics; and
- adverse effects of international, national, regional and local economic and market conditions.

In addition, the hotel industry may be adversely affected by factors outside of NYCRF I's control, such as extreme weather conditions or natural disasters, terrorist attacks or alerts, outbreaks of contagious diseases, airline strikes, economic factors and other considerations affecting travel.

*New York City Retail Environment.* Certain of NYCRF I's real estate investments may be New York City street retail properties. As such, these properties are affected by the general and New York City retail environments, including the level of consumer spending and consumer confidence, change in relative strengths of world currencies, the threat of terrorism, increasing competition from retailers, outlet malls, retail websites and catalog companies and the impact of technological change upon the retail environment generally. These factors could adversely affect the financial condition of NYCRF I's retail tenants, or result in the bankruptcy of such tenants, and the willingness of retailers to lease space in NYCRF I's retail locations.

#### ***UNCONSUMMATED INVESTMENTS***

Prior to making an investment, IIM will typically incur expenses in order to conduct appropriate due diligence related to such investment. Such expenses may include (among other things), legal fees, fees of consultants, and employee travel, meals and accommodations. The expenses incurred in connection with an unconsummated investment will be charged to such Client or between or among Affiliated Investment Entities (defined in *Conflicts of Interest - Other Activities of ICG* below) that were expected, or would have been eligible, to participate in such investment opportunity, in proportion to their expected participation percentages, or if their participating



percentages had not yet been determined, the pro rata based on the amount available for investment by each eligible Client or Affiliated Investment Entity (unless another third party is contractually obligated to reimburse IIM or an affiliate for such amounts), which could result in the Client paying a larger percentage of such expenses.

In certain cases, a co-investment vehicle may be formed in connection with an investment opportunity that is not consummated and in such cases the aforementioned expenses will be shared between the Client and the co-investment vehicle or proposed co-investor that was expected to participate in such investment opportunity, in proportion to their expected participation percentages (unless there is some other agreed-upon arrangement for the reimbursement of such amounts). If a potential co-investment transaction is not consummated and no such co-investment vehicle has been formed, the full amount of any expenses relating to such potential but not consummated co-investment transaction will be borne by the Client(s) and any Affiliated Investment Entity that was expected to participate in such co-investment opportunity, in proportion to their expected participation percentages (unless there is some other agreed-upon arrangement for the reimbursement of such amounts). In the absence of an agreement to the contrary, co-investors will not be allocated any expenses from a transaction (including unconsummated transactions) unless and until they are contractually required to invest in that transaction.

#### **D. MATERIAL RISKS – ICG CHARGE VEHICLES**

##### ***Investments in Charge Enterprises***

ICG Charge Me has invested substantially all of its assets into the Charge Series C Convertible Preferred Stock of Charge Enterprises. ICG Charge Me II has invested substantially all of its assets in the Charge Common Stock and the Charge Warrant. On March 7, 2024, Charge Enterprise filed a voluntary petition in the United States Bankruptcy Court for the District of Delaware seeking relief under Chapter 11 of the United States Bankruptcy Code.

Investor members of the ICG Charge Vehicles are not direct equity owners of Charge Enterprises. Each ICG Charge Vehicle is a direct equity owner of Charge Enterprises, entitled to the rights of a direct equity owner under applicable law and Charge Enterprises' governing documents. Each ICG Charge Vehicle will exercise those rights through ICG Charge Me Directives without seeking instructions from the investor members of an ICG Charge Vehicle. Investor members of an ICG Charge Vehicle do not thereby become direct equity owners of Charge Enterprises and do not have rights as direct equity owners of Charge Enterprises. Rather, an investor member of an ICG Charge Vehicle has rights as an investor member of such ICG Charge Vehicle. As such, an investor member of an ICG Charge Vehicle has no ability to assert claims against Charge Enterprises, its management or any of their respective affiliates. Neither an ICG Charge Vehicle nor ICG Charge Me Directives takes part in the day-to-day management of Charge Enterprises. Furthermore, although each ICG Charge Vehicle may receive periodic reports regarding Charge Enterprises, an ICG Charge Vehicle will not necessarily be kept informed of Charge Enterprises' performance in between the receipt of periodic reports. Accordingly, the success of Charge Enterprises will depend on the performance of the management of Charge Enterprises, which could materially and adversely affect the performance and results of each ICG Charge Vehicle.

In addition to the risk factors identified herein, there are significant risks relating to Charge Enterprises and its underlying business activities. An investment in Charge Enterprises is speculative and involves a high degree of risk. There can be no assurance that Charge Enterprises'

business objectives can or will be achieved or that Charge Enterprises will be able to return any invested capital to investors. Further, Charge Enterprises has limited operating history upon which to evaluate its likely performance. Any adverse events that may occur with respect to Charge Enterprises or an investment by Charge Enterprises may have a negative impact on an ICG Charge Vehicle.

### ***Bankruptcy Petition of Charge Enterprises***

As previously stated, on March 7, 2024, Charge Enterprises filed a voluntary petition for relief under Chapter 11 in the U.S. Bankruptcy Court for the District of Delaware. Many of the events within bankruptcy or insolvency proceedings are adversarial and are often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that the Bankruptcy Court would decide favorably toward, or consistent with the interests of, an ICG Charge Vehicle. As the duration of bankruptcy cases can be only roughly estimated, the reorganization process can involve substantial legal, professional and administrative costs to Charge Enterprises and the ICG Charge Vehicles and is subject to unpredictable and lengthy delays. In addition, during the bankruptcy process, Charge Enterprises' competitive position may erode, key management may depart, and the company may not be able to invest adequately. Charge Enterprises may not be able to reorganize and may be required to liquidate assets. The debt of companies in the process of financial reorganization generally will not pay current interest, may not accrue interest during reorganization, and may be adversely affected by an erosion of the companies' fundamental values. Such investments can result in a total loss of principal.

The investments by the ICG Charge Vehicles in Charge Enterprises could be subject to federal bankruptcy law and state fraudulent transfer laws, which vary from state to state, if the debt obligations relating to certain investments were issued with the intent of hindering, delaying or defrauding creditors or, in certain circumstances, if Charge Enterprises received less than reasonably equivalent value or fair consideration in return for issuing such debt obligations. If the debt proceeds are used for a buyout of shareholders, this risk is greater than if the debt proceeds are used for day-to-day operations or organic growth. If the bankruptcy court were to find that the issuance of the debt obligations to the ICG Charge Vehicles were fraudulent transfers or conveyances, the bankruptcy court could void or otherwise refuse to recognize the payment obligations under the debt obligations or the collateral supporting such obligations, further subordinate the debt obligations or the liens supporting such obligations to other existing and future indebtedness of Charge Enterprises or require the ICG Charge Vehicles to repay any amounts they received with respect to the debt obligations or collateral.

### ***Illiquid and Long-Term Investments***

This section should be read in conjunction with the section titled "Bankruptcy Petition of Charge Enterprises" above.

Although an investment in an ICG Charge Vehicle may occasionally generate some current income, the return of capital and the realization of gains, if any, from an investment generally will occur only upon the partial or full redemption or disposition of the investment in Charge Enterprises. It is not generally expected that a partial or full redemption or disposition of the investment in Charge Enterprises will occur for a number of years after the investment by an ICG Charge Vehicle in Charge Enterprises is made. With respect to ICG Charge Me, a partial or full redemption of the

investment in Charge Enterprises may result in the payment of cash or shares of common stock of Charge Enterprises to ICG Charge Me, and upon a full redemption (and registration of the shares of Charge Enterprises) it is expected that all securities of Charge Enterprises held by ICG Charge Me will be distributed to the investor members of ICG Charge Me on a pro rata basis. An investor member of an ICG Charge Vehicle generally is not able to sell securities it receives in the public markets unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In addition, an investor member of an ICG Charge Vehicle is subject to the restrictions on the transfer of the investor member's units in such ICG Charge Vehicle as set forth in the applicable ICG Charge Vehicle LLC Agreement. Each ICG Charge Vehicle's investment in Charge Enterprises is subject to certain transfer and withdrawal restrictions as set forth in Charge Enterprises' governing documents. Therefore, each ICG Charge Vehicle is expected to hold its investment in Charge Enterprises for an indefinite period of time. During such time, (i) in the case of ICG Charge Me, the purchase price paid for the Charge Series C Convertible Preferred Stock or (ii) in the case of ICG Charge Me II, the purchase price paid for the Charge Common Stock and, if the Charge Warrant is exercised in whole or in part, the Charge Warrant Shares issued to ICG Charge Me II upon such exercise, will be at risk.

***Risks Related to Valuation of Charge Enterprises' Charge Series C Convertible Preferred Stock***

This section should be read in conjunction with the section titled "Bankruptcy Petition of Charge Enterprises" above.

Charge Enterprises' common stock, par value \$0.0001 per share, trades on NASDAQ. The Charge Series C Convertible Preferred Stock is not publicly traded. Accordingly, the value of the Charge Series C Convertible Preferred Stock is difficult to determine, speculative and subject to high volatility. The valuation of the Charge Series C Convertible Preferred Stock purchased by ICG Charge Me may be higher, potentially substantially, than its true fair market value. ICG Charge Me Directives uses its reasonable judgment in determining the estimated fair market value of ICG Charge Me's investment in the Charge Series C Convertible Preferred Stock, but such estimates may not be indicative of the true fair market value. ICG Charge Me may not be able to realize what ICG Charge Me Directives perceives to be the fair market value of the Charge Series C Convertible Preferred Stock in the event of a sale of the Charge Series C Convertible Preferred Stock. In addition, the value assigned to the Charge Series C Convertible Preferred Stock for purposes of valuing an investor member's units in ICG Charge Me and determining net profits and net losses may differ from the value ICG Charge Me is ultimately able to realize.

***Risks Related to Ownership of Charge Enterprises' Charge Common Stock***

This section should be read in conjunction with the section titled "Bankruptcy Petition of Charge Enterprises" above.

Charge Enterprises' common stock, par value \$0.0001 per share, trades on NASDAQ. The Charge Common Stock owned by ICG Charge Me II is restricted as of the date hereof and cannot be traded at this time, although ICG Charge Me II has entered into a Registration Rights Agreement with Charge Enterprises governing the registration of the Charge Common Stock.

The market for Charge Enterprises' common stock is characterized by significant price volatility when compared to seasoned issuers, and ICG Charge Me Directives expects that Charge

Enterprises' common stock share price will continue to be more volatile than a seasoned issuer for the indefinite future. The volatility in such share price is attributable to a number of factors. First, Charge Enterprises' common stock is sporadically and thinly traded. The price for Charge Enterprises' common stock could, for example, decline precipitously in the event that a large number of shares are sold on the market without commensurate demand, as compared to a seasoned issuer which could better absorb those sales without adverse impact on its share price. Second, an investment in Charge Enterprises' common stock could be considered a speculative or "risky" investment due to Charge Enterprises' lack of profits to date. These factors are beyond ICG Charge Me Directives' control and may decrease the market price of Charge Enterprises' common stock, regardless of ICG Charge Me Directives' or Charge Enterprises' operating performance. ICG Charge Me Directives cannot make any predictions or projections as to what the prevailing market price for Charge Enterprises' common stock will be at any time, including as to whether Charge Enterprises' common stock will sustain its current market price, or as to what effect the sale of shares of Charge Enterprises' common stock or the availability of shares of Charge Enterprises' common stock for sale at any time will have on the prevailing market price. The risks described herein also apply to the Charge Warrant Shares.

#### ***Risks Related to Ownership of the Charge Warrant***

This section should be read in conjunction with the section titled "Bankruptcy Petition of Charge Enterprises" above.

The Charge Warrant expires three (3) years after it is issued to ICG Charge Me II and cannot be traded or exercised following its expiration. The Charge Warrant may never be "in the money" and may expire worthless if ICG Charge Me Directives, in its sole discretion, does not elect to exercise the Charge Warrant due to the Charge Warrant being out of the money, the volatility of the price of Charge Enterprises' common stock, or other factors.

#### ***Potential Conflicts of Interest***

Investor members of the ICG Charge Vehicles should be aware that there may be occasions where ICG Charge Me Directives and its affiliates encounter potential conflicts of interest in connection with an ICG Charge Vehicle's activities.

ICG Charge Me Directives and its affiliates may engage in activities involving the industries in which an ICG Charge Vehicle operates including financial advisory activities and investment activities that are independent from, and may from time to time conflict with, that of an ICG Charge Vehicle. In the future, there may arise instances where the interests of ICG Charge Me Directives and its affiliates conflict with the interest of an ICG Charge Vehicle and its investor members.

Also, as a result of existing investments and activities, ICG Charge Me Directives and its affiliates may from time to time acquire confidential information that they will not be able to use for the benefit of an ICG Charge Vehicle.

## E. MATERIAL RISKS – MV ESC HOLDINGS VEHICLES

### *Investment in the Underlying MV Company*

MV ESC Holdings invested substantially all of its assets into Series A1-A Preferred Units (the “**Series A1-A Units**”) of the Underlying MV Company. MV ESC Holdings II expects to invest substantially all of its assets into Series B Preferred Units (the “**Series B Units**” and, together with the Series A1-A Units, the “**Preferred Units**”) of the Underlying MV Company.

The offering of interests in each MV ESC Holdings Vehicle are not considered an offering of equity of the Underlying MV Company. Investor members in each MV ESC Holdings Vehicle are not direct equity owners of the Underlying MV Company. Each MV ESC Holdings Vehicle is a direct equity owner of the Underlying MV Company, entitled to the rights of a direct equity owner under applicable law and the Underlying MV Company’s governing documents. Each MV ESC Holdings Vehicle will exercise those rights through MV ESC Directives without seeking instructions from the investor members of an MV ESC Holdings Vehicle. Investor members of an MV ESC Holdings Vehicle do not thereby become direct equity owners of the Underlying MV Company and do not have rights as direct equity owners of the Underlying MV Company. Rather, investor members of an MV ESC Holdings Vehicle has rights as an investor member in such MV ESC Holdings Vehicle. As such, an investor member of an MV ESC Holdings Vehicle has no ability to assert claims against the Underlying MV Company, its management or any of their respective affiliates. Neither an MV ESC Holdings Vehicle nor MV ESC Directives will take part in the day-to-day management of the Underlying MV Company (Mr. Farkas, MV ESC Directives’ Chief Executive Officer, is one of the three members of the Underlying MV Company’s board of managers). Furthermore, although an MV ESC Holdings Vehicle may receive periodic reports reviewing the performance of the Underlying MV Company, it will not necessarily be kept informed of its performance in between the receipt of periodic reports. Accordingly, the success of the Underlying MV Company will depend on the performance of the management of the Underlying MV Company, which could materially and adversely affect the performance and results of the Underlying MV Company.

In addition to the risk factors identified herein, there are significant risks relating to the Underlying MV Company and its underlying business activities. An investment in the Underlying MV Company is speculative and involves a high degree of risk. There can be no assurance that the Underlying MV Company’s business objectives can or will be achieved or that the Underlying MV Company will be able to return any invested capital to investors. Further, the Underlying MV Company has limited operating history upon which to evaluate its likely performance. To the extent any adverse events occur with respect to an investment by the Underlying MV Company, it may have a negative impact on an MV ESC Holdings Vehicle. As a result, before investing in an MV ESC Holdings Vehicle, an investor should carefully consider and evaluate the risks associated with the Underlying MV Company.

### *Investments in Early-Stage Companies*

The Underlying MV Company is an early-stage company. While early-stage company investments offer the opportunity for significant gains, they also involve a high degree of business and financial risk and can result in substantial losses. Among these risks are the general risks associated with investing in companies at an early stage of development or with little or no operating history, companies operating at a loss or with substantial variations in operating results from period to period, and companies with the need for substantial additional capital to support expansion or to



achieve or maintain a competitive position. Such companies may face intense competition, including from companies with greater financial resources, more extensive development, marketing and service capabilities and a larger number of qualified managerial and technical personnel. In order to develop and compete, some of these companies rely on, and engage in transactions with respect to, intellectual property licensed by third parties, including persons with conflicts of interest. Some of these companies utilize crowdfunding, which could require the company to incur substantial refund obligations at a later date if not successful. Also, early providers of capital with conflicts of interest sometimes hold debt interests in such companies that are superior in the capital structure to equity interests. Early-stage companies need to implement appropriate sales and marketing, finance, personnel and other operational strategies to take the business to the next stage. Further, at the time of investment, an early-stage company may lack one or more key attributes (e.g., proven technology, marketable product, complete management team, or strategic alliances) necessary for success. Such companies may have substantial variations in operating results from period to period and experience failures or substantial declines in value at any stage.

#### ***Lack of Control of the Underlying MV Company***

Each MV ESC Holdings Vehicle holds a minority interest in the Underlying MV Company and lacks the authority or ability to affirmatively direct or control the Underlying MV Company and its business and operations. The Underlying MV Company has a three-member board of managers (the “**Underlying MV Company Board**”), one of which (the “**Series A1/B Manager**,” who initially will be Mr. Farkas) is designated by the Preferred Units for so long as the Preferred Units continue to represent at least 10% of the total outstanding equity interests of the Underlying MV Company. Certain major actions require the unanimous approval of the Underlying MV Company Board, including the Series A1/B Manager. Additionally, the holders of the Series A1-A Units and the Series B Units have certain limited “blocking rights” to prevent the Underlying MV Company from taking a select number of major actions without the approval of the holders of a majority of the Series A1-A Units and the Series B Units.

#### ***Metaverse***

The Underlying MV Company’s business is primarily focused on the development of a gaming engine and one or more virtual games that is based on technology capable of supporting multiple, simultaneous participants, which may be applicable to the metaverse, an embodied internet where people have immersive experiences beyond two-dimensional screens. The continued development of the metaverse will be a complex, evolving and long-term initiative that will involve the development of new and emerging technologies, continued investment in infrastructure as well as privacy, safety and security efforts, and collaboration among the Underlying MV Company, other companies, developers, partners and other participants. However, the metaverse may not develop in accordance with the Underlying MV Company’s or an MV ESC Holdings Vehicle’s expectations, and market acceptance of features, products or services for the metaverse is uncertain. The Underlying MV Company may be unsuccessful in its research and product development efforts, including if the Underlying MV Company is unable to develop relationships with key participants in the metaverse or develop products or technology that operate effectively with metaverse technologies, products, systems, networks or standards. In addition, as the Underlying MV Company’s metaverse efforts evolve, the Underlying MV Company may be subject to a variety of existing or new laws and regulations in the United States and international jurisdictions, including in the areas of privacy and e-commerce, which may delay or impede the development of the Underlying MV Company’s products and services, increase its operating costs, require



significant management time and attention, or otherwise harm the Underlying MV Company's business. As a result of these or other factors, the Underlying MV Company's metaverse strategy may not be successful in the foreseeable future, or at all, which could have a material adverse effect on the Underlying MV Company, and, thus, on each MV ESC Holdings Vehicle.

### ***Intense Competition***

The Underlying MV Company is subject to intense competition in all aspects of its business, including attracting, engaging and retaining users of its games and products, the development of its games and technology supporting massively multiplayer online role-playing games and attracting and retaining developers capable of executing the Underlying MV Company's objectives. Further, the Underlying MV Company is subject to intense competition from diverse competitors ranging from large global corporations, such as Meta Platforms, Inc. (formerly known as Facebook, Inc.) and Microsoft Corporation, to specialized companies, including startups. Many of the Underlying MV Company's current and potential competitors may have greater resources, experience, or stronger competitive positions than the Underlying MV Company. In addition, the Underlying MV Company may become subject to additional competition as the Underlying MV Company develops or introduces new products or technology, as the Underlying MV Company's existing products evolve, or as other companies introduce new products and technology, including as part of efforts to develop the metaverse. The Underlying MV Company's competitors may develop technology, products, features or services that are similar to the Underlying MV Company's or that achieve greater acceptance or may undertake more far-reaching and successful product and technology development efforts. The Underlying MV Company's failure to compete effectively could have a material adverse effect on the Underlying MV Company and, thus, on each MV ESC Holdings Vehicle.

### ***Dilution of the MV ESC Holdings Vehicles' Ownership of the Underlying MV Company***

In the future, the Underlying MV Company may sell common units, convertible securities, or other equity securities, including preferred securities, in one or more transactions at prices and in a manner the Underlying MV Company determines, although the MV ESC Holdings Vehicles or the Series A1/B Manager will have approval rights with respect to certain equity issuances. In addition, the Underlying MV Company may issue common units to various distribution partners in connection with its promoting, marketing or other strategic efforts, subject to unanimous consent of the Underlying MV Company Board. If such securities are issued by the Underlying MV Company, current Underlying MV Company equityholders, including the MV ESC Holdings Vehicles, will be diluted, and if the Preferred Units cease to represent at least 10% of the total outstanding equity interests of the Underlying MV Company, the Preferred Units will no longer have the right to appoint a member of the Underlying MV Company Board. In addition, new investors in subsequent transactions could gain rights, preferences and privileges senior to those of the MV ESC Holdings Vehicles. Although each MV ESC Holdings Vehicle or an affiliate of each MV ESC Holdings Vehicle will have pre-emptive rights in connection with certain future equity issuances and it is expected that investor members of each MV ESC Holdings Vehicle will be offered the right to participate in such preemptive rights on a pro rata basis, such rights may not be exercised by an MV ESC Holdings Vehicle or its affiliates and investor members should not rely on an MV ESC Holdings Vehicle's pre-emptive rights as protection against dilution of an MV ESC Holdings Vehicle's interest in the Underlying MV Company. Further, to the extent that the Underlying MV Company Warrant becomes exercisable and is exercised, the ownership of the

current equityholders of the Underlying MV Company, including each MV ESC Holdings Vehicle, will be diluted.

### ***Future Developments***

Information regarding each MV ESC Holdings Vehicle and the Underlying MV Company are subject to change and subject to future developments, some of which may be material, including, but not limited to, whether the Underlying MV Company can meet its strategic objectives and can successfully raise additional capital in the future.

### ***Importance of Founder, Key Executives and Personnel***

The success of the Underlying MV Company depends in substantial part on the managerial and entrepreneurial skill, the gaming industry and technological expertise and the relationships of its key personnel, in particular of the Underlying MV Company's founder and Chief Executive Officer. The loss of the services of the Underlying MV Company's founder and Chief Executive Officer or of any other key employees of the Underlying MV Company could have a material adverse effect on the Underlying MV Company and, thus, each MV ESC Holdings Vehicle.

### ***Illiquid and Long-Term Investments***

Although an investment in an MV ESC Holdings Vehicle may occasionally generate some current income, the return of capital and the realization of gains, if any, from an investment generally will occur only upon a sale, merger or other "liquidation event" of the Underlying MV Company. It is not generally expected that a partial or full disposition of the investment in the Underlying MV Company will occur for a number of years after the investment by an MV ESC Holdings Vehicle in the Underlying MV Company is made. In addition, an investor member of an MV ESC Holdings Vehicle will be subject to restrictions on the transfer of interests therein set forth in each MV ESC Holdings Vehicle LLC Agreement. Each MV ESC Holdings Vehicle's investment in the Underlying MV Company will be subject to certain transfer and withdrawal restrictions set forth in the Underlying MV Company's governing documents. Therefore, each MV ESC Holdings Vehicle is expected to hold its investment in the Underlying MV Company for an indefinite period of time. During such time, the purchase price of the Series A1-A Units paid by MV ESC Holdings and the purchase price of the Series B Units paid by MV ESC Holdings II to the Underlying MV Company will be at risk.

### ***Risks Related to Valuation of the Underlying MV Company Equity***

The Underlying MV Company is a privately held company and there is no public market for its equity. The value of the Series A1-A Units and the Series B Units is difficult to determine, speculative and subject to high volatility. MV ESC Directives uses its judgment in determining the estimated fair market value of MV ESC Holdings' investment in the Series A1-A Units and MV ESC Holdings II's investment in the Series B Units, but such estimates may not be indicative of the true fair market value. Each MV ESC Holdings Vehicle may not be able to realize what MV ESC Directives perceives to be the fair market value of its equity in the Underlying MV Company in the event of a sale of the equity or of the Underlying MV Company. In addition, the value assigned to the Series A1-A Units and the Series B Units for purposes of valuing the interests in MV ESC Holdings and MV ESC Holdings II, respectively, and determining net profits and net losses may differ from the value such MV ESC Holdings Vehicle is ultimately able to realize.

### ***Lack of Operating History***

The Underlying MV Company is in the development stage of operations with limited operating history upon which to evaluate its likely performance. MV ESC Holdings is a recently formed, single purpose investment vehicle. MV ESC Holdings II is a newly formed, single purpose investment vehicle.

### ***Potential Conflicts of Interest***

MV ESC Directives, each MV ESC Holdings Vehicle and Anubis are affiliates of each other and of ICG. Investor members of each MV ESC Holdings Vehicle should be aware that there may be occasions where MV ESC Directives and its affiliates encounter potential conflicts of interest in connection with an MV ESC Holdings Vehicle's activities. MV ESC Directives and its affiliates may engage in activities involving the industries in which an MV ESC Holdings Vehicle operates including financial advisory activities and investment activities that are independent from, and may from time to time conflict with, that of an MV ESC Holdings Vehicle. In the future, there may arise instances where the interests of MV ESC Directives and its affiliates conflict with the interest of an MV ESC Holdings Vehicle and its investor member(s). MV ESC Directives serves as the managing member of each MV ESC Holdings Vehicle. While MV ESC Directives does not believe that a conflict of interest exists between MV ESC Holdings and MV ESC Holdings II, to the extent that a conflict of interest occurs in the future, MV ESC Directives will seek to act in the best interests of each MV ESC Holdings Vehicle. To the extent that MV ESC Directives cannot act in the best interests of MV ESC Holdings Vehicle, MV ESC Directives will take steps that it determines to be appropriate to eliminate such conflict. Also, as a result of existing investments and activities, MV ESC Directives and its affiliates may from time to time acquire confidential information that they will not be able to use for the benefit of an MV ESC Holdings Vehicle. The risk factors and conflicts of interest described herein briefly summarize some of these conflicts, but are not intended to be an exclusive list of all such conflicts.

For example, MV ESC Directives (or its affiliate) may receive fees and compensation related to the activities of the Underlying MV Company that are separate from an MV ESC Holdings Vehicle and in which an MV ESC Holdings Vehicle will not have an interest, such as the Underlying MV Company Warrant to purchase Series A1-B Preferred Units issued to Anubis in connection with Anubis's role as a placement agent for the Underlying MV Company in Underlying MV Company equity financings (including the offering of interests in MV ESC Holdings II), as well as fees payable by the Underlying MV Company in respect of one or more future equity or debt financings, in each case in accordance with a placement agent agreement between Anubis and the Underlying MV Company.

Further, the MV ESC Holdings Vehicles have the right to appoint one (1) manager to the Underlying MV Company Board, who may owe fiduciary duties and other obligations to the Underlying MV Company and its members (except in certain instances where the Underlying MV Company expressly waives such duties when such Underlying MV Company Board member is exercising certain express approval rights of an MV ESC Holdings Vehicle related to certain proposed actions or decisions of the Underlying MV Company) that may conflict with the interests of an MV ESC Holdings Vehicle.

## F. MATERIAL RISKS – ISLAND TLCC VENTURES

### *Investment in the Underlying TLCC Company*

Island TLCC Ventures invested substantially all of its assets in (i) certain Senior Secured Convertible Loan Notes by and between the Underlying TLCC Company and Island TLCC Ventures (the “**Underlying TLCC Company Notes**”), (ii) certain Debentures by and between the Underlying TLCC Company and Island TLCC Ventures (the “**Underlying TLCC Company Security Agreements**”), (iii) certain Intercreditor Deeds between the Underlying TLCC Company, Island TLCC Ventures and certain other lenders to the Underlying TLCC Company (the “**Underlying TLCC Company Intercreditor Deeds**”) and (iv) that certain Side Letter by and among the founder of the Underlying TLCC Company, the Underlying TLCC Company, Mr. Farkas, Island TLCC Ventures and Anubis (the “**Underlying TLCC Company Side Letter**”, and together with the Underlying TLCC Company Notes, the Underlying TLCC Company Security Agreements and the Underlying TLCC Company Intercreditor Deeds, the “**Underlying TLCC Company Transaction Agreements**” and such transactions, the “**Underlying TLCC Company Investment Transactions**”).

The offering of interests in Island TLCC Ventures are not considered an offering to hold a direct participation interest in the loans to the Underlying TLCC Company or any equity of the Underlying TLCC Company. Investor members of Island TLCC Ventures are not direct lenders to or equity owners of the Underlying TLCC Company. Island TLCC Ventures holds the sole right to become a direct equity owner of the Underlying TLCC Company upon conversion of the Underlying TLCC Company Notes into shares of the Underlying TLCC Company (“**Underlying TLCC Company Shares**”). Island TLCC Ventures will exercise that right through Island TLCC Directives without seeking instructions from the investor members of Island TLCC Ventures. Investor members of Island TLCC Ventures do not thereby become direct equity owners of the Underlying TLCC Company and do not have rights as direct equity owners of the Underlying TLCC Company. Rather, investor members of Island TLCC Ventures have rights as an investor member of Island TLCC Ventures. As such, an investor member of Island TLCC Ventures will be offered the right to invest a pro rata share (based on such investor member’s percentage share of total capital commitments made to Island TLCC Ventures) in such vehicle if so created, but if no such vehicle is established or an investor member of Island TLCC Ventures does not elect to invest its pro rata share in any such vehicle, then in either case such investor member will not have any interest in the fees or profits generated under such arrangements. Island TLCC Directives and its affiliates may engage in activities involving the industries in which Island TLCC Ventures operates including financial advisory activities and investment activities that are independent from, and may from time to time conflict with, that of Island TLCC Ventures. In the future, there may arise instances where the interests of Island TLCC Directives and its affiliates conflict with the interest of Island TLCC Ventures and its investor members. Also, as a result of existing investments and activities, Island TLCC Directives and its affiliates may from time to time acquire confidential information that they will not be able to use for the benefit of Island TLCC Ventures. The risk factors and conflicts of interest described herein briefly summarize some of these conflicts, but are not intended to be an exclusive list of all such conflicts.

## **G. MATERIAL RISKS – ICG CHARGE VEHICLES, MV ESC HOLDINGS VEHICLES AND ISLAND TLCC VENTURES**

### ***Diversification***

Neither an ICG Charge Me Vehicle, an MV ESC Holdings Vehicle or Island TLCCV Ventures (each, an “**Access Vehicle**” and collectively, the “**Access Vehicles**”) should be considered to be a balanced investment program in and of itself. Moreover, there are no assurances that Charge Enterprises, the Underlying MV Company or the Underlying TLCC Company (each, an “**Underlying Company**” and collectively, the “**Underlying Companies**”) will perform well or even return capital. Therefore, if an Underlying Company performs unfavorably, the corresponding Access Vehicle will experience unfavorable results.

### ***Nature of Investment in General***

An investment in an Access Vehicle requires a long-term commitment, with no certainty of return. There is no assurance that an Access Vehicle will operate profitably or that such Access Vehicle will have economic value. There most likely will be little or no near-term cash flow available to the investors in an Access Vehicle. An investor’s investment in an Access Vehicle will be highly illiquid, and there can be no assurance that an investors will be able to realize on its investment in an Access Vehicle in a timely manner. There is a limited market for the sale or disposition of companies of the same type as an Access Vehicle. Consequently, the disposition of an investor’s investment in an Access Vehicle may require a lengthy time period. Additionally, an investor’s investment in an Access Vehicle may take the form of securities that cannot be sold except pursuant to a registration statement filed under the Securities Act or in a private placement or other transaction exempt from registration under the Securities Act and that complies with any applicable state securities laws or non-U.S. securities laws. This investment could involve a high degree of risk. Poor performance by an Access Vehicle, or the corresponding Underlying Company, will severely affect the total returns to investors in such Access Vehicle.

### ***Bankruptcy of an Access Vehicle***

An Access Vehicle, or the corresponding Underlying Company, may experience financial difficulties and become insolvent or file for bankruptcy protection. Various U.S. federal and state and non-U.S. laws in connection with such bankruptcy proceedings could operate to the detriment of an investor in an Access Vehicle. There is also a risk that a court may subordinate an investor’s investment in an Access Vehicle, or an Access Vehicle’s investment in an Underlying Company, to other creditors of such Access Vehicle and/or Underlying Company, or require an investor to return amounts previously paid to it by an Access Vehicle if such Access Vehicle became insolvent or files for bankruptcy.

### ***Lack of Liquidity, Transferability and Withdrawal***

The interests in each Access Vehicle (each, an “**Interest**” and collectively, the “**Interests**”) are a new issue of securities for which there is no established trading market. An investor in an Access Vehicle cannot expect to be able to resell its Interest readily, if at all. In reliance upon exemptions that depend in part upon the accredited investor status and investment intent of investors in an Access Vehicle, the Interests are not being registered for public sale under federal or state securities laws. The Interests also have significant contractual restrictions on transfer. For such reasons, there



is little liquidity in an investment in the Interests. Investors in an Access Vehicle have no right to withdraw capital during the term of an Access Vehicle. Accordingly, the Interests should be acquired for investment purposes only and not with a view toward resale. Investors in an Access Vehicle may be required to bear the financial risks of an investment in the Interests indefinitely and such investors should have the financial ability and willingness to accept the risks of this lack of liquidity.

***Risk of Total Loss of Capital***

There can be no assurance that (i) an Access Vehicle will be able to generate positive returns for its investors or that any positive returns will be commensurate with the risks of investing in an Underlying Company or (ii) an investor in an Access Vehicle will receive any distributions from such Access Vehicle. An investor in an Access Vehicle could experience a loss of its entire investment in such Access Vehicle. Accordingly, an investment in an Access Vehicle should only be considered by persons who can afford a loss of their entire investment.

***No Assurance of Investment Return; Past Performance***

The past investment performance of ICG Charge Me Directives, MV ESC Directives or Island TLCC Directives (each, an “**Access Vehicle Adviser**” and collectively, the “**Access Vehicle Advisers**”), or their affiliates, should not be relied on as an indicator of an Access Vehicle’s future performance or success. There can be no assurance that an Access Vehicle will achieve comparable results. Past performance may include the positive or negative impact of general industry, economic and other factors, over which none of the Access Vehicle Advisers or their management had any control. There is no assurance that an Access Vehicle will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in an Underlying Company or the types of transactions described herein. An investment in an Access Vehicle should only be considered by persons who can afford a loss of their entire investment.

***Lack of Management Control by Investors in an Access Vehicle***

Under the ICG Charge Governing Documents, the MV ESC Holdings Governing Documents and the Island TLCC Governing Documents (“**Access Vehicle Governing Documents**”), investors in an Access Vehicle do not have the right to participate in the management, control or operation of an Access Vehicle or to remove the corresponding Access Vehicle Adviser except under extremely limited circumstances. All decisions with respect to the management (including investment activities) of an Access Vehicle will be made exclusively by the Access Vehicle Adviser and the investors in an Access Vehicle must rely entirely on the Access Vehicle Adviser to conduct and manage the affairs of such Access Vehicle. Accordingly, no person should purchase an Interest unless such person is willing to entrust all aspects of the management of the Access Vehicle to the Access Vehicle Adviser.

***Limitation of Liability of the Access Vehicle Advisers***

The Access Vehicle Governing Documents require that the Access Vehicle indemnify certain covered persons (including, without limitation, the corresponding Access Vehicle Adviser) against claims, losses or liabilities incurred by them arising out of or in connection with the assets or business of Access Vehicle or the Access Vehicle Governing Documents. As a result, an Access Vehicle and its investors may have a more limited right of action in certain cases than they would



in the absence of this provision. Even to the extent that an Access Vehicle Adviser could be held liable for any acts or omissions that cause losses to the investors, there is no assurance that such Access Vehicle Adviser will have a sufficient net worth to satisfy such liability.

#### ***Recourse to an Access Vehicle's Assets***

An Access Vehicle's assets are available to satisfy all liabilities and other obligations of such Access Vehicle. If an Access Vehicle becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to such Access Vehicle's assets generally and such recourse may not be limited to any particular asset, such as the asset giving rise to the liability.

#### ***Legal, Regulatory and Tax Risks***

Legal, regulatory and tax changes could occur during the term of an Access Vehicle that may adversely affect such Access Vehicle or its investors.

#### ***Absence of Regulatory Oversight***

While an Access Vehicle may be considered similar in some ways to an investment company, at the current time, it is anticipated that each Access Vehicle will not be required to, and will not, register as such under the Investment Company Act. Each Access Vehicle intends to rely on an exemption under Section 3(c)(7) of the Investment Company Act, which requires that all beneficial owners be a "qualified purchaser" as defined in Section 2(a)(51)(A) of the Investment Company Act and the regulations issued thereunder or a "knowledgeable employee" as defined in Rule 3c-5 under the Investment Company Act. The Investment Company Act provides certain protection to investors and imposes certain restrictions on registered investment companies (including, for example, limitations on the ability of registered investment companies to incur debt), none of which will be applicable to any Access Vehicle.

#### ***Conflicting Interests of the Investors in an Access Vehicles***

The investors in an Access Vehicle may have conflicting investment, tax and other interests with respect to their investments in such Access Vehicle. The conflicting interests of individual investors may relate to or arise from, among other things, the nature of the activities of such Access Vehicle. As a consequence, conflicts of interest may arise in connection with decisions made by an Access Vehicle Adviser.

#### ***Use of Consultants***

From time to time, an Access Vehicle Adviser may engage third party consultants to assist with respect to an Access Vehicle. The fees for such third party consultant(s) will be borne by such Access Vehicle. These third party consultants are not full-time employees or owners of an Access Vehicle Adviser or its affiliates.

#### ***Other Activities***

Certain activities of an Access Vehicle Adviser and its affiliates may present a potential conflict of interest. These activities may include for example, advising other clients of such Access Vehicle Adviser or its affiliates, to the extent there are any, sponsoring investment vehicles, making investments for their own accounts, or engaging in other lines of business.

Moreover, a potential conflict of interest may arise from Anubis's role as a placement agent for an Underlying Company.

Further, pursuant to the terms of each MV ESC Holdings Vehicle's investment in the Underlying MV Company, the holders of a majority of the Preferred Units have the right to appoint one (1) manager to the Underlying MV Company's board of managers who shall initially be Mr. Farkas. In such role, Mr. Farkas may owe fiduciary duties and other obligations to the Underlying MV Company and its members (except, pursuant to the Underlying MV Company's limited liability company agreement, in certain instances where the Underlying MV Company and its members expressly waive such duties when Mr. Farkas is exercising certain express approval rights of an MV ESC Holdings Vehicle related to certain proposed actions or decisions of the Underlying MV Company) that may conflict with the interests of an MV ESC Holdings Vehicle and its investor members.

## **H. MATERIAL RISKS – ALL CLIENTS**

### ***GENERAL MARKET RISKS***

#### ***General Economic Conditions***

General economic conditions may affect a Client's activities. Interest rates, general levels of economic activity, the price of investments, availability and terms of credit, changes in laws, regulatory interventions and changes in regulations, inflation rates, industry conditions, competition, technological developments, trends, tax and other laws, changes in fiscal policies, trade barriers, commodity prices, currency exchange rates and controls, national and international political and diplomatic events and circumstances, participation by other investors in the financial markets and innumerable other factors may affect a Client's investments and prospects materially and adversely, including the value and number of investments made by a Client or considered by a Client for prospective investments. A Client's investments can be expected to be sensitive to the performance of the overall economy. A negative impact on economic fundamentals and consumer confidence would likely increase market volatility and reduce liquidity, both of which could have a material adverse effect on the performance of a Client's investments. None of these conditions is within an Island Adviser's control and it may not anticipate these developments. Unexpected volatility or illiquidity could impair a Client's profitability or result in losses. No assurances can be given as to the effect of these economic, political or regulatory conditions on a Client's investment objectives.

#### ***U.S. Financial Systems***

Events over the course of the past years in the subprime mortgage market and other areas of the fixed income markets have caused significant dislocations, illiquidity and volatility in the mezzanine debt, structured credit and high-yield bond markets, as well as in the wider global financial markets. The scale of the credit freeze starting in mid-2008 shook investor, consumer and corporate confidence to the point that macroeconomic fundamentals turned significantly downward. This downturn resulted in high-profile bankruptcies, government seizures and forced mergers/acquisitions transactions, among other broad effects of fundamental deterioration. In addition, the turmoil in the financial system had an adverse effect on the availability of credit to businesses generally and has led to an overall weakening of global economies. Any such future events in the marketplace may materially restrict the ability of a Client to sell or liquidate

investments at favorable times or for favorable prices. In particular, a Client's investment strategy with respect to its investments may rely in part on the stabilization or improvement of the conditions in the global economy generally and credit markets specifically. In the event of another market deterioration, the value of the Client's investments may be significantly reduced.

Also, an Island Adviser's ability to generate attractive investment returns for a Client and its investors may be materially and adversely affected to the extent such Client intends, but is unable, to obtain favorable financing terms for its investments. Furthermore, because a Client may invest in subordinated debt instruments, in such cases it is at greater risk of losing the entire value of such investments than if it invested in senior debt instruments.

### ***Market and Credit Risks***

Client investments are subject to market and credit risks that could diminish their value and these risks could be greater during periods of extreme volatility or disruption in the financial and credit markets. Periods of macroeconomic weakness or recession, heightened volatility or disruption in the financial and credit markets could increase these risks, potentially resulting in other-than-temporary impairment of assets in Client investment portfolios.

### ***Geopolitical Unrest***

Geopolitical risks, including those arising from trade tension and/or the imposition of trade tariffs, European fragmentation, unrest and terrorist activity, as well as acts of civil or international hostility, are increasing. The impact of geopolitical tension, such as a deterioration in the bilateral relationship between the U.S. and China or further escalation in conflict between Russia and Ukraine, including any resulting sanctions, export controls or other restrictive actions that may be imposed by the U.S. and/or other countries against governmental or other entities in, for example, Russia, also could lead to disruption, instability and volatility in the global markets, which may have an impact on Client and/or Underlying Company investments across negatively impacted sectors or geographies.

Any such events, and responses thereto, may cause significant volatility and declines in the global markets, disruptions to commerce (including to economic activity, travel and supply chains), loss of life and property damage, and may adversely affect the global economy or capital markets, a Client, and/or an Underlying Company's products, clients, vendors and employees, which may cause revenue and earnings to decline. Exposure to geopolitical risks may be heightened to the extent such risks arise in countries in which a Client or an Underlying Company currently operates or is seeking to expand its presence.

### ***Public Health Emergencies; COVID-19 Pandemic Risks; Communicable Diseases***

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 and are resulting in market volatility and disruption. Disruptions to commercial activity from COVID-19 or any other public health crisis, pandemic, epidemic or outbreak of a contagious disease relating to the imposition of quarantines or travel restrictions (or more generally, a failure of containment efforts) may adversely impact the ability of tenants of the investments to make ongoing rental payments with respect to the investments. Further, prospective tenants may delay their leasing decisions or choose to lease less space at a particular investment. In addition, the imposition of travel restrictions

may impact the ability of an Island Adviser to travel in connection with potential or existing investments or to an Island Adviser's office, which could negatively impact the ability of an Island Adviser to effectively identify, monitor, operate and dispose of the investments. A Client's and/or an Island Adviser's ability to timely execute on any planned construction, development or repositioning of any of the investments may also be adversely affected.

Such negative changes in the global financial markets, or the economies in which a Client's investments are located, may therefore in turn have a material adverse effect on the business of such Client or its investments. The impact of a public health crisis such as COVID-19 (or any future pandemic, epidemic, outbreak of a contagious disease or other emergency) has the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, which presents material uncertainty and risk with respect to a Client's and an Underlying Company's performance, all of which may result in significant losses to a Client and an Underlying Company.

### ***Brexit***

On June 23, 2016, the United Kingdom (the "UK") voted to leave the European Union (the "EU"). The UK left the European Union on January 31, 2020. The terms of the UK's future relationship with the EU and the remaining member states remains unclear. A separate agreement on the future relationship between the UK and the EU must now be negotiated following the UK's exit from the EU. It remains possible that at the expiry of the implementation period no such agreement will have been agreed between the EU and the UK. In that event, it is likely that a high degree of political, legal, economic and other uncertainty will result.

The UK's exit from the EU is likely to significantly affect the political, fiscal, legal and regulatory landscape in the UK and could have a material impact on its economy and the future growth of its various industries. Given the size and importance of the UK's economy, uncertainty or unpredictability about its legal, political and economic relationship with Europe may be a source of instability, create significant currency fluctuations, and/or otherwise adversely affect international markets, arrangements for trading or other existing cross-border co-operation arrangements (whether economic, tax, fiscal, legal, regulatory or otherwise) for the foreseeable future, including during negotiations and beyond the date of the UK's withdrawal from the EU. The outcome of the UK's exit from the EU could also have a destabilizing effect if other member states were to consider the option of leaving the EU. Such market fluctuations and uncertainties may have adverse effects on financial markets and businesses in the U.S., including the New York City real estate market and economy. For these reasons, the decision of the UK to leave the EU could have adverse consequences on a Client, the performance of its investments, and its ability to fulfil its investment objectives.

### ***CHANGES AND PROPOSED CHANGES TO THE REGULATION OF INVESTMENT ADVISERS AND PRIVATE FUNDS***

The Island Advisers and their affiliates operate in a heavily regulated environment. As SEC-registered investment advisers, which does not imply a certain level of skill or training, the Island Advisers are subject to the requirements of the Advisers Act and the rules thereunder. In 2022 and 2023, the SEC proposed numerous amendments to the Advisers Act rules applicable to SEC-registered investment advisers. In addition to the significant proposals described in more detail below, the SEC also proposed amendments to:

- Create a specific framework for due diligence and recordkeeping requirements applicable to the oversight of service providers;
- Require adoption of an incident response program under Regulation S-P to safeguard customer records and information and to notify affected individuals whose sensitive information has been accessed or used without authorization; and
- Require enhanced cybersecurity safeguards, including (i) the adoption of certain policies and procedures, (ii) reporting significant cybersecurity incidents to the SEC, (iii) the disclosure of cybersecurity risks and incidents to clients and prospective clients, and (iv) the maintenance of related records.

Additionally, Advisers Act Rule 206(4)-1 (the new “**Marketing Rule**”), which includes extensive changes to marketing requirements for registered investment advisers, took effect on November 4, 2022. Any failure to comply with the Marketing Rule and any other numerous proposed requirements described herein as finally adopted could expose the Island Advisers and/or their affiliates to civil and/or criminal liability, as well as reputational damage, which could adversely affect the Clients.

Finally, the SEC adopted amendments to Advisers Act Rules 206(4)-2 and 206(4)-7 and adopted Rules 206(4)-10, 206(h)(1)-1 and 211(h) (collectively, the “**Private Fund Rules**”), that will significantly affect all private fund advisers, including the Island Advisers. This package of rules covers a range of issues including (a) new prohibitions and restrictions on certain conflicted activities (including the charging of certain fees and expenses such as accelerated monitoring fees and the non pro rata allocation of broken deal expenses), (b) new prohibitions and restrictions on preferential treatment relating to redemptions and fund and investment information and increased transparency on other types of preferential treatment, (c) new quarterly statements to investors on performance, fees and expenses, and adviser and related person compensation, (d) enhanced annual audit requirements, and (e) new requirements relating to adviser-led secondary transactions (including a requirement to obtain a fairness opinion). Certain aspects of the Private Fund Rules prohibit activities that had previously been addressed through disclosure, while significantly expanding the information being provided to both private fund investors as well as the SEC with respect to its examination and enforcement activities.

### ***SEC’s Proposed Changes to ESG Disclosure Rules***

On May 25, 2022, the SEC proposed a package of new rules to address and enhance investor disclosure practices, and related policies and procedures, regarding Environmental, Social and Governance (“**ESG**”) investment considerations and objectives (the “**Proposed ESG Disclosure Rules**”) by investment advisers to registered investment companies and private funds and other clients. The Proposed ESG Disclosure Rules are intended to provide investors with clear and comparable information about how advisers consider ESG factors. Among other things, registered investment advisers to private funds (which would include the Island Advisers) would be required to make ESG disclosures in the brochure depending on the category of ESG investment strategies and potentially engage in extensive measuring and disclosure regarding greenhouse gas impacts associated with their portfolio investments, including the carbon footprint and the weighted average carbon intensity of portfolio investments.

### *SEC's Proposed Changes to the Custody Rule*

On February 15, 2023, the SEC proposed a significant transformation of Rule 206(4)-2 (the “**Custody Rule**”) under the Advisers Act into a new Rule 223-1 (the “**Safeguarding Rule**”) applicable to SEC-registered investment advisers (which would include the Island Advisers). The proposed Safeguarding Rule would, among other things:

- Broaden the Custody Rule to cover all Client assets (and not just funds and securities), including, among other things, digital assets and real estate interests;
- Expand the definition of “custody” to include discretionary investment authority for assets regardless of whether or not they are processed or settled on a delivery versus payment (“**DVP**”) basis (and will subject separately managed accounts with non-DVP assets (*e.g.*, loans and privately offered securities) to surprise examinations);
- Overhaul the requirements relating to qualified custodians, including that the Island Advisers enter into written agreements with the custodians with an extensive list of required provisions, particularly that the custodian has “possession or control” of Client assets; and
- Narrow the availability of the exception from the qualified custodian requirement for uncertificated privately-offered securities and physical assets and impose new restrictions where the exception still applies.

If adopted, the Safeguarding Rule would represent another radical change in the regulation of custodial practices under the Advisers Act and, like the existing Custody Rule, would likely present a number of significant and burdensome compliance challenges for the Island Advisers.

### ***BANKING RISKS***

Inflation, and resulting rapid increases in interest rates, have led to a decline in the trading values of previously issued government securities with interest rates below current market interest rates. Certain financial institutions holding significant positions in these government securities have accumulated substantial unrealized losses, which has impaired or could impair the ability of such institutions to meet customer and other liquidity needs.

The U.S. Federal Deposit Insurance Corporation (the “**FDIC**”), the U.S. Department of Treasury (the “**Treasury**”) and/or the Board of Governors of the Federal Reserve System (“**Federal Reserve**”) have taken extraordinary measures with respect to Silicon Valley Bank and Signature Bank. Despite these efforts, concerns about the overall financial health and stability of the U.S. banking sector remains high, with many bank stocks trading at significantly lower prices than they did before the crisis began. Further governmental intervention may be required to stabilize the U.S. banking sector in the future if additional U.S. banks, particularly larger banks, appear to be at a risk of failure; it is unclear, however, whether the government would intervene in such circumstances and, if it did, whether such governmental intervention would be sufficient to forestall a full-blown banking crisis. It is also possible that further government intervention could result in other unforeseen adverse impacts on the economy over the short or long term. Although in recent years governmental intervention has resulted in additional protections for depositors, there can be no



assurance that governmental intervention will be successful or avoid the risk of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

At the same time, global markets are being adversely impacted by the financial uncertainties surrounding Credit Suisse, which uncertainties have resulted in UBS agreeing to acquire Credit Suisse.

Even if, ultimately, market concerns about the financial health and stability of the U.S. and global banking sectors are successfully addressed, many observers believe that the risk of a recession occurring in the U.S., and perhaps in other major global economies, has increased because of the recent events in the banking sector. Relatedly, these events may prompt the Federal Reserve and other central banking authorities to slow down the pace of future increases in benchmark interest rates, which could make it more difficult for the U.S. and other governments to mitigate inflationary pressures in the economy and contribute to a period of higher inflation.

The events described above (“**Distress Events**”) present several potential risks including to the Island Advisers, their Clients, investors in the Clients, and the assets held by such Clients. Certain of these risks are described in more detail below but other risks may arise in the future as Distress Events unfold. In evaluating such risks in the context of a rapidly evolving situation like this one, one should assume that circumstances may change in ways that are not necessarily predictable, and that conditions may deteriorate. Any of the risks described below, or other risks not described, if realized, could have a material adverse effect on the liquidity, current and/or projected business operations, financial condition and/or performance results, as applicable, for any of the Adviser or its related parties, a Fund and/or the portfolio investments.

#### ***Banking Sector Risks on Fund Operations and Performance***

It is likely that, if the banking sector situation continues to deteriorate, the U.S. and/or other global economies would be adversely affected, including the possibility of recession, the duration and severity of which are difficult to predict. Among other things, a weakening in the macroeconomic situation could make it more difficult for the Fund[s] to identify and source investments; finance and consummate investments which are sourced or refinance existing investments; and dispose or otherwise monetize investments at attractive valuations. In addition, it is possible that the incidence of Fund investor capital call defaults may increase. The cumulative effect of the foregoing could adversely impact the value of Fund holdings and overall Fund performance.

#### ***Custody Risk***

If a bank has custody of Client assets and the bank goes into receivership, the receivership could adversely impact the safekeeping of those assets and the ability to retrieve and secure such assets, and the Client may experience delayed access to deposits or other financial assets or the uninsured loss of deposits or other financial assets. Although the Island Advisers seek to do business with custodians that it believes are creditworthy and capable of fulfilling their respective obligations to its Clients, the Island Advisers are under no obligation to use a minimum number of custodians with respect to their Clients, or to maintain account balances at or below the relevant insured amounts.

***Island Advisers and/or General Partner Risk; Service Provider Risk***

If the Island Advisers, ICG, a General Partner or related party has a banking relationship with the bank that is subject to a Distress Event, the Island Advisers' ability to manage or operate a Client consistent with its past business practices could be negatively impacted, potentially resulting in a disruption in operations.

In addition, service providers with whom the Island Advisers or a Client conduct business may have relationships with banks or financial institutions that experience a Distress Event or go into receivership, which could negatively impact such service providers and, therefore, the services that the Island Advisers or the Clients receive from such service providers.

***CYBERSECURITY AND IDENTITY THEFT RISKS***

The Island Advisers and their affiliates, a Client's service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the investors in the Clients, despite the efforts of the Island Advisers and their affiliates and such service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to investors in a Client. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems of the Island Advisers, their affiliates, a Client's service providers, counterparties or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of the Island Advisers' or their affiliates' systems to disclose sensitive information in order to gain access to the Island Advisers' or their affiliates' data or that of a Client or a Client's investors. A successful penetration or circumvention of the security of the Island Advisers' or their affiliates' systems could result in the loss or theft of a Client's or an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause the Island Advisers, their affiliates, a Client, the investors in a Client or their service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss.

The Island Advisers and their affiliates' technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Island Advisers and their affiliates have implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the Island Advisers, their affiliates and/or a Client may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of the Island Advisers, their affiliates and/or Client and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm the reputation of the Island Advisers, their affiliates and/or a Client, subject any such entity and

their respective affiliates to legal claims and otherwise affect their business and financial performance.

The Island Advisers and their affiliates maintain a cyber liability insurance policy that covers, among other things, media content, security and privacy liability, regulatory action liability, network interruption, event management and cyber extortion. However, the coverage may not be adequate to compensate for all losses that may occur and no assurance can be given that such insurance will continue to be available on acceptable terms or will be available in sufficient amounts to cover one or more claims, or that the Island Advisers' or their affiliates' insurer will not deny or attempt to deny coverage as to any future claim.

### ***CONFLICTS OF INTEREST***

#### ***Broad and Wide-Ranging Activities***

As a diversified merchant banking firm, ICG and its subsidiaries and affiliates (including the Island Advisers) engage in a broad spectrum of activities, including, but not limited to, financial advisory services, underwriting, financing, capital markets, sales and trading, research, merchant banking, sponsoring and managing private investment funds and other activities. In the ordinary course of its business, ICG and its affiliates (including the Island Advisers) engage in activities where its interests or the interests of its subsidiaries or clients may conflict with the interests of the investors in a Client, notwithstanding the Client's general partner's/managing member's direct participation in such Client.

#### ***Affiliate (Principal or Cross) Transactions***

A Client may acquire investments from, and/or sell investments to, an Island Adviser, ICG, their affiliates or Affiliated Investment Entities (as defined below) in accordance with the Advisers Act and a Client's Governing Documents. See Item 11 below for more information regarding such transactions.

#### ***Warehoused Investments and Other Possible Principal Transactions***

A Client may, although it does not currently intend to, acquire certain "warehoused investments" (which would be identified in such Client's Governing Documents) from an Island Adviser, ICG or their affiliates on the terms set forth in the Governing Documents and such acquisitions will be deemed approved by the investors in the Client. In addition, although it does not currently intend to do so, a Client may acquire additional investments from, or it may sell investments to, an Island Adviser, ICG or their affiliates, provided, as applicable, that such Client's advisory committee approves any such transaction. The price and other terms on which such "warehoused investments" are acquired (or any other investments acquired from or sold to an Island Adviser, ICG or their affiliates) will not be on an arm's-length basis and may be less advantageous to such Client than if such transactions were entered into with unaffiliated third parties.

#### ***Other Activities of the ICG, the Island Advisers and their Affiliates***

Except as limited by a Client's Governing Documents, ICG, an Island Adviser and its managers, members, partners, shareholders, officers, employees, agents and affiliates, or any other Island Adviser account (collectively, the "**Affiliated Parties**") may conduct any other business, whether or not such business is in competition with a Client. Without limiting the generality of the

foregoing, any of the Affiliated Parties may serve as investment adviser or investment manager for others, may manage funds, separate accounts or capital for others and may serve as an officer, director, consultant, partner or stockholder of one or more investment funds, partnerships, securities firms or advisory firms (such other entities, “**Affiliated Investment Entities**”). Such Affiliated Investment Entities may have investment objectives or may implement investment strategies similar to or different from those of a Client. There is no limit to the number of Affiliated Investment Entities that may be managed or advised by any of the Affiliated Parties.

In addition, the Affiliated Parties may, through other investments, including other Affiliated Investment Entities, have interests in the securities in which a Client invests, as well as interests in investments in which such Client does not invest, and in some cases the Affiliated Parties may engage in transactions directly with a Client, provided that such Client will not acquire assets from or sell assets to an Island Adviser, ICG, their affiliates or Clients, without the consent of the Client’s advisory committee, except in connection with any warehoused investments. The Affiliated Parties also may have investments in their own names and in certain of the entities managed by the Affiliated Parties. The Affiliated Parties may give advice or take action with respect to such other Affiliated Investment Entities that differs from the advice given with respect to the Client, except that certain Affiliated Investment Entities will not sell an interest in an investment in which such Client is invested prior to the time the Client sells its interest in such investment unless the Client has received consent from the advisory committee. Furthermore, an Island Adviser may determine, in its sole and absolute discretion, not to pursue certain transactions or potential investments on behalf of a Client because of its other businesses or relationships between one or more Affiliated Parties and Affiliated Investment Entities.

#### ***Allocation of Investment Opportunities***

Certain investment opportunities with limited availability may be appropriate for one or more Clients and Affiliated Investment Entities. In particular, C-III Recovery Fund III L.P., a Delaware limited partnership, which is managed by an affiliate of ICG (“**RFIII**”), and RFIV, are Affiliated Investment Entities that focus on acquiring attractively priced, value-add commercial real estate properties throughout the United States. NYCRFI is focused on acquiring commercial real estate properties located in New York City. RFIII, RFIV and NYCRFI therefore have overlapping investment strategies and may compete for investment opportunities located in New York City.

The Island Advisers, ICG and their affiliates have adopted a protocol to follow in circumstances where an investment opportunity with limited availability may be appropriate for one or more entities covered by the protocol (the “**Investment Allocation Policy**”). To address situations when the investment objectives or guidelines of multiple Clients overlap, ICG and C-III have established an allocation committee (the “**Allocation Committee**”) that will determine how to allocate investment opportunities to a client or between or among multiple clients, as applicable. The members of the Allocation Committee may serve on the investment committee and/or acquisitions team for Affiliated Investment Entities and for ICG’s and/or C-III’s balance sheet, some of which may have investment objectives substantially similar to or in competition with those of a Client.

Where an Island Adviser and its affiliates determine that an investment opportunity is suitable both for one or more Clients, such investment opportunity will be allocated as between the Clients in a fair and equitable manner in accordance with the procedures set forth in the Investment Allocation Policy, which include taking into account various factors including the various investment objectives, the targeted rates of return, diversification of holdings, available capital commitments

and the composition of the various entities taken as a whole. An Island Adviser and its affiliates may have a conflict of interest in allocating investment opportunities as between the Clients, which conflict of interest may be increased to the extent that the Clients have different economic terms, are in different stages of their lifecycle or have better or worse historical performance, resulting in the Client's or the general partner of the Client being in a position to earn more or less "carried interest." An Island Adviser or its affiliates also may sponsor a successor fund to a Client in the future, for which the same conflicts of interest described above would apply.

A Client may receive a smaller or no allocation or inferior terms in particular investments than it would otherwise have received if an Island Adviser or its affiliates did not advise, and allocate opportunities to, Affiliated Investment Entities or co-investors. The Client may not be afforded an opportunity to make a particular investment because the Island Adviser or its affiliates may offer such opportunity to an Affiliated Investment Entity.

Furthermore, an Island Adviser may decline an investment opportunity presented to it in part or in whole if it determines that it is not in the best interests of a Client to pursue such opportunity. If an Island Adviser declines to pursue any investment opportunity on behalf of the Client, ICG, its affiliates or an Affiliated Investment Entity may, under certain circumstances, alternatively acquire such investment. An Island Adviser may have a conflict of interest in evaluating an opportunity on behalf of the Client where ICG, an affiliate thereof or an Affiliated Investment Entity also is interested in such opportunity.

***Conflicts of Interest Involving a Client's and an Island Adviser's Investment Committees, Acquisitions Team and/or the Allocation Committee***

A Client's and/or an Island Adviser's Investment Committee, an Island Adviser's acquisitions team and/or ICG's and C-III's Allocation Committee may be comprised of the same persons (or largely the same persons) who may also serve on the Investment Committee and/or acquisitions team for Affiliated Investment Entities, each of which may have investment objectives similar to those of the Client.

Members of a Client's and/or an Island Adviser's Investment Committee, an Island Adviser's acquisitions team and/or ICG's and C-III's Allocation Committee may have (i) direct investments in the Client, or be entitled to receive a portion of the "carried interest" held by the Client's general partner or have other direct or indirect financial incentives with respect to the performance of the Client, (ii) direct investments in Affiliated Investment Entities (or be entitled to a "carried interest" in such vehicles held by a Client's general partner, managing members, or other managing entities thereof) or other direct or indirect financial incentive with respect to the performance of such Affiliated Investment Entities, (iii) direct or indirect investments in ICG or its affiliates, or (iv) other direct or indirect financial incentives with respect to the performance of ICG or its affiliates. Moreover, members of a Client's and/or an Island Adviser's Investment Committees, an Island Adviser's acquisition team and/or ICG's and C-III's Allocation Committee receive compensation (including discretionary bonuses and other incentive compensation) from ICG or its affiliates that may be based, among other things, on the profitability of ICG and its affiliates and the Client. Accordingly, members of a Client's and/or an Island Adviser's Investment Committee, an Island Adviser's acquisitions team and/or ICG's and C-III's Allocation Committee may have conflicts of interest with respect to the acquisition, disposition, investment, management and/or allocation decisions for the Client, although the Client, the Island Advisers and ICG maintain investment,

allocation, conflicts of interest and other policies and procedures intended to mitigate such conflicts.

***Co-Investment Opportunities; Lack of Exclusivity***

In addition, from time to time, and to the extent permitted under a Client's Governing Documents, an Island Adviser may raise one or more co-investment funds, establish one or more co-investment vehicles or engage in one or more joint venture arrangements by which an investor in a Client, a Strategic Investor (as defined below), or a third party may participate in an investment opportunity alongside such Client. An Island Adviser, in its discretion, may offer a co-investment opportunity to, or engage in transactions, including joint venture arrangements, with one or more (but not all) Clients, investors in pooled investment vehicle Clients or Strategic Investors to which it is not required to make such offer or engage in such transaction, based on various factors, including, among other things: the size of the offeree's investments with the Island Advisers or with affiliates of the Island Advisers; the size of the offeree's proposed investment in the transaction; the nature of the offeree; the expertise of the offeree; the ability of the offeree to invest quickly; the expected amount of negotiations required in connection with a potential co-investor's commitment; commercial considerations for the applicable investment; the determination of the general partner/managing member of the Client as to the appropriateness of offering a co-investment opportunity; and other benefits that the offeree of the co-investment opportunity or joint venture may afford the Island Advisers, their affiliates or Clients.

Subject to any requirements set forth in a Client's Governing Documents (including any Side Letter) ("**Co-Investment Requirements**"), in general, (i) no investor in a Client has a right to participate in any co-investment opportunity, (ii) decisions regarding whether and to whom to offer co-investment opportunities are made in the sole discretion of an Island Adviser or its related persons or other participants in the applicable transactions, such as co-sponsors, (iii) co-investment opportunities may, and typically will, be offered to some and not other investors in the Client, in the sole discretion of the Island Advisers or their related persons, (iv) certain persons other than investors in the Client may be offered co-investment opportunities, in the sole discretion of the Island Adviser or its related persons, and (v) co-investors may purchase their interests in an investment at the same time as the Client or may purchase their interests from the applicable Client after such Client has consummated its investment (also known as a post-closing sell down or transfer). Additionally, non-binding acknowledgements of interest in co-investment opportunities are not Co-Investment Requirements and do not require the Island Adviser to notify the recipients of such acknowledgements if there is a co-investment opportunity. Certain Side Letters require an Island Adviser or its affiliates to offer co-investment opportunities to certain investors in a Client or Strategic Investors.

An Island Adviser's exercise of its discretion in allocating investment opportunities with respect to a particular investment among the persons discussed above, including its Clients, potential co-investors and third parties, and in the manner discussed above may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to other such persons. While an Island Adviser will determine how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant, but in its sole discretion, there can be no assurance that a Client's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable as they would be if the conflicts of interest to which the Island Adviser may be subject, discussed herein, did not exist. A Client may receive a smaller or no allocation or inferior



terms in particular investments than they would otherwise have received if its general partner/managing member, the Island Advisers or their affiliates did not advise, and allocate opportunities to, Affiliated Investment Entities or co-investors. A Client may not be afforded any opportunity to make a particular investment because an Island Adviser and/or its affiliates may offer such opportunity to an Affiliated Investment Entity.

In the event an Island Adviser determines to offer an investment opportunity to a potential co-investor, there can be no assurance that the Island Adviser will be successful in offering a co-investment opportunity to a potential co-investor, in whole or in part, that the closing of such co-investment will be consummated in a timely manner, that the co-investment will take place on the terms and conditions that will be preferable for a Client or that expenses incurred by a Client with respect to the syndication of the co-investment will not be substantial. In the event that the Island Adviser is not successful in offering a co-investment opportunity to a potential co-investor, in whole or in part, a Client may consequently hold a greater concentration and have exposure in the related investment opportunity than was initially intended, which could make the Client more susceptible to fluctuations in value resulting from adverse economic and/or business conditions with respect thereto.

In addition, to the extent an Island Adviser has discretion over a secondary transfer of interests in a Client pursuant to the Governing Documents, or is asked to identify potential purchasers in a secondary transfer, the Island Adviser will do so in its sole discretion, generally taking into account the following factors: the Island Adviser's evaluation of the financial resources of the potential purchaser, including its ability to meet capital contribution obligations; the Island Adviser's perception of its past experiences and relationships with the potential purchaser, including its belief that the potential purchaser would help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits to current or future clients and/or the Island Adviser; whether the potential purchaser would subject the Island Adviser, the applicable Client, or their affiliates to legal, regulatory, reporting, public relations, media or other burdens; the expected amount of negotiations required in connection with a potential purchaser's investment; requirements in such Client's Governing Documents; and such other facts as it deems appropriate under the circumstances in exercising such discretion. A purchaser's potential investment into a future fund may be considered, but will not be the sole determining factor considered by the Island Adviser in determining whether to grant or withhold its consent to a secondary transfer of interests in a Client.

#### ***Relationships with Placement Agents and Other Parties***

The personnel of an Island Adviser or its affiliates may have board, advisory or other relationships with issuers, distributors, consultants and others that may have investments in a Client and/or related funds or that may recommend investments in a Client and/or related funds or distribute interests in a Client and/or related funds. To the extent permitted by applicable law, an Island Adviser and/or its affiliates may make charitable contributions to institutions, including those that have relationships with investors or personnel of investors. As a result of such relationships and arrangements, placement agents, consultants, distributors and other parties may have conflicts associated with their promotion of a Client, or other dealings with a Client, that create incentives for them to promote a Client.

### ***Key Employees***

The success of a Client depends to a significant extent upon the experience of the senior management and other members of the management team of an Island Adviser and its affiliates (the “**Key Employees**”), whose continued service is not guaranteed. Any of these individuals could be difficult to replace, and the loss of the services of one or more members of an Island Adviser’s senior management team could have a material and adverse effect on the operations of a Client. In addition, some of the investment professionals of a Client may devote some of their business time and attention to other businesses of affiliates of a Client. There are no means of predicting whether they will successfully implement a Client’s investment strategy, especially during changing economic conditions.

The Key Employees are not under any obligation to devote their full time and attention solely to the business of a Client nor are any of them obligated to devote any particular portion of time to the affairs of a Client. They may work on other projects for an Island Adviser, its affiliates or any Affiliated Investment Entities. Consequently, conflicts of interest may arise in allocating management time, services or functions of Key Employees, as well as other officers and employees of an Island Adviser and its affiliates to the extent they are needed for services or functions on behalf of a Client.

### ***Services between ICG and a Client***

If a Client acquires title to or otherwise gains control of real property, such Client may engage its general partner/managing member, an Island Adviser, ICG and/or one or more of their respective affiliates to provide property-level services in respect of such real property, including without limitation property management, leasing, sales brokerage, construction, development and financing services. In addition, the Client’s general partner/managing member, an Island Adviser, ICG and their respective affiliates also may provide other services to the Client, including, without limitation, cash management, administrative, custodial, trustee, distribution, banking, lending, short-term credit and other financial and securities services. No such service provider will bear any responsibility for selecting the investments or for their performance solely as a result of providing such services to the Client.

In addition, a Client may engage an Island Adviser, ICG or their respective affiliates (i) to provide legal services related to the acquisition, disposition, financing, refinancing, ownership or management of potential or actual investments, or to designate legal professionals of the Client’s general partner/managing member or any of its affiliates to provide such services, in each case to be charged on an allocable basis and at a cost at least as favorable to the Client as available in arm’s-length transactions with qualified third-party providers of such services and (ii) to provide accounting, accounting supervisory, valuation and similar services related to the Client’s investments, or to prepare performance data for the Client’s investments at the request of any of the Client’s investors, or to designate one or more members of an accounting group associated with ICG or any of its affiliates to provide such services, in each case to be charged on an allocable basis and at a cost at least as favorable to the Client as available in arm’s-length transactions with qualified third-party providers of such services.

To the extent that the Client’s general partner/managing member, an Island Adviser, ICG or any of their affiliates perform any services that are included in the operating expenses of such Client, the Client’s general partner/managing member, an Island Adviser, ICG or such affiliates may charge

rates customarily charged for similar services by persons engaged in the same or substantially similar activities and the terms and conditions of any such services shall be at least as favorable to the Client as the terms reasonably expected by the Client's general partner/managing member to be available in an arm's-length transaction with an independent third party, although such compensation will not actually be determined through arm's-length negotiation and none of the Client's general partner/managing member, an Island Adviser, ICG or their affiliates will guarantee the performance by its affiliates of any services provided to the Client.

***Additional Compensation to ICG and/or its Affiliates***

ICG and its affiliates are engaged in a number of real estate and other services businesses. A Client may engage ICG affiliates for Property-Related Services. An Island Adviser may use an affiliate to provide Property-Related Services, rather than a third-party, if it determines that such affiliate has the requisite expertise to provide such services. No such affiliated service provider will bear any responsibility for selecting the investments or for their performance solely as a result of providing such services to a Client. To the extent that a Client engages an Island Adviser or any of its affiliates to perform any Property-Related Services and the Property-Related Service Fees for such Property-Related Services are included in the operating expenses of a Client (and such Client therefore bears the cost of such Property-Related Services), the Property-Related Service Fees and the other terms and conditions of such Property-Related Services shall be on such terms as would generally be available in an arm's length transaction with a third party (provided that such third party is generally in the business of providing such services) in the applicable market, although such Property-Related Services Fees and the other terms and condition will not actually be determined through arm's-length negotiation. The Island Adviser monitors the Property-Related Service Fees charged by each such affiliate to a Client and where practical obtains quotes or estimates of the fees to be charged by third parties. In addition to the payment of Property-Related Service Fees, a Client also will be required to reimburse the Island Adviser or its affiliates, as applicable, for their out-of-pocket expenses incurred in providing the Property Related Services.

In addition, affiliates of the Island Advisers earn or share (and may in the future earn or share) in Transaction Fees paid by a Client upon the closing of the sale of assets by such Client, including a sale to another client advised by an Island Adviser or its affiliates, as compensation for real estate brokerage or other services.

When engaging an affiliated service provider, an Island Adviser has an economic incentive to select the affiliate even if another person may be more qualified to provide the applicable services and/or can provide such services at a lesser cost. Any Property-Related Service Fees, Transaction Fees and associated reimbursements will be in addition to any Management Fee payable to the Island Adviser and the performance-based compensation payable to a Client's general partner/managing member. This arrangement creates a conflict of interest between the Island Adviser and its affiliates, on the one hand, and the Client and investors in the Client, on the other hand, because the amounts of these fees and reimbursements may be substantial and the Client and investors in the Client generally do not have an interest in these fees and reimbursements. The Island Adviser determines the amount of these Property-Related Service Fees, Transaction Fees and reimbursements in its own discretion, subject to agreements with service providers, sellers and buyers, and/or third-party co-investors in its transactions. In many cases with respect to the implementation of the arrangements described above, there is not an independent third-party involved on behalf of relevant Client. Therefore, a conflict of interest exists in the determination of any such fees and other related terms in the applicable agreement with the Client.

### ***Transactions with Strategic Investors***

A Client may engage in transactions, including co-investment opportunities and joint venture arrangements with respect to its investments, with clients of an Island Adviser and its affiliates, investors in such clients, investors in affiliates of ICG, a joint venture partner in another real estate equity investment or others with which an Island Adviser and/or its affiliates has (and may in the future have) a current or prior relationship (collectively, “**Strategic Investors**”). Moreover, certain Strategic Investors may provide services (e.g., as operating advisor, property manager or otherwise) to interests or properties owned by a Client. As a result, such Client’s general partner/managing member may encounter conflicts of interest in allocating investment opportunities between the Client and Strategic Investors.

### ***Conflicts of Interest Involving Unaffiliated Investors in a Client that are Investors in Affiliated Investment Entities***

Certain unaffiliated investors in a Client may also be direct or indirect investors in Affiliated Investment Entities. Those relationships may create a conflict of interest with other unaffiliated investors in a Client who do not have existing relationships with an Island Adviser. Neither an Island Adviser nor any of its affiliates will provide any undisclosed benefit(s) to any investor in a Client who has any other relationship with such Island Adviser or its affiliates at the expense of other investors in such Client due to such other relationship with such Island Adviser or its affiliates. Notwithstanding the foregoing, an Island Adviser and the Client may, in accordance with the Governing Documents, provide additional rights to investors through Side Letters that do not result in any detriment to investors in such Client.

### ***Gifts, Contributions, Donations and Events***

In order to provide quality service, ICG and its affiliates establish, maintain and enhance relationships with professionals in the real estate, financial services, legal and other industries who may provide services to a Client, such as attorneys, consultants, title companies, investors and other third parties with whom ICG and its affiliates conduct business (including, without limitation, investment professionals who may, from time to time, provide a Client with investment opportunities) and other service providers and professionals (collectively, “**Relationship Parties**”). ICG, its employees and affiliates may from time to time invite, or be invited by, Relationship Parties to participate in activities, such as meals, conferences, sporting events, concerts, golf and other outings and other entertainment and recreational activities, may give or receive gifts related to attendance or participation in such activities, and may be asked to make charitable, political or other contributions or donations to organizations or political officeholders or candidates for political office at the request of a Relationship Party or one of its executives (collectively, “**Events**”). ICG’s and its affiliates’ subsequent selection and retention of such Relationship Parties as service providers for a Client or partners in an investment opportunity for a Client, as applicable, could be viewed as a form of reimbursement for attending such Events, and ICG and/or its affiliates may have an incentive to select service providers for a Client or partners in an investment opportunity for a Client based on the expectation of receiving gifts or invitations to future Events. Notwithstanding that potential conflict of interest, ICG and its affiliates have adopted policies and procedures designed to help prevent any Event from influencing its decision to hire or retain a Relationship Party for a Client or to engage in any transaction on behalf of a Client. Such policies and procedures require gifts and entertainment valued in excess of certain thresholds to be reported to and, in certain cases, pre-approved in writing by the Chief Compliance Officer.

ICG's and its affiliates' employees are prohibited from (i) giving or receiving meals (including dinners and lunches), gifts or entertainment (including tickets to athletic events) of any value to or from any independent auditing firm, or any member or employee of an independent auditing firm, that provides services to a Client and (ii) soliciting charitable donations from any independent auditing firm, or any member or employee of an independent auditing firm, that provides services to a Client. If meals, gifts or entertainment are provided as part of an event sponsored by an independent auditing firm, the Chief Compliance Officer may in his/her/their discretion provide an exception to this prohibition.

In addition, independent auditing firms that provide services to a Client, and their partners, members and employees, are prohibited from (i) giving or receiving meals (including dinners and lunches), gifts or entertainment (including tickets to athletic events) of any value to or from any employee of ICG or its affiliates and (ii) making any charitable donations to a charity in response to solicitation from ICG, its affiliates or any of its or their employees.

For more information regarding policies, procedures, prohibitions, reporting obligations and pre-clearance requirements, including prohibitions on giving meals, gifts and/or entertainment from or to independent auditing firms, please see Item 11 below.

#### ***Dis-alignment of Interests***

An IIM Client's general partner may be entitled to a "carried interest" or "promote" from the realized investments of such IIM Client. In such circumstances, the IIM Client's general partner will be entitled to receive a carried interest (or promote) in the IIM Client in an amount equal to (i) 50% of distributions of Net Investment Revenues (as defined in the applicable IIM Client Limited Partnership Agreement) until such general partner has received cumulative distributions equal to 20% of all distributions of Net Investment Revenues (as defined in the applicable IIM Client Limited Partnership Agreement) made pursuant to Section 5.02(B) and Section 5.02(C) of the applicable IIM Client Limited Partnership Agreement, and (ii) 20% of distributions of Net Investment Revenues (as defined in the applicable IIM Client Limited Partnership Agreement) thereafter. IIM will not directly receive any portion of such general partner's carried interest (or promote). In an effort to increase the potential return of the IIM Client's general partner, IIM may, among other things, select investments for such IIM Client that involve a higher degree of risk than might otherwise be the case if the IIM Client's general partner were not so incentivized.

In addition, in certain circumstances an IIM Client may be required to hold an investment for more than three years in order for the carried interest in respect of the disposition of such investment to be taxed at long-term capital gains rates even though individual U.S. investors generally would be entitled to long-term capital gains rates so long as the IIM Client held such investment for more than one year. This difference in holding periods may create an incentive for IIM or the IIM Client's general partner to cause the IIM Client to hold an investment longer than it would otherwise and defer or delay dispositions until achieving the three-year holding period.

Furthermore, IIM or the IIM Client's general partner may take into account the capital needs of ICG, any Affiliated Parties and Affiliated Investment Entities when determining the amount and timing of distributions by the IIM Client to its investors.

### *Diverse Investor Base*

The investors in a Client may have conflicting investment, tax and other interests with respect to their investments in a Client. The conflicting interests of individual investors may relate to or arise from, among other things, the nature of investments made by a Client, the structuring or the acquisition of investments and the timing of dispositions of investments. As a consequence, conflicts of interest may arise in connection with decisions made by a Client's general partner/managing member, including with respect to the nature or structuring of investments that may be more beneficial for one investor in a Client than for another investor in such Client, especially with respect to the investor's respective tax situations. No assurance is given that any particular structure will be suitable for all investors in a Client and, in certain circumstances, such structures may lead to additional costs or reporting obligations for some or all of the investors in such Client. In selecting and structuring investments appropriate for a Client, an Island Adviser and/or the Client's general partner/managing member will not be obligated to consider the investment, tax, or other objectives of a particular investor. Additionally, except as expressly provided otherwise in the Client's Governing Documents, any investor and its affiliates may engage in, or possess an interest in, other business ventures of every nature and description, independently or with others, including without limitation, debt and/or equity real estate investment ventures, whether or not such other enterprises shall be in competition with any activities of the Client, the Client's general partner/managing member or any investor in such Client, and none of the Client, the Client's general partner/managing member or any investor in such shall have any right by virtue of the Client's Governing Documents in or to such independent ventures or to the income or profits derived therefrom.

### *Side Letter Agreements*

An Island Adviser and/or a Client's general partner/managing member (on its own behalf and/or on behalf of such Client), without any act, approval or vote of any investor in the Client, has entered into (and in the future may enter into) Side Letters with one or more investors in the Client that have the effect of establishing rights under, or altering or supplementing the terms of a Client's Governing Documents and/or the subscription agreement of any investor in the Client (the "**Operative Agreements**"). Any rights established, or any terms of any of the Operative Agreements altered or supplemented, in a Side Letter with an investor in the Client shall govern notwithstanding any other provision of any of the Operative Agreements. As a result of any Side Letters, certain investors may receive additional benefits that other investors will not receive, which may include different fee structures and other preferential economic rights (including amendments to the preferred return and waterfall), information and reporting rights, excuse or exclusion rights, waiver of certain confidentiality obligations, co-investment rights certain rights or terms necessary in light of particular legal, regulatory or policy requirements of a particular investor, additional obligations and restrictions with respect to structuring particular investments in light of the legal and regulatory considerations applicable to a particular investor, veto rights and liquidity or transfer rights. Except as otherwise agreed with an investor, neither the Client's general partner/managing member nor an Island Adviser will be required to notify any other investor in such Client of the existence of any Side Letters or any of the rights or terms or provisions thereof, and neither the Client's general partner/managing member nor the Island Adviser will be required to offer such additional or different rights or terms to any other investor in such Client. Other investors in the Client will have no recourse against the Client, the Client's general partner/managing member, an Island Adviser or any of their respective affiliates in the event that one or more investors in the Client receive additional or different rights or terms as a result of any Side Letter.



### ***Advisory Committee Rights***

Each IIM Client is expected to establish an advisory committee, consisting of representatives of investors in such IIM Client. A conflict of interest may exist because some, but not all, investors in the IIM Client are permitted to designate a member to the advisory committee. An IIM Client's advisory committee also will have the ability to approve conflicts of interests with respect to IIM, ICG and their affiliates and the Client, which could be disadvantageous to the investors, including those investors who do not designate a member to the advisory committee.

### ***Relationships with Service Providers***

An employee of ICG or its affiliates, and/or a family member or relative of such employee, may have ownership, employment or other interests in a service provider selected by an Island Adviser, ICG and their affiliates for a Client. Such relationships may influence a Client, a Client's general partner/managing or the Island Adviser in determining whether to select or recommend such service provider to perform services for a Client or an investment. A Client, a Client's general partner/managing member or the Island Adviser (as applicable) will have a conflict of interest with a Client in recommending the retention or continuation of such a service provider to a Client or an investment if such recommendation, for example, is motivated by a belief that the service provider will continue to invest in a Client or will provide ICG, the Island Adviser or their affiliates with information about markets and industries in which ICG, the Island Advisers or their affiliates operate or will provide other services that are beneficial to ICG, an Island Adviser or a Client's general partner/managing member. Although the Island Advisers and their affiliates select service providers that they believe will be beneficial for a Client, there is a possibility that the Island Adviser or its affiliates, because of family, financial, business interest or other reasons, may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person.

### ***Other Conflicts***

The Island Advisers, ICG and their affiliates and/or a Client may, from time to time, engage other common service providers, including but not limited to accountants and auditors. In certain circumstances, the service provider may charge varying rates or engage in different arrangements for services provided to the Island Advisers, ICG, their affiliates and a Client. This may result in an Island Adviser, ICG or their affiliates receiving a more favorable rate on services provided to it by such a common service provider than those payable by a Client, or an Island Adviser, ICG or their affiliates receiving a discount on services even though a Client receives a lesser, or no, discount. This creates a conflict of interest between the Island Adviser, ICG or their affiliates, on the one hand, and a Client, on the other hand, in determining whether to engage such service providers, including the possibility that the Island Adviser, ICG or their affiliates will favor the engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by a Client.

An Island Adviser, ICG or their affiliates may, in its discretion, cause a Client to have ongoing business dealings, arrangements or agreements with persons who are former employees or executives of an Island Adviser, ICG and their affiliates. A Client may bear, directly or indirectly, the costs of such dealings, arrangements or agreements. In such circumstances, there may be a conflict of interest between the Island Adviser, ICG and their affiliates, on the one hand, and the

applicable Client, on the other hand, in determining whether to engage in or to continue such dealings, arrangements or agreements, including the possibility that the Island Adviser, ICG or their affiliates may favor the engagement or continued engagement of such persons even if a better price and/or quality of service could be obtained from another person.

*In no event should this Brochure be considered to be an offer of interests in a Client or relied on in determining to invest in a Client. It is also not an offer of, or agreement to provide, advisory services directly to any recipient of the Brochure. Rather, this Brochure is designed solely to provide information about the Island Advisers for the purpose of compliance with certain obligations under the Advisers Act and, as such, responds to relevant regulatory requirements under the Advisers Act, which may differ from the information provided in the Governing Documents and/or offering documents for a Client.*

#### **ITEM 9: DISCIPLINARY INFORMATION**

Neither the Island Advisers nor any of their management persons have been involved in any material legal or disciplinary events that would be material to your evaluation of the Island Advisers' advisory business or the integrity of the Island Advisers' management.

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

##### **A. REGISTERED BROKER-DEALER OR REGISTERED REPRESENTATIVE**

Anubis, an affiliate of the Island Advisers, is indirectly owned by ICG and is registered as a broker-dealer with the SEC, all 50 states and the District of Columbia, and is a member of FINRA.

The Underlying MV Company (with respect to itself and MV ESC Holdings II) and the Underlying TLCC Company (with respect to itself and Island TLCC Ventures) separately retained Anubis to serve as placement agent with respect to the offering of interests in the Underlying MV Company (either directly or indirectly through MV ESC Holdings II) and the Underlying TLCC Company (either directly or indirectly through Island TLCC Ventures), respectively.

Anubis has previously served as (i) placement agent with respect to the offering of interests in certain private investment fund clients of C3IM (see Item 10.C below for C3IM's relationship with IIM), (ii) solicitor for a separate account client sub-advised by C3IM and (iii) placement agent and structuring agent for pooled investment vehicles sponsored by ICG, C-III (see Item 10.C below for C-III's relationship with the Island Advisers) and their affiliates, and may in the future serve as placement agent for the offering of interests in other pooled investment vehicles that may be organized in the future to be sponsored or managed by ICG, C-III, the Island Advisers or their affiliates.

Certain of the Island Advisers' management persons or employees of the Island Advisers' affiliates are or may become registered representatives and/or principals of Anubis and, when such person(s) engages in securities-related transactional activities, will be subject to Anubis' policies and procedures in addition to the Island Advisers' policies and procedures.

**B. REGISTERED FUTURES COMMISSION MERCHANT; COMMODITY POOL OPERATOR (“CPO”), COMMODITY TRADING ADVISOR OR ASSOCIATED PERSON**

C-III HY Directives IV LLC (“**HY Directives IV**”), a wholly-owned subsidiary of C-III that serves as the general partner of C-III High Yield Real Estate Debt Fund IV L.P. (“**HYREDF IV**”), is an exempt CPO for HYREDF IV.

Certain of the Island Advisers’ management persons or employees of the Island Advisers’ affiliates provide (and may in the future provide) services for HY Directives IV.

**C. OTHER RELATIONSHIPS OR ARRANGEMENTS**

The Island Advisers have other financial industry affiliations and activities (described below), and the Island Advisers and their affiliates have entered into (and may in the future enter into) transactions directly with (to the extent permitted by applicable law), and/or on behalf of, a Client, which may present certain conflicts of interest as described below.

***RELYING ADVISERS***

- (a) ICG Charge Me Directives provides investment advisory services and serves as the managing member of each ICG Charge Vehicle.
- (b) MV ESC Directives provides investment advisory services and serves as the managing member of each MV ESC Holdings Vehicle.
- (c) Island TLCC Directives provides investment advisory services and serves as the managing member of Island TLCC Ventures.

***GENERAL PARTNERS***

- (a) Island NYCRF Directives serves as the general partner of NYCRF I.
- (b) Island RF Directives IV serves as the general partner of RF IV.

Certain of the Island Advisers’ management persons or employees of the Island Advisers’ affiliates are providing (or may in the future provide) services for ICG Charge Me Directives, MV ESC Directives, Island TLCC Directives or a General Partner.

***OTHER FINANCIAL INDUSTRY AFFILIATES***

ICG Realty LLC (“**ICG Realty**”), a wholly-owned subsidiary of ICG, is licensed as a real estate brokerage firm in New York and provides commercial real estate brokerage services. An Island Adviser may retain ICG Realty in connection with the purchase or sale of a real estate asset to or from a Client and may earn or share in brokerage commissions or other fees paid by a Client upon the closing of the sale of assets by such Client as compensation for such real estate brokerage services.

C-III is a holding company that owns a number of operating entities that are engaged in the business of owning, controlling, operating, managing, servicing and providing other services related to real

estate and real estate-related assets. C-III is externally managed by Island C-III Manager LLC, an indirect subsidiary of ICG and an affiliate of the Island Advisers.

C-III and/or its affiliates have served (and may in the future serve) as the sponsor of pooled investment vehicles for which (i) C3IM or its affiliates have served (and may in the future serve) as investment manager, investment adviser or other similar capacity and (ii) an affiliate has served (and may in the future serve) as general partner or managing member.

C3IM, a wholly-owned subsidiary of C-III, is an SEC-registered investment adviser that began providing investment advisory services in 2011. C3IM serves as (i) investment manager to various collective investment vehicles that invest in real estate and real estate-related debt and/or equity investments, (ii) collateral manager for various issuers of collateralized debt obligations, and (iii) collateral administrator for various issuers of collateralized debt obligations.

C-III SA Management LLC, a wholly-owned subsidiary of C3IM that serves as a sub-advisor to a non-affiliated investment manager of a separate account, is a “relying adviser” of C3IM. C-III SAM is deemed to provide or has the authority to provide investment advisory services through C3IM’s single advisory business and (ii) is relying on C3IM’s registration with the SEC, in accordance with Form ADV’s General Instructions.

Certain other affiliates of C3IM serve as the general partner of pooled investment vehicle clients and rely on C3IM’s registration as an investment adviser in accordance with the 2005 SEC Letter and Form ADV’s General Instructions.

C-III Realty Services LLC, d/b/a NAI Global Capital Markets (“**NAI GCM**”), a wholly-owned subsidiary of C-III, is licensed as a real estate brokerage firm in New York and Tennessee. C-III Realty Services (Texas) LLC is licensed as a real estate brokerage firm in Texas. NAI GCM provides commercial real estate brokerage services. An Island Adviser may retain NAI GCM in connection with the purchase or sale of a real estate asset to or from a Client may earn or share in real estate brokerage commissions or other fees paid by a Client upon the closing of the sale of assets by such Client as compensation for such real estate brokerage services.

New America Network Inc. (“**NAI**”), a wholly-owned subsidiary of C-III, is a global network of independent commercial real estate brokerage firms, each of which is appropriately licensed. NAI is licensed as a real estate brokerage firm in New York. NAI Global of New York City, Inc. (“**NAI NY**”) is licensed as a real estate brokerage firm in New York. An Island Adviser may retain NAI and NAI NY in connection with the purchase or sale of a real estate asset to or from a Client and/or leasing services for an asset owned by a Client and may earn or share in real estate brokerage or leasing commissions or other fees paid by a Client as compensation for such real estate brokerage services. An Island Adviser may retain an independent NAI member firm in connection with the purchase or sale of a real estate asset to or from a Client and/or leasing services for an asset owned by a Client and may earn or share in leasing commissions paid by a Client as compensation for such real leasing services. In addition, an Island Adviser may enter into joint venture arrangements with independent NAI member firms with respect to the acquisition of investments by or for a Client, and such independent NAI member firms may provide additional services (such as acting as the operating partner, property manager and/or leasing agent) with respect to such underlying investment.

Exantas Real Estate Funding LLC, an indirect wholly owned subsidiary of C-III, is licensed as a Finance Lender in California.

Certain of the Island Advisers' management persons or employees of the Island Advisers' affiliates are providing (or may in the future provide) services for each of the Island Adviser affiliates mentioned above. For more information regarding the services provided by certain of the above Island Adviser affiliates, and the associated conflicts of interest, please see Items 5 and 8 above.

#### **D. RECOMMEND OTHER ADVISORS**

N/A

### **ITEM 11: CODE OF ETHICS, SUPERVISED PERSON CONDUCT, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

#### **A. CODE OF ETHICS**

The Island Advisers strive to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. As such, the Island Advisers have adopted a Code of Ethics (included in the Island Advisers' Compliance Manual) for its officers, employees and other persons who provide investment advice and related services on behalf of the Island Advisers (each, a "**Supervised Person**"), which describes the Island Advisers' high standard of business conduct and fiduciary duty to each Client.

The Island Advisers' Code of Ethics is designed to ensure that the activities and interests of each Supervised Person and the personal securities transactions of each Supervised Person that has access to information regarding a Client's investments or that are involved in making recommendations to a Client (or who have access to such recommendations) (each, an "**Access Person**") will not interfere with making and implementing decisions in the best interests of each Client, while at the same time allowing each Access Person to invest for his/her/their own account (consistent with applicable law, rules and regulations and the Code of Ethics). As such, the Code of Ethics contains policies and procedures that, among other things:

- requires each Supervised Person to place the interests of a Client first and prohibits a Supervised Person from taking personal advantage of an opportunity that belongs to a Client;
- requires each Supervised person to participate in initial compliance training with a member of the Island Advisers' compliance department and, as appropriate, annual compliance training thereafter, logs of which will be maintained by the Island Advisers' Chief Compliance Officer;
- requires each Access Person to conduct all personal investment transactions in compliance with the Code of Ethics and requires each Supervised Person to comply with the federal securities laws and all other applicable laws, rules and regulations;
- requires each Access Person to disclose upon hire and thereafter each personal securities account held by the Access Person or by such Access Person's spouse, minor children or others living in the Access Person's household;

- requires each Access Person to disclose upon hire and each quarter thereafter all securities holdings (other than those classes of securities designated as exempt) and securities transactions (i) by the Access Person or by such Access Person's spouse, minor children or others living in the Access Person's household and (ii) for which the Access Person has direct or indirect influence or control over investment decisions (including as a trustee or by providing discretionary advisory services);
- requires each Access Person to provide copies of monthly and/or quarterly account statements and trade confirmations for all securities transactions (other than transactions in those classes of securities designated as exempt) (i) by the Access Person or by such Access Person's spouse, minor children or others living in the Access Person's household and (ii) for which the Access Person has direct or indirect influence or control over investment decisions (including as a trustee or by providing discretionary advisory services);
- requires each Supervised Person to pre-clear any securities offered in an initial public offering, initial coin offerings or private placement (including investments in hedge funds, fund-of-funds, private equity funds, venture capital funds and other unregistered pooled investment vehicles);
- requires the Island Advisers' Chief Compliance Officer to monitor the activities of each Supervised Person and Access Person to ensure compliance with the Island Advisers' Code of Ethics and to prevent and detect violations of applicable law, violations of the Island Advisers' Code of Ethics and conflicts of interest between an Island Adviser and a Client; and
- requires each Supervised Person to acknowledge the terms of the Island Advisers' Code of Ethics upon hire and annually (or as amended) thereafter and to certify annually as to his/her/their compliance with the Island Advisers' Code of Ethics.

An investor or prospective investor may request a copy of IIM's Code of Ethics by contacting Lawrence S. Block, the Island Advisers' Chief Compliance Officer, at (212) 705-5090 or by e-mail at [lblock@islecap.com](mailto:lblock@islecap.com).

## **B. SUPERVISED PERSON CONDUCT**

The Island Advisers' Compliance Manual contains additional policies, procedures, prohibitions, reporting obligations and pre-clearance requirements that are designed to prevent Supervised Persons from engaging in activities that may interfere with making and implementing decisions in the best interests of a Client, including:

- prohibiting each Supervised Person from trading on the basis of, or misappropriating, material nonpublic or proprietary information (*i.e.*, insider trading);
- prohibiting each Supervised Person from purchasing or selling securities of any issuer on the Restricted Issuers List;
- prohibiting each Supervised Person from engaging in certain prohibited transactions, including market manipulation, front-running and trading on rumors;



- requiring each Supervised Person to obtain the prior written approval of the Island Advisers' Chief Compliance Officer before engaging in any transaction that involves the acquisition or disposition of a security of a CMBS trust or issuer of a CRE-CDO for an account (i) held by a Supervised Person or by such Supervised Person's spouse, minor children or others living in the Supervised Person's household and (ii) for which the Supervised Person has direct or indirect influence or control over investment decisions;
- requiring each Supervised Person to report and obtain the prior approval of the Island Advisers' Chief Compliance Officer before engaging in any outside business activity;
- requiring each Supervised Person to report any gift or entertainment (given or received) in excess of \$250 per recipient per year and to obtain the prior written approval of the Island Advisers' Chief Compliance Officer for any gift or entertainment (given or received) in excess of \$1,000 (\$1,500 for senior executives) per recipient per year;
- prohibiting each Supervised Person from giving or receiving any meals, gifts and/or entertainment from or to the independent auditing firm, or any member or employee of an independent auditing firm, who provides services to a Client or any Affiliated Investment Entity;
- prohibiting the Island Advisers and each Supervised Person from making corrupt payments to any officer or employee of a foreign government, a public international organization or any department or agency thereof or any person acting in an official capacity for such government or organization to obtain or retain business, to secure any improper advantage or to act in violation of any lawful duty; and
- requiring each Supervised Person to obtain the prior approval of the Island Advisers' Chief Compliance Officer before making any political contribution and to report each political contribution, and if a political contribution involves hosting a fundraising event, providing certain details about to fundraising event, and prohibiting certain political contributions in violation of applicable law, rule or regulation.

### **C. PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

The Island Advisers may in the future recommend to a Client, and in the future buy or sell for such Client, securities in which an Island Adviser (or an affiliate) has a material financial interest. To the extent a Client invests in a pooled investment vehicle that is advised by, or that has another business or other relationship with, an Island Adviser or its affiliates, such Client or its investors will bear not only the direct Management Fees and expenses of the Client, but also the expenses and fees associated with the Client's investment in the underlying pooled investment vehicle, some of which fees and expenses may be paid to an Island Adviser or its related persons. Additionally, the interests of the Client, as an investor, may conflict with the interests of the underlying pooled investment vehicle owned by the Client, or an Island Adviser's related persons in their capacity as a service provider to the underlying pooled investment vehicle, which would create a conflict of interest for the Island Adviser.

In the future, an Island Adviser and/or its affiliates may engage in principal, agency cross or cross transactions with or for a Client, consistent with the Advisers Act, SEC rules, the policies and

procedures set forth in the Island Advisers' Compliance Manual and a Client's Governing Documents.

The Island Advisers and their affiliates may in the future cause a Client to purchase investments from another client, or to sell investments to another client. Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, a Client or such other client may not receive the best price otherwise possible, or an Island Adviser might have an incentive to improve the performance of one client by selling underperforming assets to another client in order, for example, to earn fees. In connection with such transactions, an Island Adviser, its affiliates and/or their professionals (i) will, from time to time, have significant investments, or intentions to invest, in the Client that is selling and/or purchasing such an investment or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment). An Island Adviser and its affiliates may receive management or other fees in connection with their management of the relevant clients involved in such a transaction, and may also be entitled to share in the investment profits of the relevant clients.

To address these conflicts of interest, in connection with effecting such transactions, each Island Adviser will follow any investment allocation requirements set forth in the Client's Governing Documents. To the extent such matters are not addressed in the governing documents, the Island Advisers' Chief Compliance Officer and, in certain cases, the Client's advisory committee, will be responsible for confirming that the Island Adviser (i) considers its respective duties to each Client, (ii) determines whether the purchase or sale and price or other terms are comparable to what could be obtained through an arm's length transaction with a third party on commercially reasonable terms, and (iii) obtains any required approvals of the transaction's terms and conditions. The Client will not directly or indirectly receive any commission or other transaction-based compensation for effecting any such transaction, and the Island Adviser will not effect any such transaction for any client where an Island Adviser is deemed to own more than 25% of a Client, unless such transaction complies with the requirements of the Island Advisers' "principal transactions" policy, as described below.

Section 206 under the Advisers Act regulates "principal transactions" among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Very generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a "principal transaction"), the adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client's consent to the transaction. In connection with an Island Adviser's management of a Client, an Island Adviser and its affiliates may engage in principal transactions. The Island Advisers have established certain policies and procedures to comply with the requirements of the Advisers Act related to principal transactions, including that disclosures required by Section 206 of the Advisers Act be made to the applicable Client(s) regarding any proposed principal transactions and that any required prior consent to the transaction be received.

The Island Advisers' Chief Compliance Officer will, on not less than an annual basis, review and assess the adequacy of the policies and procedures relating to the above transactions and the effectiveness of their implementation. The annual review shall also include a description of the need, if any, for revisions to these policies and procedures. The Island Advisers' Chief Compliance Officer shall document such testing, which shall be maintained as a record of the Island Adviser and each affected Client.

For information regarding the allocation of investment opportunities to the Island Advisers that may be appropriate for one or more Clients, and the associated conflicts of interest, please see Item 8 above.

**D. INVESTING IN ASSETS RECOMMENDED OR HELD BY A CLIENT**

The Island Advisers, their affiliates and Affiliated Investment Entities may in the future invest in the same (or related) assets that are held by, or recommended to, a Client.

**E. PURCHASE AND SALES OF SECURITIES BY RELATED PERSONS**

Generally, the Island Advisers do not recommend a security to a Client, or buy or sell a security for a Client account, at or about the same time that it buys or sells the same security for its own account, although it may do so on occasion occur. In the event that a security is potentially an appropriate investment opportunity for a Client, the applicable Island Adviser will present the opportunity to the Client's Investment Committee for consideration, and only in the event that the Client's Investment Committee declines to pursue the investment opportunity will the Island Adviser consider the investment opportunity for its own (or an affiliate's) account. Notwithstanding the foregoing, in the event the Client's Investment Committee determines to acquire only a portion of the investment opportunity presented, the Island Adviser may from time to time acquire the balance of the investment opportunity for its own account.

In addition, there may be instances where different securities of a particular issuer may be appropriate investment opportunities for both a Client and an Island Adviser or an affiliate. The Island Adviser shall only pursue the investment opportunity if the Client's Investment Committee has determined that the security being considered by it is not an appropriate investment opportunity for such Client.

Officers, principals and employees of the Island Advisers and their affiliates may also buy securities in transactions offered to but rejected by a Client. In addition, officers, principals and employees of the Island Advisers and their affiliates may seek to accommodate a Client and buy securities from such Client (for example, if such Client is required to divest from such investment on off-market terms for legal, regulatory or other similar reasons). In those circumstances, a conflict of interest may arise because such investing personnel will, for some investments, benefit from the evaluation, investigation, and due diligence undertaken by an Island Adviser on behalf of the Client. In such circumstances, the investing personnel will not share or reimburse the relevant Client and/or Island Adviser for any expenses incurred in connection with the investment opportunity. The transactions described above are subject to the policies and procedures set forth in the Island Advisers' Code of Ethics and Compliance Manual, and a Client and its investors will not benefit from any such investments.

Officers, principals and employees of the Island Advisers and their affiliates may also buy securities in transactions in which a Client invests. The investment policies, fee arrangements and other circumstances of these investments may vary from those of a Client. If officers, principals and employees of the Island Advisers have made large capital investments in or alongside a Client, they may have conflicting interests with respect to these investments.

**ITEM 12: BROKERAGE PRACTICES****A. SELECTING OR RECOMMENDING BROKER-DEALERS FOR CLIENT TRANSACTIONS**

Unless otherwise specified in a Client's Governing Documents, the Island Advisers have the authority to determine for each Client, without obtaining specific Client consent (except as otherwise provided below), (i) the securities to be bought or sold, (ii) the amount of the securities to be bought or sold, (iii) the broker or dealer to be used and (iv) if applicable, the commission rates paid. Limitations on an Island Adviser's authority are guided by, among other things, (a) its responsibility to serve as a fiduciary when servicing a Client's account, (b) its duty to seek to obtain "best execution," (c) the investment strategies and objectives of each Client and (d) a Client's Governing Documents. The Island Advisers are required to obtain consent of a Client and/or its investors (or the consent of the advisory committee of the Client) for any principal transaction involving an Island Adviser, an affiliate and one or more Clients and may be required to obtain consent of a Client and/or its investors (or the consent of the Client's advisory committee) for any affiliate or cross transaction involving an Island Adviser, an affiliate and one or more Clients.

In determining which broker or dealer to use, the Island Advisers seek to obtain "best execution" with respect to its securities transactions for a Client. The Island Advisers evaluate the character of the market for the security, including, but not limited to, the security's price, volatility and liquidity, as well as the size and type of transaction. Specifically, in making any such determination, an Island Adviser considers a number of factors, including, but not limited to:

- the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any);
- the operational efficiency with which transactions are effected and the efficiency of error resolution, taking into account the size of order and difficulty of execution;
- the financial strength, integrity and stability of the broker;
- special execution capabilities;
- clearance;
- settlement;
- reputation;
- on-line pricing;
- block trading and block positioning capabilities;
- willingness to execute related or unrelated difficult transactions in the future;
- order of call;
- on-line access to computerized data regarding each Client's account;

- custodial (and other) services provided by such brokers and/or dealers that may potentially enhance the Island Advisers' general portfolio management capabilities;
- performance measurement data;
- financing terms;
- the quality, comprehensiveness and frequency of available research and related services considered to be of value (including economic forecasts, investment strategy advice, fundamental and technical advice on individual securities, valuation advice and market analysis);
- provision of the opportunity to participate in capital introduction events sponsored by the broker-dealer; and
- commission-sharing agreements that are in effect at the time of the transaction.

The Island Advisers are not required to weigh any of these factors equally.

In selecting a broker-dealer to execute a transaction (or a series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Island Advisers are not required to solicit competitive bids and is not required to seek the lowest available commission cost. The Island Advisers do not negotiate "execution only" commission rates; therefore, a Client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate (see below).

## **1. RESEARCH AND OTHER SOFT DOLLAR BENEFITS**

While the Island Advisers do not enter into traditional "soft dollar" arrangements, the Island Advisers do not have "execution only" commission rates; thus, an Island Adviser may receive, and a Client may be deemed to be paying for, research and related products and services provided by the broker-dealer executing a trade that are included in the commission rate. Research and related products or services furnished by a broker-dealer will be limited to services that constitute research within the meaning of Section 28(e) of the Securities and Exchange Act of 1934, as amended. Accordingly, research and related products or services may include, but are not limited to: written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts, as well as discussions with research personnel; financial and industry publications; quantitative analytical software; market data-related software and services; statistical and pricing services utilized in the investment process; and databases and other technical services utilized in the investment management process. Research and related products or services may include both proprietary research created or developed by the broker-dealer and research created or developed by a third party. Research services obtained by the use of commissions arising from a Client's portfolio transactions may not only benefit such Client's investing, but may benefit one or more Affiliated Investment Entities and/or may be used by an Island Adviser in its other investment activities.

When an Island Adviser uses Client brokerage commissions to obtain research or other products or services, it may receive a benefit because it does not have to produce or pay for the

research, products or services. The receipt of research and other “soft dollar” benefits from broker-dealers may provide an incentive for an Island Adviser to select or recommend a broker-dealer based on the Island Adviser’s interest in receiving the research or other products or services, rather than on its Client’s interest in receiving the most favorable execution. Using a broker-dealer that provides an Island Adviser with research or other “soft-dollar” benefits may cause a Client to pay commissions higher than the commissions charged by broker-dealers who do not provide such research or “soft-dollar” benefits.

An Island Adviser may acquire the following types of research and related products and services from broker-dealers with whom it expects to conduct business: written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts, as well as discussions with research personnel; financial and industry publications; market data-related services; statistical and pricing services utilized in the investment process; and databases and other technical services utilized in the investment management process. An Island Adviser may direct certain Client transactions to a particular broker-dealer in return for research and other “soft dollar” benefits.

## **2. BROKERAGE FOR CLIENT REFERRALS**

In selecting or recommending broker-dealers, the Island Advisers do not consider whether it or a related person receives Client referrals from a broker-dealer or third party.

## **3. DIRECTED BROKERAGE**

The Island Advisers do not recommend, request or require that a Client direct it to execute transactions through a specified broker-dealer (“directed brokerage”).

## **4. AGGREGATE ORDERS FOR VARIOUS CLIENT ACCOUNTS**

The Island Advisers do not contemplate aggregating any securities to be purchased or sold for its Clients.

In the event that an Island Adviser determines to buy or sell the same security on behalf of more than one Client in the future, the Island Adviser will use its best efforts to aggregate (to the extent permitted by applicable law, rule and regulation) the securities to be purchased or sold in order to seek more favorable prices, lower brokerage commissions or more efficient execution.

## **5. TRADE ERROR POLICY**

While it is the policy of the Island Advisers to use the utmost care in making and implementing investment decisions on behalf of a Client, trade errors may inevitably occur. The Island Advisers view a trade error as involving an unintentional mistake in placing a trade or in making an investment decision that is not detected until after the trade is settled and for which an Island Adviser is responsible. Trade errors include, but are not limited to: (i) purchasing an investment not legally permitted for a Client, or not within a Client’s investment guidelines; (ii) purchasing or selling the wrong investment for a Client; (iii) purchasing or selling an investment for the wrong investment entity; (iv) purchasing the wrong amount of an investment for a Client; or (v) allocating an investment to the wrong investment entity. A trade error does



not include an intentional act, an error that is corrected prior to settlement or an error that is clearly the fault of an unaffiliated third party, such as an executing broker.

To the extent that a trade error occurs, it is the policy of the Island Advisers to correct such error as soon as practicable and in such a manner whereby the Client incurs no loss. Because each trade error presents a unique set of facts, each will be resolved on a case-by-case basis. However, when correcting a trade error, an Island Adviser shall not: (i) pass the cost of losses on to the Client; (ii) use soft dollar credits with broker-dealers to cover losses; (iii) use Affiliated Investment Entities to correct errors; or (iv) enter into an agreement with an executing broker to absorb any correction costs. Prior to the settlement of a trade, an Island Adviser may reverse out a trade error. After settlement of a trade, an Island Adviser must ensure that the guidelines detailed above are enforced.

### **ITEM 13: REVIEW OF ACCOUNTS**

#### **A. CLIENT ACCOUNT REVIEWS**

IIM has an Investment Committee, a Chief Investment Officer, an acquisitions team and asset managers for each IIM Client, and each IIM Client may have its own investment committee (each, an “**Investment Committee**”). Such Investment Committee, Chief Investment Officers, portfolio managers, acquisitions team members and/or asset managers are responsible for recommending acquisitions and dispositions of Client assets and monitoring and reviewing on an on-going basis the investment portfolio of the IIM Client for which it is responsible. Each IIM Client’s Investment Committee (if applicable) reviews each investment recommendation(s) made by IIM’s Investment Committee for such Client and may approve, reject or take other action with respect to such recommendation.

Certain officers and/or Supervised Persons of ICG Charge Me Directives, MV ESC Directives and Island TLCC Directives are responsible for reviewing and monitoring the investments held by each ICG Charge Vehicle, each MV ESC Holdings Vehicle and Island TLCC Ventures, respectively.

#### **B. CONTENT AND FREQUENCY OF REGULAR REPORTS**

An investor in an IIM Client generally receives quarterly and annual financial information for such Client, including, for each quarter, a summary description of (i) each investment, (ii) any material event or development regarding the Client’s investments and (iii) each disposition of an investment, during such quarterly period.

An investor member in an Access Vehicle receives the information specified in the applicable Access Vehicle Governing Documents.

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

#### **A. COMPENSATION RECEIVED BY THE ISLAND ADVISERS FOR CLIENT REFERRALS**

The Island Advisers do not receive any compensation for the referral of Clients or investors to any other managers for the provision of advisory services.

## **B. COMPENSATION PAID BY THE ISLAND ADVISERS OR RELATED PERSONS FOR CLIENT REFERRALS**

An Island Adviser may compensate affiliates for referring a prospective advisory client (or a prospective investor in a Client) to it, and may in the future compensate third parties or affiliates for referring a prospective advisory client (or a prospective investor in a Client) to it (collectively, such persons are “**Promoters**”). All such referral arrangements by Promoters are at no additional cost to the Clients (or investors). The manner and amount of compensation to be paid in connection with these arrangements between an Island Adviser and the Promoter(s) is subject to negotiation between the Island Adviser and the applicable Promoter. Such referral fees are based on (i) a flat fee for the investment by such Client (or investor), (ii) a percentage of the Management Fees and/or performance-based compensation earned by the Island Adviser or its affiliates from such Client (or investor), or (iii) a combination of (i) and (ii). Such compensation may include a one-time payment or ongoing payments for the duration of the investment advisory relationship between the Island Adviser and the Client (or investor). These referral arrangements will conform to Rule 206(4)-1 under the Advisers Act. At the time of solicitation or referral, the following information is provided to a prospective advisory client (or prospective investor in a Client): (i) whether the Promoter is an investment advisory client of an Island Adviser, (ii) whether any form of compensation was provided for the referral (i.e., cash, non-cash, any economic benefit) and (iii) a brief statement of any material conflicts of interests of the Promoter. The prospective advisory client (or prospective investor in a Client) will not pay any portion of any referral fee and will not pay any additional fees to the Island Adviser with respect to the advisory services provided by the Island Adviser as a result of such arrangements with Promoters.

An Island Adviser may engage one or more affiliates, rather than an independent third party, to provide certain services to a Client. The Island Advisers believe that the use of affiliates to provide such services rather than an independent third party is beneficial to a Client. The Island Advisers will monitor the fees charged by each such affiliate to a Client to ensure that they are reasonable relative to the fees charged by independent third party service providers. See also Items 5.C, 8.B and 10.C above.

## **ITEM 15: CUSTODY**

Each Client’s cash and securities are required to be maintained by a “qualified custodian” in such Client’s name, unless the security is otherwise exempt from this requirement (*e.g.*, certain privately offered securities).

The general partner/managing member of a Client is deemed to have “custody” of the assets of such Client.

## ***IIM CLIENTS***

The financial statements of each IIM Client are or will be (i) prepared in accordance with GAAP, (ii) audited by an independent accounting firm that is registered with, and subject to regular examination by, the Public Company Accounting Oversight Board (“**PCAOB**”) and (iii) distributed to the Client’s investors (a) within 120 days following such Client’s fiscal year end and (b) promptly after liquidation (items (i) through (iii), collectively the “**Custody Requirements**.” Accordingly, IIM is exempt from the requirements of certain aspects of Rule 206(4)-2 under the Advisers Act for such Clients.

In that event that one or more of the Custody Requirements are not satisfied for an IIM Client, then the IIM Client will (i) have an independent accountant that is registered with, and subject to examination by, the PCAOB verify the cash and securities of such Client by a surprise examination conducted on an annual basis pursuant to a written agreement, (ii) ensure that certain securities that would otherwise be exempt if the Custody Requirements were satisfied are held by a “qualified custodian,” (iii) provide notice containing certain information regarding such IIM Client’s “qualified custodian(s)” and (iv) have a reasonable basis, after due inquiry, for believing that such IIM Client’s “qualified custodian” sends an account statement, at least quarterly, to such IIM Client identifying the amount of cash and each security of the IIM Client held by such “qualified custodian” at the end of the period and each transaction by the IIM Client in such account during that period. The independent accountant will make certain disclosures with the SEC and notify the SEC within one business day of any material discrepancies discovered during the course of the surprise custody examination. To the extent IIM sends any statements directly to such IIM Client or its investors, such statements include a legend that cautions such IIM Client and each of its investors to compare the statements sent by IIM with any statements sent by such Client’s “qualified custodian(s).”

### ***ACCESS VEHICLES***

The financial statements for each Access Vehicle will not satisfy the Custody Requirements. Accordingly, each Access Vehicle (i) is expected to have an independent accountant that is registered with, and subject to examination by, the PCAOB verify the cash and securities of each Access Vehicle by a surprise examination conducted on an annual basis pursuant to a written agreement, (ii) will ensure that certain securities that would otherwise be exempt if the Custody Requirements were satisfied are held by a “qualified custodian,” (iii) provides notice to the investor members of each Access Vehicle containing certain information regarding each Access Vehicle’s “qualified custodian(s)” and (iv) has a reasonable basis, after due inquiry, for believing that each Access Vehicle’s “qualified custodian(s)” send(s) or makes available electronically an account statement, at least quarterly, to the investor members of each Access Vehicle identifying the amount of cash and each security of each Access Vehicle held by such “qualified custodian” at the end of the period and each transaction by each Access Vehicle in such account during such period. The independent accountant shall make certain disclosures with the SEC and notify the SEC within one business day of any material discrepancies discovered during the course of the surprise custody examination. To the extent that an Access Vehicle Adviser sends any statements directly to an Access Vehicle or its investor members, such statements shall include a legend that cautions such Access Vehicle and each of its investor members to compare the statements sent by the Access Vehicle Adviser with any statements sent by such Access Vehicle’s “qualified custodian(s).”

### **ITEM 16: INVESTMENT DISCRETION**

Each Island Adviser has the authority to recommend each investment decision for each Client, subject to compliance with the investment criteria, policy and guidelines contained in the Governing Documents of the relevant Client and ICG’s and C-III’s Allocation Policies and Procedures. For an IIM Client, such criteria, policy and guidelines include, among other things: approval by such Client’s Investment Committee; and approval by such Client’s investors or advisory committee with respect to any affiliate (principal or cross) transaction between the IIM Client, on the one hand, and IIM, an affiliate or an Affiliated Investment Entity, on the other hand.

Each Island Adviser has discretion to recommend the investments to be acquired and/or sold, the amount of Client capital to be invested, the broker-dealers to execute transactions and the price and timing of a Client’s purchases and sales.

**ITEM 17: VOTING CLIENT SECURITIES**

A Client does not often receive proxies and, accordingly, an Island Adviser is generally not called upon to vote proxies. If an Island Adviser were to receive a proxy on behalf of a Client and is requested or required to vote a proxy, the Island Adviser will consider, among other things, the financial interests of the applicable Client and the recommendation of management on the particular issue.

In reviewing the proxy statements, the Island Adviser will seek to identify any potential conflict of interest with the company (and, in the case of an Access Vehicle, the Underlying Company) and determine, on a case-by-case basis, if the conflict is material. If material, the Island Adviser will determine, in light of all the facts then currently available, the manner by which to proceed. This may, or may not include abstention from voting such proxy. The Island Adviser will document its decision making process with respect to resolving material conflicts of interest.

The Island Advisers have adopted Proxy Voting Policies and Procedures as set forth in the Island Advisers' Compliance Manual whereby the Island Advisers exercise discretion to vote proxies for Client securities. A copy of these policies and procedures, as well as a record of all proxy decisions and any documentation maintained with respect to proxy votes, is available to each Client and each existing and prospective investor by contacting Lawrence S. Block, the Island Advisers' Chief Compliance Officer, at (212) 705-5090 or by e-mail at [lblock@islecap.com](mailto:lblock@islecap.com).

**ITEM 18: FINANCIAL INFORMATION****A. PREPAYMENT**

The Island Advisers do not require or solicit prepayment in advance.

**B. FINANCIAL CONDITION DISCLOSURES**

The Island Advisers are not aware of any financial condition or commitment that is reasonably likely to impair its ability to satisfy its contractual and fiduciary commitments to a Client.

**C. BANKRUPTCY**

The Island Advisers have never been the subject of a bankruptcy proceeding.

**ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

Not applicable.

**MISCELLANEOUS: ADDITIONAL INFORMATION****A. RELYING ADVISERS**

IIM (the filing adviser) and ICG Charge Me Directives, MV ESC Directives and Island TLCC Directives (each, a relying adviser) are together filing a single Form ADV in accordance with Form ADV's General Instructions.

**B. OTHER ADVISERS RELYING ON THE REGISTRATION OF IIM**

Each General Partner (as described in Section 4.B. above) is relying on IIM's registration under the Advisers Act and is not registering itself, in accordance with the 2005 SEC Letter and Form ADV's General Instructions.

**C. BUSINESS CONTINUITY PLAN**

The Island Advisers are covered under ICG's and C-III's Business Continuity Plan. ICG's and C-III's Business Continuity Plan is drafted with the expectation that in the event of a significant business disruption, ICG, C-III and/or their affiliates (including the Island Advisers) shall, as quickly as practicable and to the extent reasonably feasible given the scope and severity of the significant business disruption: safeguard each Supervised Person and property; recover and resume business operations; make financial and operational assessments; protect its books and records, including Client and investor information; and assist investors to transact business.

A copy of ICG's and C-III's Business Continuity Plan Summary is available to each Client and each existing investor in a Client by contacting Lawrence S. Block, the Island Advisers' Chief Compliance Officer, at (212) 705-5090 or by e-mail at [lblock@islecap.com](mailto:lblock@islecap.com).

**D. PRIVACY POLICIES AND PROCEDURES**

The Island Advisers have adopted Privacy Policy and Procedures as set forth in the Island Advisers' Compliance Manual and distributes a Privacy Policy Notice to each existing and prospective investor upon entering into an advisory relationship and annual thereafter that explains the manner in which the Island Adviser and its affiliates collect, utilize and maintain non-public personal information about investors who are individuals, as required under federal and other applicable law. Each Island Adviser is committed to protecting its Client's and each investor's privacy and maintaining the confidentiality and security of an investor's personal information and restricts access to personal account information to those Supervised Persons who need to know that information to provide the Island Advisers' products and services. The Island Advisers also maintain appropriate physical, electronic and procedural safeguards to guard each Client's and each investor's non-public personal information.

A copy of the Island Advisers' Privacy Policy Notice is posted on ICG's website at [www.islandcapital.com](http://www.islandcapital.com) and is available to each Client and each existing and prospective investor in a Client by contacting Lawrence S. Block, the Island Advisers' Chief Compliance Officer, at (212) 705-5090 or by e-mail at [lblock@islecap.com](mailto:lblock@islecap.com).

*[End of Brochure]*