



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

C-III INVESTMENT MANAGEMENT LLC

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DATE OF BROCHURE: MAY 31, 2012

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This Brochure provides information about the qualifications and business practices of C-III Investment Management LLC (“**C-III IM**”) and certain of its subsidiaries and affiliates that are either (a) organized as general partners or managing members of its private investment funds and other clients and are relying on C-III IM’s registration as an investment adviser or (b) considered “relying advisers” (all such subsidiaries and affiliates, together with C-III IM, collectively, “**C-III**”). If you have any questions about the contents of this Brochure, please contact Lawrence Block, C-III’s Chief Compliance Officer, directly at (212) 705-5090 or by e-mail at lblock@c3cp.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 C-III also is available on the SEC’s website at www.adviserinfo.sec.gov.

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

ITEM 2: MATERIAL CHANGES

The material changes to this Brochure since C-III IM's previous Brochure dated March 30, 2012 are as follows:

- identifying JER Debt Co-Investment Advisors, L.P., a Delaware limited partnership and the general partner of JER US Debt Co-Investment Vehicle, L.P., as a new “relying adviser” of C-III IM;
- identifying JER US Debt Co-Investment Vehicle, L.P., a Delaware limited partnership, as a new private fund client; and
- updating the number of clients and regulatory assets under management.

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ITEM 4: ADVISORY BUSINESS

A. BACKGROUND

C-III Investment Management LLC (“**C-III IM**”), a Delaware limited liability company, is an SEC-registered investment adviser that began providing investment advisory services in 2011. It is wholly-owned by C-III Capital Partners LLC (“**C3CP**”), a Delaware limited liability company. C3CP is an operating company formed in 2010 that, in turn, owns a number of operating entities (in addition to C-III IM) 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. (The operating companies in the financial industry owned by C3CP are described in Item 10 below.) C3CP is controlled, indirectly, by Island Capital Group LLC (“**ICG**”), a Delaware limited liability company of which Andrew L. Farkas is the managing member. ICG is a private real estate merchant banking firm formed in 2003.

B. TYPES OF ADVISORY SERVICES OFFERED

C-III IM

C-III IM serves as (i) investment adviser to various private investment funds (or their general partner, managing member or investment manager for the benefit of such private funds) that invest in real estate and/or real estate-related debt and/or equity investments (“**C-III IM Funds**”), (ii) collateral manager for various issuers of collateralized debt obligations (“**Managed CDOs**”) and (iii) collateral administrator for various issuers of collateralized debt obligations (“**Static CDOs**”).

RELYING ADVISERS

Certain affiliates of C-III IM (the “**Relying Advisers**”) also provide investment advisory services, as follows:

- (a) C-III JERIT Manager LLC (“**JERIT Manager**”), a wholly-owned subsidiary of C-III IM, serves as the external manager for JER Investors Trust Inc., a real estate investment trust (the “**JERIT**”);
- (b) JER 2006 Manager LLC (“**JER Manager**”), a wholly-owned subsidiary of C-III IM, serves as the collateral administrator for a collateralized debt obligation (“**JER 2006 CDO**”) issued by JERIT;
- (c) JERIT serves as the collateral administrator for a collateralized debt obligation (“**JER 2005 CDO**”) issued by it; and
- (d) JER Debt Co-Investment Advisors, L.P. (“**JER US Debt Fund Advisors**”), a limited partnership for which C-III JERIT Manager serves as general partner and JERIT serves as one of the limited partners, serves as the general partner of JER US Debt Co-Investment Vehicle, L.P. (“**JER US Debt Fund**”).

The Relying Advisers (i) comprise the C-III group of “relying advisers,” (ii) provide, are deemed to provide or have the authority to provide investment advisory services through C-III IM’s single advisory business and (iii) are relying on C-III IM’s registration with the SEC, in accordance with

the Letter dated January 12, 2012 from the SEC's Office of Investment Adviser Regulation, Division of Investment Management to the American Bar Association, Business Law Section ("**2012 SEC Letter**"). See also "Miscellaneous; Additional Information" below.

OTHER ADVISERS RELYING ON THE REGISTRATION OF C-III IM

Certain other affiliates of C-III IM (the "**Affiliates**") serve as general partner, managing member and/or investment manager of the Funds, as follows:

- (a) C-III RFI Directives LLC ("**RFI Directives**"), a wholly-owned subsidiary of C3MM Holdings LLC ("**C3MMH**"), which in turn is a wholly-owned subsidiary of C3CP, serves as the general partner of C-III Recovery Fund I L.P. ("**RFI**");
- (b) C-III HY Directives I LLC ("**HY Directives**"), a wholly-owned subsidiary of C3MMH, serves as the general partner of C-III High Yield Real Estate Debt Fund I L.P. ("**HYREDF**");
- (c) C3 HY II Directives LLC ("**HY II Directives**"), a wholly-owned subsidiary of C3MMH, serves as the managing member of LCCG High Yield CMBS Fund II LLC ("**HY II Fund**");
- (d) C3 Divi II Directives LLC ("**Divi II Directives**"), a wholly-owned subsidiary of C3MMH, serves as the managing member of LCCG Diversified Risk CMBS Fund II, LLC ("**Divi II Fund**");
- (e) C3 Fund III Directives LLC ("**Fund III Directives**"), a wholly-owned subsidiary of C3MMH, serves as the managing member of LCCG High Yield CMBS Fund III LLC ("**Fund III**");
- (f) C3 CRESS Directives LLC ("**CRESS Directives**"), a wholly-owned subsidiary of C3MMH, serves as the managing member of LCCG Real Estate Special Situations Mortgage Fund, L.L.C. ("**CRESS Fund**");
- (g) CUCA LLC ("**CUCA**"), a wholly-owned subsidiary of C3MMH, serves as the managing member of CUC I, LLC ("**CUC I**");
- (h) ICG serves as the managing member of Island Fund I LLC ("**IFI**");
- (i) Island Directives III LLC ("**ID III Directives**"), an indirect subsidiary of ICG, serves as the general partner of Island Fund III L.P. ("**IF III**");
- (j) Insignia Opportunity Directives, LLC ("**IOP Directives**"), an indirect subsidiary of IFI, serves as the general partner of Insignia Opportunity Partners L.P. ("**IOP**");
- (k) Insignia Opportunity Directives II, LLC ("**IOP II Directives**"), an indirect subsidiary of IFI, serves as the general partner of Insignia Opportunity Partners II L.P. ("**IOP II**");
- (l) IFI serves as the investment manager of IOP and IOP II.

The Affiliates are Supervised Persons (as defined in Item 11 below) of C-III IM and intend to conduct their activities in accordance with the Investment Advisers Act of 1940, as amended (the

“**Advisers Act**”) and the rules thereunder. Employees of the Affiliates and other affiliates of C-III IM, and other persons acting on their behalf, are subject to the supervision and control of C-III IM, including being subject to C-III IM’s investment adviser compliance policies and procedures. The Affiliates are relying on C-III IM’s registration under the Advisers Act and are not registering themselves, 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**”).

All references herein to “**C-III**” shall include C-III IM, the Relying Advisers and the Affiliates. Unless otherwise indicated, all references herein to “**CDOs**” shall include the Managed CDOs, the Static CDOs, JER 2005 CDO and JER 2006 CDO. All references herein to “**Funds**” shall include the C-III IM Funds and the JER US Debt Fund. All references herein to “**Clients**” shall include the Funds, the CDOs and JERIT.

C. CLIENT INVESTMENT GUIDELINES AND PARAMETERS

FUNDS

C-III IM provides investment advisory services to the C-III IM Funds (or the Affiliates for the benefit of the particular C-III IM Fund) pursuant to an investment advisory agreement (each, an “**Investment Advisory Agreement**”) between each C-III IM Fund (or the Affiliate) and C-III IM. C-III IM also operates in accordance with the terms set forth in the limited partnership agreement or limited liability company agreement of each C-III IM Fund, which includes specific information concerning the operation and management of such C-III IM Fund. C-III IM generally has the authority to recommend all investment decisions for each C-III IM Fund, subject to compliance with the investment criteria contained in the governing documents of the relevant C-III IM Fund. Such criteria generally include, among other things, (i) approval by the applicable Affiliate, (ii) approval by the C-III IM Fund’s independent representative(s) (if applicable) with respect to any principal transactions between the C-III IM Fund and C-III IM or an affiliate and (iii) review and approval by a C-III IM Fund’s advisory committee (if applicable). See also Item 16 below.

C-III IM identifies investment opportunities for the C-III IM Funds and participates in the acquisition, management, monitoring and disposition of each C-III IM Fund’s investments. Except for the initial determination as to a person’s qualifications for investment in each C-III IM Fund, the individual needs of the limited partners or members in each C-III IM Fund are not considered in the management of the C-III IM Funds and are not the basis of investment decisions by C-III IM. Investment advice is provided directly to each C-III IM Fund (or the Affiliate) and not individually to each of the C-III IM Fund’s investors.

The Affiliates are also deemed to provide investment advisory services to the particular C-III IM Funds.

JER US Debt Fund Advisors serves as the general partner for JER US Debt Fund pursuant to a limited partnership agreement between JER US Debt Fund and JER US Debt Fund Advisors (the “**JER US Debt Fund LPA**”). Pursuant to the JER US Debt Fund LPA, JER US Debt Fund Advisors, subject to the Investment Guidelines set forth in Annex A of the JER US Debt Fund LPA, is responsible for providing investment advisory services to JER US Debt Fund, including

(i) serving as JER US Debt Fund's consultant with respect to the evaluation, purchase, origination, negotiation, structuring, monitoring and disposition of investments, (ii) serving as JER US Debt Fund's consultant with respect to decisions regarding any financings, securitizations, hedging activities or borrowing, (iii) coordinating and supervising various service providers for JER US Debt Fund and (iv) providing certain general management services relating to the day-to-day operations and administration of JER US Debt Fund.

Most Funds are closed to new investors, although a new or existing Fund may offer interests in the future. Interests in Funds 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.

CDOs

C-III IM provides collateral management services for the Managed CDOs pursuant to a collateral management agreement among each Managed CDO, its trustee and C-III IM (each, a "**CDO Management Agreement**"). As collateral manager, C-III IM generally has the authority to make all investment decisions for each Managed CDO, subject to compliance with the investment criteria contained in the governing documents of the relevant Managed CDO. Such criteria generally include, among other things, in the case of an acquisition of an investment asset by a Managed CDO, (i) approval by the independent member of such Managed CDO's advisory or investment committee, as applicable, with respect to any principal transaction between the Managed CDO and C-III IM or an affiliate and (ii) approval by one or more rating agencies. See also Item 16 below.

C-III IM provides collateral administration services for the Static CDOs pursuant to a collateral administration agreement and/or pooling and servicing agreement among each Static CDO, its trustee and C-III IM (each, a "**CDO Administration Agreement**"). As collateral administrator, C-III IM monitors the assets of each Static CDO and notifies the trustee of any defaulted securities.

JERIT serves as collateral administrator for JER 2005 CDO pursuant to a collateral administration agreement between JER 2005 CDO and JERIT (the "**JER 2005 CDO Administration Agreement**"). As collateral administrator, JERIT generally has the authority to make all investment decisions for JER 2005 CDO, subject to compliance with the investment criteria contained in the governing documents of JER 2005 CDO. JERIT Manager will make these decisions on behalf of JERIT. See also Item 16 below.

JER Manager serves as collateral administrator for JER 2006 CDO pursuant to a collateral administration agreement between JER 2006 CDO and JER Manager (the "**JER 2006 CDO Administration Agreement**"). As collateral administrator, JER Manager generally has the authority to make all investment decisions for JER 2006 CDO, subject to compliance with the investment criteria contained in the governing documents of JER 2006 CDO. See also Item 16 below.

JERIT

JERIT Manager serves as the external manager for JERIT pursuant to a management agreement between JERIT and JERIT Manager (the “**JERIT Management Agreement**”). Pursuant to the JERIT Management Agreement, JERIT Manager, subject to the supervision and direction of JERIT’s board of directors, is responsible for providing investment advisory services to JERIT, including (i) serving as JERIT’s consultant with respect to the evaluation, purchase, origination, negotiation, structuring, monitoring and disposition of investments by JERIT, (ii) serving as JERIT’s consultant with respect to decisions regarding any financings, securitizations, hedging activities or borrowing undertaken by JERIT, (iii) coordinating and supervising various service providers for JERIT and (iv) providing certain general management services to JERIT relating to the day-to-day operations and administration of JERIT, including making investment decisions for JER 2005 CDO, subject to compliance with the investment criteria contained in the governing documents of JER 2005 CDO. See also Item 16 below.

D. WRAP FEE PROGRAMS

C-III does not participate in wrap programs.

E. CLIENT ASSETS UNDER MANAGEMENT

As of the date of this Brochure, C-III manages 25 Client accounts with aggregated regulatory assets under management of \$4,131,154,588 calculated as of March 31, 2012.

C-III manages each of its Client accounts on a discretionary basis, subject to any reviews and approvals as described above and in Item 16 below.

ITEM 5: FEES AND COMPENSATION

A. COMPENSATION

C-III is compensated pursuant to the terms of the Investment Advisory Agreements, the CDO Management Agreements, the CDO Administration Agreements, the JER 2006 CDO Administration Agreement, the JERIT Management Agreement and the JER US Debt Fund LPA. C-III’s fees are paid (i) with respect to each Fund, either directly by the Fund or by such Fund’s general partner, managing member or investment manager, (ii) with respect to each CDO, directly by the issuer of such CDO and (iii) with respect to JERIT, directly by JERIT. JER 2005 CDO does not pay a fee to JERIT for providing collateral administration services.

B. PAYMENT OF FEES

Fees are generally deducted from Client accounts as set forth in the applicable agreement described above.

C. ADDITIONAL FEES AND EXPENSES

FUNDS

For RFI, C-III IM is entitled to receive an annual management fee, payable quarterly in advance, equal to the sum of (i) 1% per annum of the uncalled capital commitments plus (ii) 1.5% per annum of the aggregate capital contributions of the Fund’s investors, from the date of the initial

closing until the end of the Fund's commitment period. Thereafter, the management fee will be reduced on a prospective basis to an amount equal to 1.5% per annum of aggregate capital contributions of the Fund's investors other than capital contributions in respect of investments that have been disposed of or written off.

For HYREDF, C-III IM is entitled to receive a management fee, payable quarterly in arrears, equal to 0.1875% of the daily weighted average book value of such Fund's investments.

For IF III, ID III Directives is entitled to reimbursement for the expenses it incurs in providing advisory services to IF III and C-III IM is entitled to reimbursement for the expenses it incurs in providing advisory services to ID III Directives.

For JER US Debt Fund, JER US Debt Fund Advisors is entitled to receive a management fee equal to 0.75% per annum of the aggregate capital contributions for investments.

For all other Funds, the applicable Affiliate is entitled to receive a quarterly management fee (or equivalent) equal to between 0.1875% and 0.375%, payable in advance or in arrears, as applicable, based on the unreturned capital contributions of all investors in the applicable Fund or the gross value of the cost of any of the applicable Fund's investments, which may be subject to a minimum amount payable in a quarter. C-III IM, in turn, is entitled to receive a quarterly investment advisory fee, payable in advance or in arrears, as applicable, in an amount equal to between 15% and 100% of the management fee (or equivalent) received by the applicable Affiliate, which may be subject to a minimum amount payable in a quarter.

In addition, the general partner or managing member of most Funds is entitled to receive a carried interest (or promote) in such Fund in an amount ranging from 5% to 50% of the profits of, or distributions made by, the Fund, generally after the investors in such Fund receive distributions equal to their capital contributions and, if applicable, a preferred return thereon. C-III IM does not receive any portion of the carried interest (or promote) allocable to a Fund's general partner or managing member.

Each Investment Advisory Agreement may be terminated by either C-III IM or the applicable Fund (or the applicable Affiliate) upon 30 days' prior written notice to the other party.

Other fees and expenses payable by each Fund generally include (i) the legal and other organizational expenses incurred in forming such Fund and related entities and obtaining commitments from the investors and (ii) the costs and expenses relating to such Fund's operations. Certain Funds may charge placement fees. Information regarding a Fund's fees and expenses, and other important information regarding an investment in such Fund, are set forth in the documents provided to such Fund's eligible prospective investors.

A Fund may retain affiliates of C-III IM to provide necessary services and transactions relating to a Fund's investments, including, without limitation, property management, leasing, sales brokerage, construction, development, financing, loan servicing (either primary or special), marketing or other services. To the extent C-III IM or any of its affiliates perform any services that are included in the operating expenses of a Fund, C-III IM 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 such Fund as the terms reasonably expected by C-III IM 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.

CDOs

As collateral manager for the Managed CDOs, C-III IM is paid a collateral management fee pursuant to each CDO Management Agreement and Indenture equal to between 0.02% and 0.15% of the principal collateral interests plus principal balance in collection account (less, defaulted obligations for certain managed CDOs). C-III IM is responsible for all of its internal expenses incurred in the performance of its obligations under each CDO Management Agreement. C-III IM is entitled to reimbursement for certain costs and expenses incurred in the performance of its obligations, as provided in the applicable CDO Management Agreement. C-III IM generally may be removed as collateral manager, without payment of any penalty, for cause upon written notice as set forth in the applicable CDO Management Agreement (generally ten or 30 days). C-III IM generally has the right to resign as collateral manager upon written notice as set forth in the applicable CDO Management Agreement (generally 30 or 90 days).

As collateral administrator, each Static CDO pays C-III IM an amount equal to between 0.02% and 0.05% per annum of the principal balance of the collateral securities held by such Static CDO, payable in arrears. C-III IM generally may be removed as collateral administrator, without payment of any penalty, for cause upon 10 business days' prior written notice, as set forth in the applicable CDO Administration Agreement. C-III IM generally has the right to resign as collateral administrator only upon 90 days' prior written notice, as set forth in the applicable CDO Administration Agreement.

JERIT does not receive any fee for providing collateral administration services to JER 2005 CDO. JERIT is responsible for all expenses and costs incurred by it in connection with its services under the JER 2005 CDO Administration Agreement, except for certain expenses set forth therein. JERIT generally may be removed as collateral administrator, without payment of any penalty, for cause upon 10 days' prior written notice as set forth in the JER 2005 CDO Administration Agreement. JERIT has the right to resign as collateral administrator upon 90 days' prior written notice.

As collateral administrator for JER 2006 CDO, JER Manager is entitled to receive two fees payable on a monthly basis, each fee payable with different priorities as set forth in the indenture agreement: (i) 1/12 of 0.075% of the Monthly Asset Amount, which is the Collateral Principal Balance, as defined in the JER 2006 CDO indenture; and (ii) 1/12 of 0.05% of the Monthly Asset Amount, as defined in the JER 2006 CDO indenture. JER Manager is not entitled to receive the subordinate collateral administration fee until certain over-collateralization coverage tests, among others have been satisfied. JER Manager is responsible for all internal expenses and overhead incurred in the performance of its obligations under the JER 2006 CDO Administration Agreement. JER Manager is entitled to reimbursement for reasonable out-of-pocket costs and expenses incurred in the performance of its duties under the JER 2006 CDO Administration Agreement, subject to an overall expense cap set forth in the JER 2006 CDO indenture. JER Manager generally may be removed as collateral administrator, without payment of any penalty, for cause upon 10 days' prior written notice as set forth in the JER 2006 CDO Administration Agreement. JER Manager has the right to resign as collateral administrator upon 90 days' prior written notice.

JERIT

As external manager for JERIT, JERIT Manager is entitled to a base management fee monthly in arrears in an amount equal to 1/12 of the sum of (i) 2.0% of the first \$400 million of its equity,

(ii) 1.5% of its equity in excess of \$400 million and up to \$800 million and (iii) 1.25% of its equity in excess of \$800 million. For purposes of calculating the base management fee, JERIT's equity equals the month-end value, computed in accordance with generally accepted accounting principles ("GAAP"), of its stockholders' equity, adjusted to exclude the effect of any unrealized gains, losses or other items that do not affect realized net income.

JERIT Manager is also reimbursed from JERIT for JERIT's pro rata portion of rent, telephone, utilities, officer furniture, equipment, machinery and other officer, internal and overhead expenses of JERIT Manager and its affiliates required for JERIT's operations in the amount of \$500,000 per year multiplied by the sum of (i) one (1) plus (ii) the percentage increase in the Consumer Price Index ("CPI") for the applicable calendar year over the CPI for the calendar year 2011.

JERIT Manager is entitled to reimbursement for reasonable out-of-pocket costs and expenses incurred in the performance of its duties under the JERIT Management Agreement. JERIT Manager may be removed as external manager of JERIT (i) without cause, upon 180 days' prior written notice after the second anniversary of the JERIT Management Agreement, upon payment of a termination fee and (ii) for cause, upon 60 days' prior written notice.

D. REFUNDS FOR FEES CHARGED IN ADVANCE

Investors in Funds agree to commit a certain amount of capital to a Fund before C-III IM provides any advisory services. Management fees assessed by the Funds are generally paid from these amounts and may be paid in advance. For Funds for which management fees are paid in advance, the terms applicable to the relevant Fund do not contemplate repayment of fees to the extent that C-III IM's advisory services terminate prior to the end of the relevant payment period. Accordingly, if C-III IM's services are terminated by a Client before they are provided for the applicable period, fees that have been paid in advance generally will not be pro-rated for such period and will not be returned to investors that paid those fees in advance.

E. SUPERVISED PERSONS

No Supervised Person (as defined in Item 11 below) of C-III accepts compensation for the sale of securities or other investment products.

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

The general partner or managing member of each Fund is generally entitled to receive performance-based compensation, as set forth in such Fund's governing documents. Performance-based compensation is charged in conformity with the Advisers Act.

JERIT Manager is entitled to receive quarterly incentive compensation from JERIT pursuant to the terms of the JERIT Management Agreement. The purpose of the incentive compensation is to provide an additional incentive for JERIT Manager to achieve and exceed targeted levels of Funds From Operations (defined in the JERIT Management Agreement as net income (computed in accordance with GAAP) excluding gains (or losses) from debt restructuring and sales of property and unrealized appreciation and/or depreciation, plus depreciation and amortization on real estate assets, after adjustments for unconsolidated partnerships and joint ventures) and to increase JERIT's stockholder value. JERIT Manager is entitled to receive quarterly incentive compensation in an amount equal to the product of: (i) 25% of the dollar amount by which (a) JERIT Funds from Operations per share of common stock for such

quarter (before calculation of the incentive fee but after taking into account the base management fee (as described above) exceed (b) an amount equal to (1) the weighted average prices per share of JERIT's common stock in all offerings by JERIT multiplied by (2) the greater of (A) 2.25% or (B) .875% plus one fourth of the 10-year U.S. treasury rate for such quarter multiplied by (ii) the weighted average number of shares of common stock outstanding in such quarter.

Performance-based compensation arrangements may create an incentive (i) for C-III IM or JERIT Manager to recommend, or a Fund's general partner or managing member to approve, investments that may be riskier or more speculative than those that would be recommended or approved under a different fee arrangement and (ii) for C-III to favor higher fee paying Client accounts over other accounts in the allocation of investment opportunities, either of which may create a conflict of interest for C-III and its affiliates. C-III, 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

C-III provides investment advisory services to its Clients. If applicable, the minimum capital commitment for each investor in a Client is set forth in the Client's governing documents and other documents provided to eligible prospective investors. Interests in Clients are generally 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. Such persons and/or entities include pension funds, high net worth individuals, insurance companies, investment banks, banks, trusts, endowments and other collective investment vehicles in which the foregoing invest.

Investors in Funds execute agreements with the applicable Fund (either directly or by executing a subscription agreement for such Fund) in connection with their investment. Investors generally are not permitted to withdraw from a Fund prior to its dissolution.

C-III and/or a Fund's general partner or managing member (either on their own behalf and/or on behalf of the Fund), without any act, approval or vote of any other Fund investor, may from time to time enter into letter agreements or other similar agreements (collectively, "**Side Letters**") with one or more Fund investors that have the effect of establishing rights under, or altering or supplementing the terms of, a Fund's governing documents. Any rights established, or any terms of such Fund governing document altered or supplemented, in a Side Letter with a Fund investor govern, notwithstanding any other provision of the Fund's governing documents. As a result of any Side Letters, certain Fund investors may receive additional benefits that other Fund investors will not receive. Neither C-III nor a Fund's general partner or managing member will be required to offer rights or terms to any Fund investor that are offered to any other Fund investor (unless provided for in a Side Letter with an investor).

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

Investing in securities involves risk of loss that Clients should be prepared to bear.

A. METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

C-III provides investment advisory services with respect to equity and debt (including securitized debt) investments in commercial real estate assets, including multi-family, retail, office, hospitality and industrial/self-storage properties. With respect to real estate investments, C-III reviews (i) the occupancy level and physical condition of the underlying property, (ii) the state of

the local economy in the area where the underlying property is located, (iii) the appraised value of the underlying property, (iv) brokers' opinions of value and (v) capital expenditure requirements of the underlying assets 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. Sources of information used by C-III include proprietary data, subscriptions to various publicly available sources of real estate-related information, consultations with real estate investors, operators, experts and other professionals, supported by experts and professionals in related fields.

B. MATERIAL RISKS

An investment in a Client involves risk. There is no certainty of return with respect to any such investment. There is no guarantee that a Client will achieve its goals, objectives or targeted returns.

Below is a summary of certain risks associated with an investment in a Client. Investors should refer to the risk factors in each Client's offering memorandum, governing documents or other documents provided to eligible prospective investors for a more complete description of the risks associated with an investment in such Client.

REAL ESTATE RISKS GENERALLY

The performance of a Client's real estate and real estate-related investments will be significantly affected by fluctuations in the value of the assets and the cash flows generated by such investments. Relevant factors include:

- the national and local economic climate;
- changes in the supply of and demand for competing properties in an area (as a result, for instance, of overbuilding);
- changes in real property tax rates;
- changes in interest rates and the availability of mortgage funds (including changes that may render the sale or refinancing of properties difficult or impracticable);
- the financial resources of tenants;
- changes in building, environmental and other laws or government regulations;
- the quality of management and maintenance of the properties; and
- acts of God, war and other factors beyond the control of C-III.

A Client's receipt of income may depend upon the cash flows it derives from lease payments under leases, as well as the cash flows received by the borrowers under the debt instruments held by such Client. Therefore, the performance of a Client's investments will depend upon the ability to lease and re-lease space within the applicable properties and on the various tenants' payment of rent as required under their leases and performance of other lease obligations, such as

maintenance of properties, payment of taxes, utilities and other charges and maintenance of insurance.

Certain Clients may invest in non-performing, underperforming or other troubled debt and equity real estate and real estate-related assets (including currently performing assets that may become non-performing or distressed in the future). These assets may have legal and financial risks and may be experiencing or may be expected to experience severe financial difficulties that may never be overcome and, accordingly, involve increased risks.

DEBT INSTRUMENTS

A Client may invest in fixed and 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 debt investments would 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 such Client earlier than expected, resulting in a lower return to the Client than projected.

If the borrowers under the debt instruments comprising a Client's investments default in their obligations, such Client may seek to pursue the foreclosure and other remedies, if any, available under the terms of the related loans. Exercise of foreclosure and other remedies may involve lengthy delays and additional legal and other related expenses.

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.

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. 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 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.

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 inter-creditor arrangements with the lender that, for example, may require such 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.

The debt instruments in which a Client invests may not be 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.

Debt investments in 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 such 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 investments, and distributions by such Client, could be recovered if such payments or distributions are found to have been fraudulent conveyances, preferential payments or the equivalent under the laws of certain jurisdictions.

LIQUIDITY RISK

Interests in the Funds (and, to a certain extent, the CDOs) are generally illiquid and may not be transferred or sold except as permitted in the Client's governing documents.

A Client's investments generally will be illiquid because of their long-term nature. 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.

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.

DIVERSIFICATION RISK

There is no assurance as to the degree of diversification that will actually be achieved in a Client's portfolio of investments.

OTHER RISKS

A Client may leverage its investments, which may increase risk of loss.

A Client may enter into hedging transactions to protect itself and its portfolio from interest rate fluctuations. Such transactions increase costs and involve further risks of loss, imperfect correlation to the risk sought to be hedged and illiquidity.

ITEM 9: DISCIPLINARY INFORMATION

Neither C-III nor any of its management persons have been involved in any material legal or disciplinary events that would be material to your evaluation of C-III's advisory business or the integrity of C-III's management.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. REGISTERED BROKER-DEALER OR REGISTERED REPRESENTATIVE

Anubis Securities LLC (“**Anubis**”), an affiliate of C-III IM owned by ICG, is registered as a broker-dealer with the SEC and certain states and is a member of the Financial Industry Regulatory Authority (“**FINRA**”). Anubis may be retained by an affiliate of C-III IM to serve as a placement agent with respect to the offer and sale of equity and/or debt capital for affiliates of C-III IM, including, but not limited to, Funds to be managed by C-III IM or an affiliated operating company. Certain of C-III’s management persons or employees of C-III’s affiliates are or may become registered representatives and/or principals of Anubis and, when such persons engage in securities-related transactional activities, will be subject to Anubis’ policies and procedures in addition to C-III’s policies and procedures.

B. REGISTERED FUTURES COMMISSION MERCHANT; COMMODITY POOL OPERATOR, COMMODITY TRADING ADVISOR OR ASSOCIATED PERSON.

N/A

C. OTHER RELATIONSHIPS OR ARRANGEMENTS

C-III has other financial industry affiliations and activities (as described below) and C-III and its affiliates may 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) JERIT Manager serves as external manager for JERIT;
- (b) JERIT serves as collateral administrator for JER 2005 CDO;
- (c) JER Manager serves as collateral administrator for JER 2006 CDO; and
- (d) JER US Debt Fund Advisors serves as the general partner of JER US Debt Fund.

AFFILIATES

- (a) RFI Directives serves as the general partner of RFI;
- (b) HY Directives serves as the general partner of HYREDF;
- (c) HY II Directives serves as the managing member of Fund II;
- (d) Divi II Directives serves as the managing member of Divi II Fund;
- (e) Fund III Directives serves as the managing member of Fund III;
- (f) CRESS Directives serves as the managing member of CRESS Fund;
- (g) CUCA serves as the managing member of CUC I;

- (h) ICG serves as the managing member of IFI;
- (i) ID III Directives serves as the general partner of IF III;
- (j) IOP Directives serves as the general partner of IOP;
- (k) IOP II Directives serves as the general partner of IOP II; and
- (l) IFI serves as the investment manager of IOP and IOP II.

Certain of C-III IM's management persons or employees of C-III IM's affiliates may provide services for the Relying Advisers and Affiliates described above.

OTHER FINANCIAL INDUSTRY AFFILIATES

C-III Asset Management LLC ("**C-III AM**"), an affiliate of C-III IM owned by C3CP, is a primary and/or special servicer of various loans that serve as collateral for (a) commercial mortgage backed securities ("**CMBS**") issued by third parties that are not Clients and (b) securities issued by certain CDOs that are Clients. C-III AM has certain contractual obligations to the CMBS and CDO issuers under loan servicing agreements pursuant to which it performs services.

C-III AM, in its capacity as special servicer for loans owned by issuers of CMBS and CDOs, has certain contractual rights to acquire loans or real property owned by CMBS and CDO issuers (collectively, "**Purchase Rights**") that may be a source of potential investment opportunities for a Fund. Purchase Rights may also be held by Clients in their capacities as controlling class certificateholders of CMBS trusts and/or by C-III IM (or an affiliate) in its capacity as a representative of such Clients.

C-III AM, in its capacity as special servicer for loans owned by issuers of CMBS and CDOs, may be paid resolution or liquidation fees by the seller of an asset acquired by a Client. If a Client were to pay a higher amount than the seller would receive from another buyer, any liquidation or resolution fees received by C-III AM would be incrementally increased by the percentage due on the price differential. Although these fees would be owed to C-III AM irrespective of the identity of the acquirer of the asset, the timing of the receipt of such fees by C-III AM and the amount of such fees may be affected by C-III IM's selection of the asset as an investment for a Client.

C-III Commercial Mortgage LLC ("**C-III CM**"), an affiliate of C-III IM owned by C3CP, and its wholly-owned subsidiary, C-III Mortgage Funding LLC ("**C-III MF**"), are principally engaged in the origination of commercial real estate mortgage loans. C-III CM and C-III MF are licensed as finance lenders in the State of California. Certain of the loans originated by C3CM (or senior interests in such loans) may be sold to certain of the CDOs. In addition, junior interests in certain of those loans may be sold to a Fund. C-III CM may also provide financing to a Fund with respect to an underlying real estate investment, and may sell such loan (or senior investment in such loan) to a CDO or the junior interest to other Funds.

C3CP, the parent company of C-III IM, and/or its affiliates may serve as the sponsor of Funds for which C-III IM may serve as investment adviser and for which Affiliates may serve as general partner or managing member.

A Client (or C-III IM or other affiliate on behalf of such Client) may retain affiliates of C-III IM (as described below) to provide necessary services and transactions relating to such Client's investments, including, without limitation, property management, leasing, sales brokerage, title, construction, development, financing, loan servicing (either primary or special), marketing or other services. C-III IM or such affiliates will generally 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 such Client as the terms reasonably expected by C-III IM 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. In addition, such affiliates may earn or share in brokerage commissions or other fees paid by Clients upon the closing of the sale of assets by Clients, including sales to another Client, as compensation for such brokerage or other services.

C-III Realty Services LLC ("**C-III Realty Services**"), an affiliate of C-III IM owned by C3CP, is licensed as a real estate brokerage firm in the States of New York and Tennessee and provides commercial real estate brokerage services. C-III IM may retain C-III Realty Services in connection with the purchase or sale of a real estate asset to or from a Client.

ICG Realty LLC ("**ICG Realty**"), an affiliate of C-III IM owned by ICG, is licensed as a real estate brokerage firm in the State of New York and provides commercial real estate brokerage services. ICG Realty may earn or share in brokerage commissions or other fees paid by Clients upon the closing of the sale of assets by Clients as compensation for such real estate brokerage services.

New America Network Inc. ("**NAI**"), an affiliate of C-III IM owned by C3CP, is a global network of independent commercial real estate brokerage firms, each of which is appropriately licensed. C-III IM may retain NAI in connection with the purchase or sale of a real estate asset to or from a Client. NAI may earn or share in brokerage commissions or other fees paid by Clients upon the closing of the sale of assets by Clients as compensation for such real estate brokerage services.

U.S. Residential Group LLC ("**USRG**"), an affiliate of C-III IM owned by C3CP, is a real estate property management servicing company. C-III IM may retain USRG to manage one or more real estate assets owned by a Fund or CDO. USRG may be paid property management or other fees by Clients.

Zodiac Title Services LLC ("**Zodiac**"), an affiliate of C-III IM owned by C3CP, is a licensed title company that provides title insurance and related services. C-III IM or an affiliate may retain Zodiac to perform title services for one or more real estate assets owned (or to be purchased or sold) by a Fund or CDO.

Certain of C-III IM's management persons or employees of C-III IM's affiliates may provide services for C-III AM, C-III CM, C-III MF, C3CP, C-III Realty Services, ICG Realty, NAI, USRG and Zodiac.

D. RECOMMEND OTHER ADVISORS

N/A

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

A. CODE OF ETHICS

C-III strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. As such, C-III has adopted a Code of Ethics (included in its Compliance Manual) for its officers, employees and other persons who provide investment advice on behalf of C-III (collectively, “**Supervised Persons**”), which describes C-III’s high standard of business conduct and fiduciary duty to its Clients. The Code of Ethics and Compliance Manual include provisions relating to, among other things: confidentiality of Client information; prohibitions on insider trading; prohibitions on “pay-to-play”; restrictions on giving and accepting significant gifts; reporting of certain gifts, outside business activities and political contributions; and personal securities trading by its Supervised Persons that have access to non-public information regarding Clients’ investments or that are involved in making recommendations to Clients (or who have access to such recommendations) (“**Access Persons**”). All Supervised Persons must acknowledge the terms of the Code of Ethics upon hire and annually (or as amended) thereafter.

C-III’s Code of Ethics is designed to ensure that the activities and interests of C-III’s Supervised Persons and the personal securities transactions of C-III’s Access Persons will not interfere with (i) making decisions in the best interest of C-III’s Clients and (ii) implementing such decisions while, at the same time, allowing Access Persons to invest for their own accounts. As such, the Code of Ethics and Compliance Manual contain policies and procedures that, among other things:

- prohibit Supervised Persons from taking personal advantage of opportunities belonging to Clients;
- prohibit Supervised Persons from trading on the basis of, or misappropriating, material nonpublic or proprietary information (i.e., insider trading);
- require Supervised Persons to pre-clear any securities offered in an initial public offering and private placements (including investments in hedge funds, fund-of-funds, private equity funds, venture capital funds and other unregistered pooled investment vehicles);
- prohibit Supervised Persons from trading securities of any issuers on C-III’s restricted issuer list;
- require Supervised Persons to report, and obtain approval from the Chief Compliance Officer of, outside business activities, gifts and entertainment and political contributions;
- require the Chief Compliance Officer to monitor the activities of Supervised Persons to ensure compliance with the Code of Ethics; and
- require Supervised Persons to certify annually as to their compliance with the Code of Ethics and Compliance Manual, including the policies prohibiting insider trading.

In addition, C-III has adopted procedures to address conflicts of interest arising from personal account trading (such as front-running or the effect that personal trading may have on the price of a security) by its Access Persons. Access Persons are required to disclose all personal securities

accounts, certify periodically as to securities holdings and provide copies of monthly and/or quarterly account statements, all of which are monitored to prevent conflicts of interest between C-III and its Clients. Any personal trading by Access Persons must be consistent with applicable law and with the Code of Ethics. Subject to compliance with applicable laws, rules and regulations and the Code of Ethics, Access Persons may buy, sell or hold for their own personal trading accounts securities that C-III also may recommend, buy, sell or hold for Clients, subject to approval by C-III's Chief Compliance Officer upon a determination that no conflict of interest exists and that the Access Person's purchase, sale or holding of such investment would not adversely affect C-III's Clients.

The Code of Ethics designates certain classes of securities as exempt transactions, based upon a determination that these would materially not interfere with the best interest of C-III's Clients.

C-III's Code of Ethics also addresses misappropriation of material nonpublic or proprietary information (i.e., insider trading) by its Supervised Persons. C-III's insider trading prohibitions (i) apply to all Supervised Persons, (ii) extend to activities within and outside their duties as Supervised Persons and (iii) apply to investment-related information that is internal to C-III. Supervised Persons are permitted to engage in limited outside business activities, provided that these activities do not create an actual or potential conflict of interest due to the amount of time spent on such activities and the investment-related nature of certain activities.

Investors or prospective investors may request a copy of C-III's Code of Ethics and excerpts of the Compliance Manual by contacting Lawrence Block, C-III's Chief Compliance Officer, at (212) 705-5090 or by e-mail at lblock@c3cp.com.

B. PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

C-III may recommend to its Clients, or buy or sell for such Clients, securities in which C-III (or an affiliate) has a material financial interest.

C-III (or an affiliate) may engage in principal, agency cross or cross transactions with its Clients, consistent with the Advisers Act, SEC rules and the policies and procedures set forth in C-III's Compliance Manual.

C. INVESTING IN ASSETS RECOMMENDED OR HELD BY A CLIENT

C-III and its affiliates may invest in the same (or related) assets that are held by, or recommended to, a Client.

D. PURCHASE AND SALES OF SECURITIES BY RELATED PERSONS

N/A

ITEM 12: BROKERAGE PRACTICES

A. SELECTING OR RECOMMENDING BROKER-DEALERS FOR CLIENT TRANSACTIONS

C-III generally has the authority to determine for each Client, without obtaining specific Client consent (except as otherwise provided below), (a) securities to be bought or sold, (b) the amount of the securities to be bought or sold, (c) the broker or dealer to be used and (d) if applicable, commission rates paid. Limitations on C-III's authority are guided by, among other things, (i) its

responsibility to act as a fiduciary when handling Clients' accounts, (ii) the investment strategies and objectives of its Clients and (iii) a Client's governing documents. C-III may be required to obtain Client consent (or the consent of an independent representative or advisory committee of the Client) for principal transactions involving C-III (or an affiliate) and a Client.

Generally, in determining which broker or dealer to use, C-III evaluates 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, C-III may consider a number of factors, including, without limitation:

- 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;
- reputation;
- willingness to execute related or unrelated difficult transactions in the future;
- order of call;
- on-line access to computerized data regarding Clients' accounts;
- performance measurement data;
- the quality, comprehensiveness and frequency of available research and related services considered to be of value; and
- the opportunity to participate in capital introduction events sponsored by the broker-dealer.

C-III is not required to weigh any of these factors equally.

In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, C-III is not required to solicit competitive bids and is not required to seek the lowest available commission cost. C-III does 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.

1. RESEARCH AND OTHER SOFT DOLLAR BENEFITS

C-III does not currently utilize "soft dollar" credits generated by Client brokerage transactions to pay for research or other products or services other than execution from a broker-dealer or a third party. To the extent it does so in the future, C-III will operate under

the “safe harbor” provided by Section 28(e) of the Securities and Exchange Act of 1934, as amended.

During the past fiscal year, (i) neither C-III nor any of its related persons acquired any products or services with Client brokerage commissions (or markups or markdowns) and (ii) C-III did not direct any Client transactions to a particular broker-dealer in return for “soft dollar” benefits.

2. BROKERAGE FOR CLIENT REFERRALS

C-III does not consider, in selecting or recommending broker-dealers, whether it or a related person receives Client referrals from a broker-dealer or third party.

3. DIRECTED BROKERAGE

C-III does 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

If C-III determines to buy or sell the same security on behalf of more than one Client, it may, but is under no obligation to, aggregate (to the extent permitted by applicable law and regulations) the securities to be purchased or sold in order to seek more favorable prices, lower brokerage commissions or more efficient execution.

ITEM 13: REVIEW OF ACCOUNTS

A. CLIENT ACCOUNT REVIEWS

C-III generally has an investment committee and/or a portfolio manager for each Client, and each Client may have its own investment committee (each, an “**Investment Committee**”). C-III’s Investment Committees and/or Portfolio Manager(s) are generally responsible for recommending acquisitions and dispositions of Client assets and monitoring and reviewing on an on-going basis the investment portfolio of the Client for which it is responsible. Each Client’s Investment Committee reviews the investment recommendation(s) made by C-III’s Investment Committee for such Client and may approve, reject or take other action with respect to such recommendation.

B. CONTENT AND FREQUENCY OF REGULAR REPORTS

Investors in Funds generally receive quarterly and annual financial information of such Fund. Investors in CDOs and JERIT receive information as provided in their governing documents and other documents provided to such investors.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

A. COMPENSATION RECEIVED BY C-III IM FOR CLIENT REFERRALS

No person or entity that is not a Client of C-III provides an economic benefit to C-III for providing investment advice or other services to C-III’s Clients.

Anubis, a broker-dealer registered with the SEC and a member of FINRA, may be retained by an affiliate of C-III to serve as placement agent with respect to the offer and sale of equity and/or debt capital for affiliates of C-III, including, but not limited to, Funds to be managed by C-III or an affiliated operating company. Such Fund, general partner or managing member, or affiliate of C-III may compensate Anubis for capital raised for such Fund or operating company.

B. COMPENSATION PAID BY C-III IM OR RELATED PERSON FOR CLIENT REFERRALS

C-III may compensate third parties for referring prospective advisory clients (or prospective investors in a Fund) to it, at no additional cost to the Client (or investor). Such referral fees generally may be based on (a) the investment by such Client (or investor) or (b) a percentage of the management fees and/or performance-based compensation earned by C-III or its affiliate. As applicable, such referral arrangements will conform to Rule 206(4)-3 under the Advisers Act.

ITEM 15: CUSTODY

The general partner or managing member of a Fund (each of which is an affiliate of C-III) is deemed to have “custody” of assets of that Fund. Each Fund’s cash and securities must be maintained by a “qualified custodian” in such Fund’s name, unless the security is otherwise exempt from this requirement (e.g., certain privately offered securities).

Generally, each Fund’s financial statements (a) are prepared in accordance with GAAP, (b) are audited by an independent accounting firm that is registered with, and subject to regular examination by, the Public Company Accounting Oversight Board (“PCAOB”) and (c) are distributed to the Fund’s investors (i) within 120 days following such Fund’s fiscal year end and (ii) promptly after liquidation. Accordingly, C-III is exempt from the requirements of certain aspects of Rule 206(4)-2 under the Advisers Act for such Funds.

In the event a Fund’s financial statements do not satisfy the above requirements (e.g., with respect to IFI, IF3, IOP, IOP 2 and CUC I), (i) an independent accountant that is registered with, and subject to examination by, the PCAOB will verify the cash and securities of such Fund by a surprise examination conducted on an annual basis pursuant to a written agreement, (ii) certain securities that would otherwise be exempt from the requirement that they be held by a “qualified custodian” will be held by a “qualified custodian,” (iii) notice containing certain information regarding the “qualified custodian” will be sent to the Fund and its investors and (iv) C-III must have a reasonable basis, after due inquiry, for believing that the Fund’s “qualified custodian” sends an account statement, at least quarterly, to such Fund and its investors for which it maintains cash or securities, identifying the amount of cash and of each security of the Fund held by such custodian at the end of the period and setting forth all transactions by the Fund in such account during that period. The independent accountant must make certain disclosures with the SEC and notify the SEC within one business day of any material discrepancies discovered during the course of the examination. To the extent C-III sends any statements directly to a Fund or its investors, such statements are required to include a legend that cautions such Fund and its investors to compare statements sent by C-III with any statements sent by the Fund’s “qualified custodian.”

Rule 206(4)-2 is not applicable to C-III with respect to the CDOs and JERIT, because neither C-III nor any of its affiliates has “custody” (as that term is defined in Rule 206(4)-2) of the assets of the CDOs or JERIT.

ITEM 16: INVESTMENT DISCRETION

C-III generally has the authority to recommend all investment decisions for each Client, subject to compliance with the investment criteria, policy and guidelines contained in the governing documents of the relevant Client. Such criteria, policy and guidelines are subject to generally include, among other things:

- in the case of a C-III IM Fund, (i) approval by the C-III IM Fund's general partner or managing member, (ii) approval by the C-III IM Fund's independent representative(s) (if applicable) with respect to any principal transactions and (iii) review and approval by a C-III IM Fund's advisory committee (if applicable);
- in the case of JER US Debt Fund, sole approval by its general partner, JER US Debt Fund Advisors;
- in the case of a Managed CDO, (i) approval by the independent member of such CDO's advisory or investment committee, with respect to any principal transaction between the CDO and C-III or an affiliate and (ii) approval by one or more rating agencies;
- in the case of JER 2005 CDO and JER 2006 CDO, approval by one or more rating agencies; and
- in the case of JERIT, approval by JERIT's board of directors.

C-III generally has discretion to recommend the investments to be acquired and/or sold, the amount of Client capital to be invested, the brokers and dealers to execute transactions and the price and timing of a Client's purchases and sales.

C-III IM does not have investment discretion with respect to the Static CDOs.

ITEM 17: VOTING CLIENT SECURITIES

C-III's Clients generally own investments that are not voting securities. Therefore, C-III's Clients do not often receive proxies and C-III is not called upon to vote proxies. If C-III were to receive a proxy on behalf of a Client and is requested or required to vote a proxy, C-III 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, C-III will seek to identify any potential conflict of interest with the company and determine, on a case-by-case basis, if the conflict is material. If material, C-III 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. C-III will document its decision making process with respect to resolving material conflicts of interest.

C-III has adopted Proxy Voting Policies and Procedures whereby it exercises 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 existing and prospective Clients and investors by contacting Lawrence Block, C-III's Chief Compliance Officer, at (212) 705-5090 or by e-mail at lblock@c3cp.com.

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

C-III does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance.

B. FINANCIAL CONDITION DISCLOSURES

C-III is not aware of any financial condition or commitment that is reasonably likely to impair its ability to satisfy its contractual and fiduciary commitments to its Clients.

C. BANKRUPTCY

C-III has never been the subject of a bankruptcy proceeding.

ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Not applicable.

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

C-III IM (the filing adviser) and its Relying Advisers (as described in Section 4.B. above) are together filing a single Form ADV in reliance on the position expressed by SEC's Office of Investment Adviser Regulation, Division of Investment Management, in the January 18, 2012 Response to the Business Law Section of the American Bar Association.

B. OTHER ADVISERS RELYING ON THE REGISTRATION OF C-III IM

The Affiliates (as described in Section 4.B. above) are relying on C-III IM's registration under the Advisers Act and are not registering themselves, in accordance with the Letter dated December 8, 2005 from the SEC to the American Bar Association Subcommittee on Private Investment Entities.

C. BUSINESS CONTINUITY PLAN

C-III has adopted a Business Continuity Plan and distributes a copy (or summary) of such plan to existing and prospective Clients and investors. C-III's Business Continuity Plan Summary explains that in the event of a significant business disruption, C-III shall, as quickly as practicable and to the extent reasonably feasible given the scope and severity of the significant business disruption: safeguard its Supervised Persons and property; recover and resume business operations; make financial and operational assessments; protect C-III's books and records, including Client and investor information; and assist C-III's investors to transact business.

A copy of C-III's Business Continuity Plan Summary is available to existing and prospective Clients and investors by contacting Lawrence Block, C-III's Chief Compliance Officer, at (212) 705-5090 or by e-mail at lblock@c3cp.com.

D. PRIVACY POLICIES AND PROCEDURES

C-III has adopted Privacy Policy and Procedures and distributes a Privacy Policy Notice to existing and prospective Clients and investors that explains the manner in which C-III and its affiliates collect, utilize and maintain non-public personal information about investors who are individuals, as required under federal and other applicable law. C-III is committed to protecting an 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 C-III's products and services. C-III also maintains appropriate physical, electronic and procedural safeguards to guard Clients' non-public personal information.

A copy of C-III's Privacy Policy Notice is posted on C3CP's website at www.c3cp.com and is available to existing and prospective Clients and investors by contacting Lawrence Block, C-III's Chief Compliance Officer, at (212) 705-5090 or by e-mail at lblock@c3cp.com.