

**ITEM 1      COVER PAGE**

**PART 2A OF FORM ADV - THE BROCHURE**

**DIVCO WEST REAL ESTATE SERVICES, LLC**

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This brochure (this “Brochure”) provides information about the qualifications and business practices of Divco West Real Estate Services, LLC (the “Adviser”). If you have any questions about the contents of this Brochure, please contact us at (415) 284-5700. 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. The Adviser’s registration as an investment adviser with the SEC does not imply a certain level of skill or training. Additional information about the Adviser is available on the SEC’s website at [www.Adviserinfo.sec.gov](http://www.Adviserinfo.sec.gov).

This Brochure is for informational purposes only and does not constitute an offer to sell or the solicitation of an offer to purchase any interest in any entity, investment, or investment vehicle. Any such offer or solicitation will be made solely to qualified investors by means of a private placement memorandum and related subscription materials.

**ITEM 2      MATERIAL CHANGES**

This Brochure dated March 2018 serves as an update to the Adviser's brochure dated March 2017. This Brochure includes additional disclosure regarding investments in securities of real estate-related operating companies, updated disclosure regarding calculation of advisory fees, expenses, risks, conflicts of interest and custody, and certain other routine annual updates.

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**ITEM 4      ADVISORY BUSINESS***Overview of Adviser*

Divco West Real Estate Services, LLC was founded by Stuart Shiff in 2006 and is a vertically-integrated operating company, which, together with its affiliates, provides investment advisory, property management, construction management, development management and leasing services to its Clients (as defined herein). The Adviser has investment advisory offices in San Francisco, California, Los Angeles, California and Boston, Massachusetts, and is comprised of a dedicated group of professionals with extensive experience in sourcing, structuring, acquiring, developing, redeveloping, managing, leasing and selling primarily commercial real estate and other real estate-related assets. The Adviser is principally owned indirectly by Stuart Shiff.

The Adviser is an investment adviser registered with and regulated by the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). The Adviser provides investment advisory services to pooled private real estate investment vehicles and certain co-investment and parallel investment vehicles (collectively, the “Funds”). The Funds are typically structured as limited partnerships that are exempt from registration as investment companies under U.S. law by virtue of Section 3(c)(1), Section 3(c)(5) and/or Section 3(c)(7) of the Investment Company Act of 1940, as amended (the “Investment Company Act”) and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”). In addition to the Funds, the Adviser also provides investment advisory services to joint ventures, separately managed accounts and other institutional clients (“Managed Accounts,” and together with the Funds, the “Clients”), which are typically structured as limited liability companies. In certain cases, some of the investment vehicles used to facilitate Client investments may have corporate or other structures. The general partners, directors and/or managing members of the Clients (collectively, the “General Partners”) are affiliates of the Adviser.

For purposes of this Brochure, the “Adviser” means Divco West Real Estate Services, LLC, a Delaware limited liability company, together (where the context permits) with its affiliated General Partners of the Clients and other affiliates that provide advisory services to and/or receive advisory fees from the Clients. Such affiliates may or may not be under common control with the Adviser, but possess a substantial identity of personnel and/or equity owners with the Adviser. These affiliates may be formed for regulatory or other purposes in connection with the organization of the Clients, or may serve as General Partners of the Clients.

*Types of Advisory Services*

The Clients hold hard real estate and real estate-related assets, including securities of operating companies that the Adviser determines at the time of the original investment are related to and/or have an application with respect to real estate or real estate-related assets. The Adviser provides its investment advice pursuant to, and subject to the strategies and restrictions (if any) set forth in the applicable Client’s offering memorandum, as supplemented from time to time, organizational documents and subscription agreements, as the case may be, advisory agreements with the applicable Client and/or any side letter agreements negotiated with investors in the applicable Client (collectively, a Client’s “Organizational Documents”). With respect to the Funds, the Adviser or its affiliate provides investment advice directly to the Funds under its management (subject to the direction and control of the General Partner), and not individually to the investors in each Fund. With respect to Managed Accounts, the Adviser provides investment advice to institutional clients through its Managed Accounts. The Adviser may add to, change or otherwise modify its investment strategies at any time in its sole discretion, *provided*, that any such modification or changes fall within the parameters of a Client’s Organizational Documents.

The Adviser tailors the investment advisory services provided to each Client based on such Client’s investment objectives, as set out in such Client’s Organizational Documents. The terms of the Organizational Documents may differ from Client to Client and investors within such Clients may impose restrictions on certain types of investments by a Client for tax, regulatory, or other reasons. Specific details relating to the advisory and

management services provided to the Clients, including details relating to fees, liquidity rights and risks, amongst others, are fully disclosed in each Client's Organizational Documents. Current and prospective investors should refer to the applicable Organizational Documents for complete information on the investment objectives, investment restrictions and risks of a particular Client.

The Adviser neither offers nor participates in any wrap fee programs.

*Assets Under Management*

Currently, the Adviser manages multiple Clients. As of December 31, 2017, the Adviser has regulatory assets under management of \$4,416,097,000, \$3,264,902,000 of which is managed on a discretionary basis and \$1,151,195,000 of which is managed on a non-discretionary basis.

**ITEM 5. FEES AND COMPENSATION***Management Fees*

As compensation for investment advisory services rendered to the Clients, each of the Clients pay to the Adviser or its affiliates an annual advisory fee (the “Management Fee”). With respect to Funds, the Management Fee is typically payable quarterly in advance and is calculated based on committed capital or remaining invested capital (or a combination thereof), with respect to such Fund. With respect to the Managed Accounts, a Management Fee is charged as stipulated in the applicable Organizational Documents of such Managed Accounts. The Management Fees paid by a Client are indirectly borne by investors in such Client. In addition, Management Fees paid by a Client may be reduced by certain organizational or other expenses borne by such Client, as described in more detail below. The fee structures described herein may be modified from time to time.

The Management Fee arrangement with respect to each Client is detailed in the applicable Organizational Documents of such Client and disclosed to each investor prior to an investment in such Client. Fees may differ from one Client to another, as well as among investors in the same Fund. At the discretion of the Adviser or its affiliate (i.e., General Partner), the Management Fee may be reduced, waived or modified, both voluntarily and on a negotiated basis with selected investors via side letter and other arrangements, which may not be disclosed to other investors in the same Client. Current and prospective investors should refer to the applicable Organizational Documents for complete information on the Management Fees arrangement with respect to a particular Client.

Certain investors in the Funds, including the General Partners of the Funds, employees, business associates and other “friends and family” of the Adviser or its personnel (“Adviser Investors”) will not typically pay Management Fees in connection with their investment in a Fund. Notwithstanding that Adviser Investors will generally not pay Management Fees, Adviser Investors will pay for their pro rata share of certain Fund expenses or the pro rata portion of such Adviser Investors’ expenses will be allocated to the Adviser or the General Partner of the applicable Fund.

The Management Fees paid by a Client will generally be reduced by a percentage of: (1) the amount of fees paid by such Client to persons acting as a placement agent in connection with the offer and sale of interests in such Client to certain potential investors and (2) the fees incurred by the Adviser in connection with the organization of such Client that exceed a limit specified in such Client’s Organizational Documents. The amount and manner of such reduction, if any, is set forth in the Organizational Documents of the applicable Client. To the extent a reduction relates to more than one Client, the Adviser shall allocate the resulting Management Fee reduction among the applicable Client(s) in accordance with the Organizational Documents of the Clients. To the extent a Client’s Organizational Documents do not specify the appropriate allocation of such Management Fee reduction, the Adviser will allocate the Management Fee reduction among the applicable Clients in its sole discretion consistent with its fiduciary obligations. To the extent a Client does not pay Management Fees, any such reduction would not benefit such Client.

Upon termination of an advisory agreement, Management Fees that have been prepaid are generally returned on a prorated basis.

Generally, as set forth in Item 6 below, the General Partners and their affiliates are each eligible to receive Carried Interest (as defined below) as a percentage of the net profits of the Clients after certain specified returns have been achieved by the investors on their contributed capital. The carried interest arrangements are described in additional detail in the Organizational Documents of the applicable Clients.

The Adviser and/or its affiliates (including the General Partners) may also be investors in Clients (structured as a joint venture or otherwise), in which case in addition to receiving Management Fees and any performance based compensation with respect to such Client, the Adviser and/or its affiliates will receive their percentage interest of

current income and gains/losses as an investor in such Client.

### *Fees, Costs and Expenses*

#### Adviser Expenses

Unless otherwise set forth in the Organizational Documents of a Client, the Adviser will directly bear expenses that relate to providing the investment advisory services, including (A) office overhead (i.e., technology, research, rent, furniture, fixtures and office equipment) allocable to the investment management services of the Adviser, (B) compensation of investment advisory employees, (C) compliance and regulatory costs to the extent not directly incurred as a consequence of forming, operating and managing a Client or any of their respective subsidiaries, and (D) any other overhead expenses not attributable to the formation, ownership, operation and management of a Client, their respective subsidiaries and/or its investments. Other costs, both payroll and non-payroll, related to providing property management, leasing services and/or construction and development management will be borne by the Clients owning the respective properties and/or the portfolio investments as provided for in the property management agreements and the Organizational Documents for the Clients (see “*Client Expenses*” and “*Property-Related Fees*” below).

#### Client Expenses

Pursuant to the Organizational Documents of a Client, each Client will bear all expenses incurred by the Adviser, the General Partner and any Adviser affiliate that are related to the operation of the Client (to the extent not otherwise borne by such Client’s portfolio investments). The Client will typically pay these Client expenses, although certain expenses may be paid by the Adviser, the General Partner or their affiliates and subsequently reimbursed by the applicable Client. To the extent not otherwise paid or reimbursed by the Client’s portfolio investment, subsidiary, or any other third-party, each Client will bear the costs related to the operation of such Client, including (without limitation):

- Management Fees (as defined and described in more detail under “*Management Fees*” above);
- costs, fees and other out-of-pocket expenses related to the investigation of investment opportunities, whether or not consummated, and whether incurred before or after the formation of the applicable Client;
- costs and expenses related to the acquisition (including legal, regulatory, tax and/or compliance costs incurred in connection with structuring such acquisition), ownership, management, operation, development (including hard and soft costs), improvement, servicing, financing, refinancing, currency hedging costs, hedging of interest rates on financings, or sale or other disposition of investments, including costs relating to property operations and services, such as for example direct application service costs (e.g., Nexus, MRI, etc.);
- expenses associated with the organization and documentation of any Client subsidiaries (including any subsidiary real estate investment trusts), alternative investment vehicles and holding vehicles;
- costs and expenses of meetings with or reporting to the investors (including any reports prepared upon the request of an investor);
- fees, costs and expenses for the following, whether such services performed by third parties or affiliates of the Adviser (e.g., accounting and tax and compliance professionals): (1) accounting, bookkeeping, auditing, research, consulting, and legal services, (2) any reports, studies or other materials prepared by such third-parties, including, for example, environmental sustainability studies for the Clients’ investments, (3) maintaining the Clients and their respective subsidiaries’ bank accounts or of any banks, custodians, depositories or administrators appointed for the monitoring and/or safekeeping of the investments or other property of the Client or any subsidiary, and (4) preparing and distributing financial statements, tax returns and reports and audits (including reports prepared upon the request of investors) to the partners in the

Clients;

- fees, costs and expenses for legal services performed by in-house legal counsel employed by the Adviser or its affiliates (other than the general counsel);
- costs and expenses of meetings of or reporting to the advisory committee as set forth in the Organizational Documents of the applicable Client;
- costs related to risk management services and insurance for the Client, including director and officer insurance and advisory committee insurance;
- indemnification expenses;
- litigation expenses;
- obligations arising in connection with any borrowings of the Clients and their respective subsidiaries;
- expenses incurred in connection with liquidating the Clients and their respective subsidiaries;
- any taxes, fees or other governmental charges levied against the Clients or their respective subsidiaries and all expenses incurred in connection with any tax audit, investigation, settlement or review of the Clients or their respective subsidiaries;
- travel costs associated with investigating and evaluating investment opportunities (whether or not consummated), or making, monitoring, managing or disposing of investments (*provided* that travel costs reimbursable by the Clients incurred in connection with flying shall not exceed the costs of a commercial flight);
- travel costs and expenses incurred in connection with meeting with the existing investors to discuss a Client's investments, performance, and other Client matters (*provided* that travel costs reimbursable by a Client incurred in connection with flying shall not exceed the costs of a commercial flight);
- all costs and expenses incurred by or on behalf of a Client, including reasonable attorneys' fees and disbursements, in connection with any transfer by an investor of its interest in the Client;
- expenses and costs incurred in connection with government and regulatory filings (including those relating to the Alternative Investment Fund Managers Directive);
- expenses of depository and administrator services;
- all costs and expenses incurred in connection with any private events or civic initiatives, conferences and industry events or informal meetings sponsored and/or attended by the Adviser or its affiliates that the Adviser determines, in its good faith discretion, are intended to benefit a Client or its investments;
- the costs of any third parties and, subject to restrictions on retaining affiliates of the Adviser as set forth herein and in the Organizational Documents of a Client, any affiliate of the Adviser retained to provide services to a Client or its respective subsidiaries, including Property-Related Fees (as defined and described in more detail under "*Property-Related Fees*" below);
- all fees and out-of-pocket costs and expenses incurred in connection with the formation of the Clients, the applicable General Partner, and any parallel funds and feeder funds, and the admission of partners to the Clients and investors to the parallel funds and feeder funds, including travel (*provided* that travel costs reimbursable by the Clients incurred in connection with air travel shall not exceed the costs of a commercial flight), legal, accounting, advising, consulting, filing and all other expenses incurred in connection with the offer and sale of interests in the Clients and such parallel funds and feeder funds;
- property related overhead costs and expenses, including, subject to restrictions on retaining affiliates of the Adviser as set forth herein and in the Organizational Documents of a Client, overhead costs and expenses of any affiliate of the Adviser, including, without limitation: (1) all salaries, employment taxes, bonuses,



applicable overtime pay and related benefits and recruitment costs (e.g., workers' compensation, health and welfare insurance and benefit programs), with respect to all employees that hold the position of senior property manager, property manager, assistant property manager, tenant services coordinator, assistant tenant services coordinator, building manager or general manager or below, and including, property accounting personnel inclusive of the level of property controller and below providing property accounting, accounts payable, accounts receivable and/or lease administration services, fully or partially dedicated to the property or any building comprising a portion of the property (whether or not such personnel are located at the property), (2) technology costs (including salaries and benefits of information-technology employees (whether or not such personnel are located at the property), infrastructure, networking, data communication services, security, equipment, software, licensing, professional services, etc.) to the extent related to the property management/operations function (as opposed to asset management or fund management function, which are born by the Adviser), and (3) to the extent not covered above, all costs and expenses that are chargeable by the landlord to tenants under the Adviser affiliate's standard lease;

- all fees and expenses of finders or placement agents incurred in connection with the offering or sale of interests in the Clients; and
- any expenses incurred by the Adviser in connection with such Client's operations that are not specifically set forth above as being by paid by the Adviser.

Certain Client-specific and portfolio investment expenses are paid by the Adviser or its affiliates and later reimbursed by the Client(s) and/or portfolio investment based on the appropriate allocation methodology (as described below under "*Allocation of Expenses*"). Any such expenses that have been paid by the Adviser shall be reimbursed by the applicable Client(s) and/or portfolio investment on a monthly basis.

The above list is not intended to be exhaustive; prospective investors in the Clients are advised to review the applicable Organizational Documents for an additional description of the fees and expenses associated with investments in the Clients.

From time to time, the General Partner of a Client may create certain "special purpose vehicles" or similar structuring vehicles for purposes of accommodating certain tax, legal and regulatory considerations of investors (each, a "SPV"). In the event the General Partner creates an SPV, consistent with the Organizational Documents of the Client, the SPV, and indirectly, the investors thereof, will typically bear all expenses related to its organization and formation and other expenses incurred solely for the benefit of the SPV.

In certain cases, co-investment vehicles, or other similar vehicles established to facilitate the investment by investors to invest alongside a Client, may be formed in connection with the consummation of certain transactions. In the event a co-investment vehicle is created, the investors in such co-investment vehicle will typically bear all expenses related to its organization and formation and other expenses incurred solely for the benefit of the co-investment vehicle. In addition, the co-investment vehicle will generally bear its pro rata portion of expenses incurred in the making of an investment.

Prior to making an investment, a Client will typically incur expenses in order to conduct appropriate due diligence related to such investment opportunity, which may include (among other things) legal fees, consultants, and employee travel, meal and accommodations. Once the Adviser determines that an investment opportunity will no longer be pursued, or if a transaction is not consummated, it is deemed to be a "broken" or "dead" deal (each, a "Broken Deal"). Expenses incurred in connection with a Broken Deal shall be charged to and paid by the Client or Clients (if applicable) that were expected to participate in such investment opportunity, in proportion to their expected participation (unless another third-party is contractually obligated to reimburse the Adviser or its affiliates for such amounts), except that in the absence of contractual provisions to the contrary, co-investors will not be allocated any expenses from a transaction (including Broken Deals) unless and until they are contractually required to invest in that transaction. Please see "*Allocation of Expenses*" below for additional information regarding

allocation of expenses related to Broken Deals.

#### *Property-Related Fees*

Affiliates of the Adviser may be hired to provide ongoing property management, leasing services or construction and development management for Clients or portfolio investments of Clients (any entity providing such services, a “Property Manager”) and will be paid property management fees, leasing override fees, construction fees, development fees and similar property-related costs and expenses, including reimbursements for certain out-of-pocket expenses (collectively, the “Property-Related Fees”) for doing so. In addition, Property-Related Fees include the salaries and travel expenses of employees of the Property Manager, which may be substantial and may exceed the Property-Related Fees. While in certain cases all or a portion of the Property-Related Fees will be directly reimbursed by tenants of an applicable portfolio investment, subject to the terms of agreements with such tenants, Property-Related Fees are otherwise reimbursed by the applicable Client. Such Property-Related Fee arrangements are typically set forth in the Organizational Document of a Client. Unless otherwise agreed to with a Client, any Property-Related Fees payable to an affiliate service provider (or sub-manager) by a Client will be borne by the Client and will not reduce the Management Fee.

To the extent required by the applicable Client’s Organizational Documents, Property-Related Fees charged by an affiliate Property Manager may also require approval from the respective Fund’s advisory committee, or in the case of Managed Accounts, the respective investor representatives. In certain instances, the Organizational Documents of a Client may require the Property-Related Fees charged by an affiliate Property Manager be comparable to those charged by independent third-party service providers in an arm’s-length transaction on commercially reasonable terms. In such circumstances, the Adviser uses for comparison any factors or similar comparables it determines in its good faith discretion to be appropriate, including (without limitation) the terms used by comparable real estate fund sponsors that have vertically and non-vertically integrated operations and provide property management, construction and development management and/or leasing services to their respective funds and properties, operating partners and non-owner third-party property managers. To the extent required by the Organizational Documents of a Client, the Adviser will present to the advisory committee or investor representatives (as applicable) of each such Client a record of the Property-Related Fees charged by the affiliate Property Manager (including, where applicable, the amount of any fees charged by any sub-managers) and a list of services provided by each affiliate Property Manager (including, where applicable, any services provided by any such sub-manager). In addition, the Adviser will disclose to the advisory committee or investor representatives of each Client any relevant data on which it has based its “comparable fees” and any other information the Adviser deems necessary to confirm the Property-Related Fees charged by the affiliate Property Manager are reasonable and appropriate.

Conflicts of interest may arise with respect to Property-Related Fees, including, without limitation, incentivizing the Adviser or its affiliates to (i) engage DWRES Inc. for a Client investment in a circumstance where the engagement of an independent third party by the Client would be appropriate or conventional or (ii) hold investments longer than it may otherwise hold such investment, which may result in lower returns for the Clients. For additional information on the conflicts of interest involved in retention of affiliated Property Managers, please see Item 11 below.

The Adviser may also engage third parties as Property Managers to provide property management, leasing services and construction and development management of portfolio investments. In the event third-party Property Managers are engaged, the applicable Client or portfolio investment will pay such third-party directly. Unless otherwise agreed to with a Client, any Property-Related Fees payable to a third-party Property Manager by a Client will be borne by the Client and will not reduce the Management Fee. The Adviser may also hire certain other service providers that may charge additional fees for services, such as real estate brokerage services in connection with the acquisition, disposition and/or leasing of portfolio investments. The Adviser may select an affiliate or a third party to perform such services and such fees and expenses are borne by the applicable Client. Any such fees

are in addition to the Property-Related Fees and are not subject to Management Fee reduction under the terms of the Organizational Documents of the applicable Client.

#### *Allocation of Expenses*

From time to time the Adviser will be required to decide whether certain fees, costs and expenses should be borne by a Client, on the one hand, or the Adviser on the other hand, and/or whether certain fees, costs and expenses should be allocated between or among Clients and/or other parties. Certain expenses may be the obligation of one particular Client and may be borne by such Client or, expenses may be allocated among multiple Clients and entities. When the Adviser or its affiliates incur an expense that is clearly attributable to, or for the benefit of, only one Client, then such expenses will be borne by such Client. When expenses are incurred that benefit more than one of (i) the Adviser, (ii) the Clients, (iii) portfolio investments of the Clients, and (iv) third parties, the Adviser or its affiliate allocate such expenses in accordance with each Client's Organizational Documents or any agreement with any portfolio investment and, to the extent not addressed in such Organizational Documents or such agreement with a portfolio investment, then in the sole and absolute discretion of the Adviser or its affiliates, in each case using its good faith and best judgment, taking into account such factors that it determines in its sole and absolute discretion to be relevant.

The appropriate allocation of expenses and fees generated in the course of evaluating a Broken Deal, such as out-of-pocket fees associated with due diligence, attorney fees and the fees of other professionals, will be determined by the Adviser and its affiliates in their good faith discretion, consistent with the Organizational Documents of the Clients, as applicable. If multiple Clients evaluate a Broken Deal, the Adviser and its affiliates generally allocate fees and expenses generated in the course of evaluating such investment among such Clients based on the anticipated investment of each Client (unless a third-party is contractually obligated to reimburse the Adviser or its affiliates for such amounts). Such expenses typically are not allocated to co-investment vehicles unless and until they are contractually required to invest in such a portfolio investment. The Adviser and its affiliates will make any corrective allocations and take any mitigating steps if it determines such corrections are necessary or advisable. Notwithstanding the foregoing, the portion of an expense allocated to a Client for a particular service may not reflect the relative benefit derived by such Client from that service in any particular instance. Please see "*Fees, Costs and Expenses*" above for additional information regarding expenses related to Broken Deals.

Such allocation determinations are inherently subjective and give rise to conflicts of interest due to the inherent biases in the process. Please see Item 11 below for additional information regarding allocation of expenses among the Clients and how conflicts of interest with respect thereto are generally addressed by the Adviser.

**ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT***Performance-Based Fees*

In addition to Management Fees charged to certain of the Clients described in Item 5 above, the Client's General Partner may receive performance based fees or carried interest calculated as a percentage of the net profits of the applicable Client (the "Carried Interest"). Carried Interest is only allocated to the Client's General Partner when specific conditions are met, including the return of all capital contributed by investors to the Client, or to a particular investment, including capital contributed for fees and expenses of the Client or the investment, and the receipt by the investors of a preferred return on such amounts. Carried Interest paid by a Client is indirectly borne by the investors in such Client. Certain Clients and investors in such Clients may incur lower or no Carried Interest. The Carried Interest arrangement with respect to each Client is detailed in the applicable Organizational Documents of such Client and disclosed to each investor prior to an investment in such Client. Current and prospective investors should refer to the applicable Organizational Documents for complete information on the Carried Interest arrangement with respect to a particular Client.

*Side-by-Side Management*

Although the Adviser will generally be investing for a single Fund with a particular strategy at any given time, there may be times where Funds with different strategies have overlapping investment periods. In addition, in certain cases, parallel, co-investment or other fund vehicles related to a primary Fund may have variations in compensation structures. In addition, subject to any limitations set forth in the Organizational Documents, Managed Accounts with the same or a similar investment strategy may be actively investing at the same time.

The payment by some, but not all, Clients of Carried Interest or the payment of Carried Interest at varying rates (including varying effective rates based on the past performance of a Client) creates an incentive for the Adviser to disproportionately allocate time, services or functions to Clients paying Carried Interest or Clients paying Carried Interest at a higher rate, or allocate investment opportunities to such Clients. With respect to Funds, except as may be otherwise set forth in the Organizational Documents of a Fund, this conflict is generally mitigated because the Adviser typically only makes new investments from a single Fund and does not offer a successor Fund until the predecessor fund is at least 75% invested. A follow-on investment in a portfolio investment or joint venture is generally reserved to the Fund that originally invested in the portfolio investment or joint venture, subject to the guidelines and restrictions of the applicable Fund's Organizational Documents. With respect to Managed Accounts, except as may be otherwise set forth in the Organizational Documents of a Fund, this conflict is generally mitigated because Managed Accounts managed in accordance with the same investment strategy will participate in investment opportunities on a rotational basis pursuant to the Advisers allocation policy.

The Advisor is highly focused on managing conflicts of interest and has adopted policies and procedures designed to address and mitigate potential conflicts of interest in respect of any side-by-side investment management activities. Please see Item 11 below for additional information regarding allocation of investment opportunities among the Clients and how conflicts of interest with respect thereto are generally addressed by the Adviser.

**ITEM 7. TYPES OF CLIENTS**

The Adviser provides investment advisory services to Funds, which consist of pooled private real estate investment vehicles, co-investment vehicles and/or parallel investment vehicles typically structured as limited partnerships exempt from registration as investment companies under the Investment Company Act by virtue of Section 3(c)(1), Section 3(c)(5) and/or Section 3(c)(7) thereof and whose securities are not registered under the Securities Act. In addition to the Funds, the Adviser also provides investment advisory services to Managed Accounts, which consist of joint ventures, separately managed accounts and other institutional clients typically structured as limited liability companies or governed pursuant to an investment management agreement. With respect to the Funds, the Adviser provides investment advice directly to the Funds under its management (subject to the direction and control of the General Partner), and not individually to the investors in each Fund. With respect to Managed Accounts, the Adviser provides investment advice to institutional clients through its Managed Accounts.

Investors in the Clients managed by the Adviser (i.e., limited partners, members, etc.) consist primarily of institutional investors, including, without limitation, pension plans, sovereign wealth funds, insurance companies, trusts, endowments and foundations, and other highly sophisticated, high net worth investors. Investors must meet certain minimum financial requirements in order to participate in the Clients. Admission to the Clients managed by the Adviser is not open to the general public.

The Adviser does not have a minimum size requirement for its Clients. With respect to each Fund, a minimum investment commitment amount may be established for investors and will be set forth in the Organizational Documents of such Fund; however, the General Partner of such Fund may in its sole discretion permit investments below such minimum investment commitment amount.

**ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS***Investment Strategy*

The Adviser's strategy is to identify and invest in properties that serve the innovation-oriented sectors of the economy, capitalizing on the Adviser's extensive relationships within the markets it has served over the last 25 years. The Adviser is focused on sourcing, structuring, acquiring, developing, redeveloping, managing, leasing and selling real estate and other real estate-related assets primarily throughout the U.S. and, to the extent permitted by the Organizational Documents, in certain locations outside of the U.S. The Adviser anticipates that its strong market presence, experience, and industry relationships will generate opportunities for its Clients.

*Methods of Analysis*

The Adviser utilizes various criteria in evaluating an individual real estate or real estate related opportunity for investment, including but not limited to:

- Investment goals for the particular Client;
- Evaluation of the economic cycle and market opportunity/risk in the geographic markets being considered for investment;
- Expected supply and demand for real estate currently and forecasted over the anticipated investment hold period in the relevant target market;
- Ability to underwrite the investment opportunity and to mitigate risk in downside scenarios;
- Ability to evaluate and satisfactorily mitigate legal, environmental and other asset specific risks identified during the due diligence process;
- Ability to add value through a combination of more efficient management, active leasing, targeted capital improvements and collaborative implementation of the investment's business plan;
- Ability to acquire an investment where attractive risk-adjusted returns can be achieved and downside risk is limited; and
- Availability and structure of anticipated financing.

Similarly, when considering a sale of an existing real estate or real estate related holding, the Adviser continually revisits the macro- and micro-market considerations of the individual investment, potential modifications and enhancements to the current business plans, exit alternatives and timing, and how best to maximize values for all investors given the Client's objectives and term.

*Risks Related to Investment Strategy and Method of Analysis.*

Investments in the Clients entail a variety of risks, each of which is unique in degree. These risks should be undertaken only by investors capable of evaluating and bearing them. Investment in any Client is suitable only for sophisticated institutions or individuals for whom an investment in such Client is not a complete investment program and who fully understand and are capable of bearing the risks associated with an investment in the Client.

*Discussed below are some, but not all risks, associated with investing in the Clients. Each of the risk factors listed below, individually on its own or when taken together with others, could have a material adverse effect on a Client. There can be no assurance that a Client will achieve its investment objective or that the investors in such Client will receive any return on, or the return of, their invested capital. The risk factors discussed here do not purport to be a complete description of all risks associated with our investment strategies or that are applicable to investors in the Clients. For a more comprehensive disclosure of the potential risk factors associated with investing in a Client, current and prospective investors should refer to the risk factors listed in the applicable Client's*

*Organizational Documents, together with all of the other information included in the Organizational Documents, before making an investment decision.*

General Risks of Real Estate Investment. All real estate investments, ranging from equity investments to debt investments, are subject to some degree of risk. For example, real estate investments are relatively illiquid and, therefore, will tend to limit a Client's ability to vary the Client's portfolio promptly in response to changes in economic or other conditions. No assurances can be given that the fair market value of any real estate investments held by a Client will not decrease in the future or that a Client will recognize full value for any investment that the Client is required to sell for liquidity reasons. In addition, the ability of a Client to realize anticipated rental and interest income on its equity and debt investments will depend, among other factors, on the financial reliability of its tenants and borrowers, the location and attractiveness of the properties in which it invests, the supply of comparable space in the areas in which its properties are located and general economic conditions. Other risks include changes in zoning, building, environmental and other governmental laws, changes in operating expenses, changes in real estate tax rates, changes in interest rates, changes in the availability of property relative to demand, changes in costs and terms of mortgage funds, energy prices, changes in the relative popularity of properties, changes in the number of buyers and sellers of properties, the ongoing need for capital improvements, cash-flow risks, construction risks, as well as natural catastrophes, acts of war, terrorism, civil unrest, uninsurable losses and other factors beyond the control of a Client's management.

Additionally, a Client may, in certain instances, be responsible for structural repairs, improvements and general maintenance of real property. The expenditure of any sums in connection therewith beyond those budgeted for by the Client will reduce the cash available for distribution and may require the Client to fund deficits resulting from the operation of a property. No assurance can be given that a Client will have funds available to make such repairs or improvements. These factors and any others that would impede a Client's ability to respond to adverse changes in the performance of its assets could significantly affect the Client's financial condition and operating results.

Investments in Real-Estate Operating Companies. The Clients may acquire, or make equity or debt investments in, companies that own, operate or manage real estate or real estate debt or in securities of operating companies that the Adviser determines at the time of the original investment are related to and/or have an application with respect to real estate or real estate-related assets. The Clients may effect such acquisitions through corporate transactions in which the Clients assume known and unknown liabilities of the company, including potential environmental liabilities, liabilities associated with employee claims and liabilities associated with claims by tenants, vendors and other persons. In addition, the Clients may be unable to integrate such companies quickly and efficiently into its existing operations or to otherwise effect its business strategy with respect to such companies and, as a result, a Client's financial condition could be adversely affected.

These companies may be in an early stage of development, may not have viable products or services, may not have a proven operating history or proven management, may be operating at a loss or have significant variations in operating results, may be engaged in a rapidly changing business with products subject to a substantial risk of obsolescence, may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive position, or may otherwise have a weak financial condition. Operating companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing, and other capabilities, and a larger number of qualified managerial and technical personnel. In addition, many operating companies rely on the services of a limited number of key individuals, the loss of any one of whom could significantly adversely affect the operating company's performance. Although the General Partners expect to monitor operating company management, management of each operating company will have day-to-day responsibility with respect to the management of its business and the loss of key members of management of an operating company could adversely affect its results.

Following an initial equity investment in an operating company, a Client may decide to provide additional needed funds to such operating company or may have the opportunity to increase its equity investment in an operating

company. There is no assurance that the Client will decide to make follow-on investments or that the Client will have sufficient funds to make all or any of such investments. Any decision by a Client not to make follow-on investments or its inability to make such investments may have a substantial negative impact on an operating company in need of such an investment or may result in a lost opportunity for the Client to increase its participation in a successful operation. In the event that a Client does not participate in a follow-on investment opportunity and other investors provide the requested equity investment, the Client's investment in an operating company may be significantly diluted.

To the extent that a Client's investment in an operating company is in the form of a loan or other debt investment, there can be no assurance that an operating company will have sufficient cash flow from operations or capital resources from follow-on equity financings to satisfy its obligations to the Client as they become due. Nor is there any assurance that collateral taken by a Client to secure repayment of such obligations will have realizable value sufficient to satisfy such obligations. If an operating company defaults on its loan or other debt obligations to a Client, the Client could experience significant delays and costs in exercising its rights to protect its investment. A Client's ability to obtain payment from an operating company beyond the realizable value of the Client's collateral may be limited by bankruptcy or similar laws affecting creditor's rights. There can be no assurance that a Client would ultimately collect the full amount owed on a defaulted loan or other debt obligation. At the time of, or subsequent to, a Client's lending commitment, an operating company may lack one or more key attributes (e.g., marketable product, complete management team or strategic alliances) necessary for success.

Lack of Independent Investigation by Underwriters. The Clients are not required to engage an independent underwriter to sell their portfolio investments and, therefore, the due diligence investigation ordinarily undertaken by an independent underwriter is not typically done.

Increased Competition for Investment Opportunities. Although the Adviser believes that the Clients should be well-positioned to take advantage of attractive target investment opportunities, there can be no assurance that it will in fact be so positioned. The entry of additional investors into the segments of the real estate finance market in which the Clients focus, or a decline in the number or size of outsourced financing transactions anticipated in the formation of the Clients' strategy could have potentially adverse consequences for the Clients and their prospects.

Risks of Acquisition Activities. The Clients acquire existing properties to the extent that they can be acquired on advantageous terms and meet the Clients' investment criteria. Acquisitions of properties entail general investment risks associated with any real estate investment, including the risk that investments will fail to perform as expected and that estimates of the cost of improvements to bring an acquired property up to standards established for the intended market position may prove inaccurate.

A Client's acquisition activities and their success may be exposed to the following risks:

- the Client may be unable to acquire a desired property because of competition from other well-capitalized real estate investors, including publicly traded REITs, public and private institutional investment funds, foreign investors, various types of financial institutions and their affiliates, family groups and wealthy individuals;
- even if the Client enters into an acquisition agreement for a property, such an agreement would typically be subject to customary conditions to closing, including satisfactory completion of due diligence investigations;
- even if the Client is able to acquire a desired property, competition from other real estate investors may significantly increase the purchase price paid;
- the Client may be unable to finance acquisitions on favorable terms;
- once acquired, a property may fail to perform as the Client projected when analyzing its investments; and



- the Client's estimates of the costs of repositioning, re-tenanting or refurbishing acquired properties may be inaccurate.

A Client may acquire properties subject to known or unknown liabilities and with limited or no recourse. As a result, if liability were asserted against the Client based upon such properties, the Client might have to pay substantial sums to dispute or remedy the matter, which could adversely affect the Client's cash flow and returns. Unknown liabilities with respect to properties acquired could include, for example: liabilities for clean-up of undisclosed environmental contamination; claims by tenants, vendors or other persons relating to the former owners of the properties; liabilities incurred in the ordinary course of business; and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

Possible Inability to Complete Renovation on Advantageous Terms. The renovation of existing properties involves significant risks in addition to those involved in the ownership and operation of established properties, including the risks that financing may not be available on favorable terms for renovation projects and that construction may not be completed on schedule or within budget, resulting in increased debt service expense and construction costs and delays in leasing such properties and generating cash flow. Substantial renovation activities are also subject to risks relating to the inability to obtain, or delays in obtaining, all necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations. Once completed, such renovated properties may perform below anticipated levels, producing cash flow below budgeted amounts. In addition, substantial renovations, regardless of whether or not they are ultimately successful, typically require a substantial portion of management's time and attention, which could divert management's time from a Client's day-to-day operations. The Clients anticipate that future renovation activities may be financed through construction loans, in which case there is a risk that, upon completion of construction, permanent financing may not be available or may be available only on disadvantageous terms.

Sale of Investments. When selling portfolio investments, the Clients may find it necessary or desirable to provide secondary financing to purchasers. In the event a Client finds it necessary or desirable to provide such secondary financing, a liquidation of the Client may be delayed beyond the anticipated term of the Client until the proceeds are collected. In addition, a Client will be subject to the risk of a default by the buyer with respect to any such secondary financing, and will be subordinated to any primary financing obtained by the buyer.

Acquisitions of Real-Estate Related Businesses. The Clients may acquire real estate companies or other operating companies in order to acquire the underlying real property held by such companies. A Client may effect such acquisitions through corporate transactions in which the Client assumes substantially all of the liabilities of the acquired company, including potential environmental liabilities, liabilities associated with employee claims and liabilities associated with claims by tenants, vendors and other persons. A Client may be unable to integrate such new acquisitions quickly and efficiently into its existing operations or to otherwise effect its business strategy with respect to such new acquisitions and, as a result, the Client's financial condition could be adversely affected.

Investment in Troubled Assets. The Clients may originate performing debt investments and may acquire not only performing, but sub-performing or non-performing debt interests as well, which are secured directly or indirectly by real estate. In addition to the risks of borrower default, the collateral may be mismanaged or otherwise decline in value during periods in which a Client is seeking to obtain control of the underlying real estate. A Client may find it necessary or desirable to foreclose on collateral securing one or more real estate loans purchased or originated by the Client, which can be lengthy and expensive. Borrowers may resist foreclosure actions by asserting numerous claims, counterclaims and defenses against the holder of a real estate loan including lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action. In some states, foreclosure actions can take up to several years to conclude. At any time during the foreclosure proceedings, the borrower may file for bankruptcy, staying the foreclosure action and further delaying the foreclosure process. Investments in assets operating in workout modes under Chapter 11 of the Bankruptcy Code, or the equivalent in non-U.S. jurisdictions, are, in certain circumstances, subject to certain additional potential

liabilities which may exceed the value of a Client's original investment. For example, under certain circumstances, lenders who have inappropriately exercised control of the management and policies of a debtor may have their claims subordinated or disallowed or counterclaims may be filed and lenders may be found liable for damages suffered by various parties as a result of such actions. In addition, under certain circumstances, payments to a Client and distributions by the Client to its investors may be reclaimed to the extent that any such payment or distribution originated with a troubled asset and is later determined to have been a fraudulent conveyance or preferential payment. Bankruptcy laws may delay the ability of a Client to realize its collateral for loan positions held by it or may adversely affect the priority of such loans through doctrines such as equitable subordination or may result in a restructure of the debt through principles such as the "cramdown" provisions of the bankruptcy laws.

Structured Finance Securities. The Clients may invest in classes of certain securities broadly categorized as "Structured Finance Securities" that entitle the holders thereof to receive payments that depend primarily on the cash flow from or sale proceeds of a specified pool of assets, either fixed or revolving, that by their terms convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities. Structured Finance Securities in which a Client may invest include commercial mortgage-backed securities ("CMBS") and residential mortgage-backed securities and other similar asset-backed securities. Structured Finance Securities have a relatively limited history as an investment category, and, accordingly, inherent with certain cutting edge and sometimes unprecedented transaction structures is the risk that an investor's rights and remedies during times of economic duress may not be as originally predicted at the time such investments were structured and made.

Holders of Structured Finance Securities bear various risks: credit risks, liquidity risks, interest rate risks, market risks, operations risks, structural risks and legal risks. Structured Finance Securities are subject to the significant credit risks inherent in the underlying collateral and to the risk that the servicer fails to perform. Such securities generally include one or more credit enhancements, which are designed to raise the overall credit quality of the security above that of the underlying collateral. The performance of Structured Finance Securities is also dependent on the allocation of principal and interest payments as well as losses among the classes of such securities of any issue, whether underlying collateral assets are revolving or closed-end, whether proceeds from the underlying assets may be reinvested and the applicable redemption features. In addition, concentrations of Structured Finance Securities of a particular type, as well as concentrations of Structured Finance Securities issued or guaranteed by affiliated obligors, serviced by the same servicer or backed by underlying collateral located in a specific geographic region, may subject the Structured Finance Securities to additional risk. A portion of a Client's investments may consist of Structured Finance Securities that are subordinate in right of payment and rank junior to other securities that are secured by or represent an ownership interest in the same pool of assets. Certain of the transactions may have structural features that divert payments of interest and/or principal to more senior classes when the delinquency or loss experience of the pool exceeds certain levels, which would reduce or eliminate payments of interest on one or more classes of such securities for one or more payment dates. Additionally, as a result of cash flow being diverted to payments of principal on more senior classes, the average life of the more junior securities may lengthen. Subordinate Structured Finance Securities generally do not have the right to call a default or vote on remedies following a default unless more senior securities have been paid in full. As a result, a shortfall in payments to subordinate investors in Structured Finance Securities will generally not result in a default being declared on the transaction and the transaction will not be restructured or unwound. Furthermore, because subordinate Structured Finance Securities may represent a relatively small percentage of the size of an asset pool being securitized, the impact of a relatively small loss on the overall asset pool may be substantial to the holders of such subordinate security. The structural and legal risks of Structured Finance Securities include the possibility that, in a bankruptcy or similar proceeding involving the originator or the servicer (often the same entity or affiliates), the assets of the issuer of the Structured Finance Security could be treated as never having been truly sold by the originator to the issuer of the Structured Finance Security and could be substantively consolidated with those of the originator, or the transfer of such assets to the issuer of the Structured Finance Security could be voided as a fraudulent transfer. Challenges based on such doctrines could result also in cash flow delays and reductions.

Risk of Investments relating to Credit Ratings. Credit ratings of Structured Finance Securities and other debt securities which may constitute Client investments, or components of Client investments, represent the rating agencies' opinions regarding their credit quality and are not a guarantee of quality. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value, therefore, they may not fully reflect the true risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an issuer's current financial condition may be better or worse than a rating indicates. Consequently, credit ratings of Structured Finance Securities and other debt securities will be used by a Client, and should be used by others, only as preliminary indicators of investment quality.

Restricted Securities. The Clients may invest in illiquid investments, private placements and restricted securities, including securities eligible for resale in accordance with Rule 144A under the Securities Act. These investments may include securities that are not publicly traded. A Client may not readily be able to dispose of such investments and, in some cases, may be prohibited from disposing of or transferring such securities by contract or by law. Such securities also can be difficult to value and generally will be valued using fair value methodology. These limitations on the liquidity of the Client's investments could prevent or delay a successful sale of such securities, or reduce the amount of proceeds that might otherwise be realized from such securities.

Risks Associated with Real Estate Interests. "Real Estate Interests" are interests that entitle the holders thereof to receive payments that depend primarily on the cash flow from or sale proceeds of mortgage loans or interests in mortgage loans ("Commercial Mortgage Loans"), including subordinate Commercial Mortgage Loans, participation interests (which may be subordinate interests) in Commercial Mortgage Loans ("Subordinate Loan Interests"), mezzanine loans secured by ownership interests in entities owning commercial properties ("Mezzanine Loans") and mortgage loans secured by mortgages on commercial real estate properties that are subject to a lease to a single tenant ("Credit Lease Loans").

The Subordinate Loan Interests in which a Client may invest may include (i) subordinate participation interests which rank junior in priority to more senior interests in the same Commercial Mortgage Loan (the "Senior Interests") and (ii) subordinate Commercial Mortgage Loans which rank junior in priority to more senior debt secured by the same mortgaged property (the "Senior Loans"). Although allocation of payments received from the underlying obligor may vary from deal to deal, such payments are generally allocated pursuant to the applicable loan documents first to pay interest and principal (or, a pro rata share of principal) with respect to the Senior Loan or Senior Interests and then to pay interest and principal with respect to the subordinated Commercial Mortgage Loan and Subordinated Loan Interests. Notwithstanding any such allocation, after the occurrence and during the continuation of an event of default under the applicable loan documents, the Subordinate Loan Interests are generally not entitled to receive any payments of principal or interest unless and until the related Senior Loan or Senior Interests are paid in full. In addition, any losses and expenses, including losses of principal or interest, non-recoverable advances, interest on advances and special servicing compensation are generally borne first by the subordinated Commercial Mortgage Loan and Subordinated Loan Interests and then by the Senior Loan and Senior Interests.

The Senior Loans, if any, and Senior Interests relating to the Subordinate Loan Interests and subordinate Commercial Mortgage Loans may be securitized (such securitization trusts, the "Senior Securitizations"). Servicing of the related Commercial Mortgage Loans is generally performed by a servicer or special servicer appointed pursuant to the documents governing the Senior Securitizations, subject to the provisions of the related inter-creditor agreement. Although a Client, as holder of the Subordinate Loan Interests and subordinate Commercial Mortgage Loans (or the Adviser or an operating advisor on its behalf), may have the right to appoint the special servicer for the related Commercial Mortgage Loan and may have limited rights to consult with, and approve certain servicing actions of, the servicer or special servicer of the Commercial Mortgage Loan appointed pursuant to the documents governing the Senior Securitization, such rights will generally terminate if the principal balance of such Subordinate Loan Interests, as the result of principal writedowns or appraisal reductions, is reduced below a specified percentage

threshold of the principal balance. Generally, the issuer will not have the right directly to enforce compliance by the borrower with the terms of the loan documents or to waive enforcement thereof, and has assigned to the holder of the related Senior Loan, if any, and Senior Interests (or the servicer or special servicer on its behalf) the right to vote all claims in any bankruptcy of the borrower. In addition, the loan documents typically restrict the transfer of interests in the Subordinate Loan Interests to persons other than certain institutional investors.

In addition, the rate of defaults and losses on Real Estate Interests will be affected by a number of factors, including general economic conditions and those in the area where the related mortgaged property is located, the borrower's equity in the mortgaged property and the financial circumstances of the borrower. If a Real Estate Interest is in default, foreclosure of any portion of such Real Estate Interest may be a lengthy and difficult process, and may involve significant expenses. Furthermore, the market for the defaulted residential mortgage loans or foreclosed properties constituting such Real Estate Interest may be very limited.

Variable Rate Mortgages. The Clients may acquire investments subject to financing that provide for adjustments in the interest rate at various monthly, annual or other intervals. An increase in the interest rate as a consequence of any such adjustment: (i) would result in less income to a Client; (ii) may reduce distributions to investors; (iii) may cause negative amortization; and (iv) may cause the sale of an investment prematurely or on less favorable terms than might otherwise be obtained. Similarly, with respect to debt held by a Client that is based on variable interest rates, the Client is subject to the risk that such interest rates may decline.

Subordination of Investments. The Clients may invest in subordinated loans, structurally subordinated mezzanine loans, second mortgages and preferred equity interests of a direct or indirect property owning entity. These investments will be subordinated to the senior obligations of the property or issuer, either contractually or inherently due to the nature of equity securities. Greater credit risks are usually attached to these subordinated investments than to a borrower's first mortgage or other senior obligations. In addition, these securities may not be protected by financial or other covenants and may have limited liquidity. Adverse changes in the borrower's financial condition and/or in general economic conditions may impair the ability of the borrower to make payments on the subordinated securities and cause it to default more quickly with respect to such securities than with respect to the borrower's senior obligations. In many cases, a Client's management of its 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 more senior lenders and contractual intercreditor provisions.

Risks Associated with Multifamily Residential Real Estate. The performance of multifamily residential investments is subject to many of the risks associated with owning and operating other types of real estate. In addition, competition in the residential real estate marketplace is strong. There are numerous housing alternatives that compete with multifamily properties in attracting residents. These include other multifamily condominium and rental apartments, and single-family homes that are available for purchase or rent in the relevant market. A large number of factors may adversely affect the value and successful operation of a multifamily property, including: physical attributes of the apartment building, such as its age, condition, design, appearance, access to transportation, and construction quality; location of the property, for example, a change in the neighborhoods over time; ability of management to provide adequate maintenance and insurance; the types of services or amenities that the property provides; the property's reputation; the level of mortgage interest rates, which may encourage tenants to purchase rather than lease housing; presence of competing properties; the tenant mix, such as the tenant population being predominantly students or being heavily dependent on workers from a particular business or personnel from a local military base; governmental programs that provide rent subsidies to tenants pursuant to tenant voucher programs, which vouchers may be used at other properties and influence tenant mobility; adverse local or national economic conditions, which may limit the amount of rent that may be charged and may result in a reduction of timely rent payments or a reduction in occupancy levels; federal, state, and local regulations, which may affect the building owner's ability to increase rent to market rent for an equivalent apartment; and government assistance/rent subsidy programs. If the demand for multifamily properties is reduced, or if competitors develop and/or acquire competing properties on a more cost-effective basis, income generated from a Client's investments and the underlying value

of such investments may be adversely affected.

In addition, certain jurisdictions regulate the relationship of an owner and its tenants. Commonly, these laws require a written lease, good cause for eviction, disclosure of fees, and notification to residents of changed land use, while prohibiting unreasonable rules, retaliatory evictions, and restrictions on a resident's choice of unit vendors. Apartment building owners have been the subject of lawsuits under various "Landlord and Tenant Acts" and other general consumer protection statutes for coercive, abusive, or unconscionable leasing and sales practices. A few jurisdictions may offer more significant protection. For example, there may be provisions that limit the bases on which a landlord may terminate a tenancy or increase its rent or prohibit a landlord from terminating a tenancy solely by reason of the sale of the owner's building. In addition to state regulation of the landlord-tenant relationship, numerous towns and municipalities impose rent control on apartment buildings. These ordinances may limit rent increases to fixed percentages, to percentages of increases in the consumer price index, to increases set or approved by a governmental agency, or to increases determined through mediation or binding arbitration.

Risks Associated with Hotels. The performance of hotel investments is subject to many of the risks associated with owning and operating other types of real estate. In addition, the hotel industry is highly competitive. Investments in hotels involve a high degree of risk because hotels are (i) both management-intensive and labor-intensive and (ii) especially subject to general economic and social conditions and trends. Also, hotels may be exposed to more liability than other investments for claims relating to property loss, labor difficulties, supplier problems and personal injuries. To meet competition in the hotel industry and to maintain economic values, continuing expenditures must be made to modernize, refurbish, and maintain hotel facilities prior to the end of their useful lives. These expenditures are likely to be significant and may be required regardless of occupancy levels or profitability of hotels. The demand for hotel and resort accommodations may vary seasonally and may be adversely affected by local or national economic recessions, demographic factors, energy shortages and changes in travel and vacation patterns.

Risks Associated with Industrial Properties. The Clients may invest in commercial or industrial properties, including special use single-tenant properties. With these properties, if the current lease is terminated or not renewed, a Client may be required to renovate the property or to make rent concessions in order to lease the property to another tenant or sell the property. In addition, a Client may have difficulty selling the property to a party other than the tenant due to the special purpose for which the property may have been designed. These and other limitations may affect a Client's ability to sell or re-lease industrial properties and may adversely affect returns to investors.

Properties historically used for industrial, manufacturing and commercial purposes are more likely to contain, or may have contained, underground storage tanks for the storage of petroleum products and other hazardous or toxic substances. Investing in industrial properties that conduct industrial, manufacturing and commercial activities will cause a Client to be subject to increased risk of liabilities under environmental laws and regulations. The presence of hazardous or toxic substances, or the failure to properly remediate these substances, may adversely affect a Client's ability to sell or rent an industrial property.

Risks Associated with Retail Properties. The performance of investments that are retail properties is subject to many of the risks associated with owning and operating other types of real estate. In addition, retail properties may be subject to special risks. For example, in many cases, the tenants of retail properties may negotiate leases containing certain exclusive rights to sell particular types of merchandise or services within a particular retail center. When leasing other space after vacancy by another tenant, these provisions may limit the number and types of prospective tenants for the vacant space. The failure to lease or re-lease on satisfactory terms could harm the operating results of the Clients.

Risks Associated with Office Properties. The General Partners may cause a Client to invest in commercial office buildings. As with retail properties, the investment in office properties is subject to the risk that tenants may be unable to make their lease payments or may decline to extend a lease upon its expiration. A termination of the lease

of an anchor tenant could provide other tenants with the right to modify or terminate their lease. Any such modifications or conditions would be unfavorable to a Client and would decrease rents or expense recoveries. In the event of default by any tenant, a Client may experience delays and costs in enforcing its rights as landlord to recover amounts due to the Client under the terms of our agreements with those parties.

Development, Redevelopment and Construction Risks. The Clients may invest in real property requiring construction, new development or redevelopment. The development and construction of such property is subject to timing, budgeting and other risks that may adversely affect a Client's operating results. Any renovation, redevelopment, development and related construction activities could subject a Client to a number of risks, including risks associated with:

- construction delays or cost overruns that may increase project costs;
- availability and timely receipt of zoning, occupancy and other required governmental permits, authorizations and regulatory approvals;
- development costs incurred for projects that are not pursued to completion;
- acts of God such as earthquakes, hurricanes, floods or fires that could adversely impact a project;
- labor conditions or material shortages that may adversely impact the cost and timing of construction;
- inability to obtain construction and permanent financing on favorable terms, or at all; and
- governmental restrictions on the nature or size of a project; and
- failure to get entitlements, lawsuits and other delays.

These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of construction or development activities once undertaken, any of which could have an adverse effect on the financial condition and results of operations of a Client and on the amount of funds available for distribution to the investors. Properties under construction or development, or properties acquired to be developed, generally generate no cash flow from the date of acquisition through the date of completion of construction or development and experience operating deficits for a period after the date of completion. A Client may commence construction, development or redevelopment activities prior to obtaining financing for such activities and there is no guarantee that financing will be available on favorable terms, or at all.

Volatility of Property Income. The volatility of operating income for a property also may be influenced by matters such as: the length of tenant leases; the creditworthiness of tenants; the level of tenant defaults; the ability to convert an unsuccessful property to an alternative use; new construction in the same market as the subject property; rent control laws or other laws impacting operating costs; the number and diversity of tenants; the availability of trained labor necessary for tenant operations; the rate at which new rentals occur; and the property's operating leverage (which is the percentage of total property expenses in relation to revenue), the ratio of fixed operating expenses to those that vary with revenues, and the level of capital expenditures required to maintain the property and to retain or replace tenants. A decline in the general economy and/or the real estate market or in the financial condition of a major tenant will tend to have a more immediate negative effect on the net operating income of properties with short-term revenue sources (such as short-term or month-to-month leases) and may lead to higher rates of delinquency or defaults under mortgage loans secured by such properties.

Termination or Expiration of Leases. A Client's properties may be subject to existing leases with major tenants occupying a substantial portion of the properties. There can be no assurance that a Client will be able to retain tenants in any of their respective properties upon the expiration of their leases. Upon the expiration or early termination of such leases, the availability of the large blocks of space they cover may have an adverse effect on a Client's ability to achieve the lease terms and rents it might otherwise be able to achieve if space were to turn over

in smaller portions, spread out over a period of time. If the space is suited to the particular needs of a former tenant, then a Client may have difficulty finding a new tenant for the space or may need to redevelop such space.

Unable to Lease Properties. Any of the Client's properties could become partially or completely vacant in the future. If a Client is unable to re-lease these properties and generate sufficient cash flow to replace or exceed that amount lost due to the vacancy, the Client will be required to recognize a financial loss as to that property, which could reduce the Client's operating results and ability to make distributions.

Sale-leaseback Transactions. The Clients may enter into sale-leaseback transactions, whereby it would lease the properties it purchased back to the sellers of such properties. A transaction structured as a sale-leaseback may be re-characterized as either a financing or a joint venture, either of which outcomes could adversely affect a Client from a business and financial perspective. If the sale-leaseback were re-characterized as a financing, a Client might not be considered the owner of the property, and as a result, would have the status of a creditor in relation to the tenant. In that event, a Client would no longer have the right to sell or encumber its ownership interest in the property. Instead, the Client would have a claim against the tenant for the amounts owed under the lease, with the claim arguably secured by the property. The tenant/debtor might have the ability to propose a plan restructuring the term, interest rate and amortization schedule of its outstanding balance. If confirmed by the bankruptcy court, the Client could be bound by the new terms, and prevented from foreclosing its lien on the property. If the sale-leaseback were re-characterized as a joint venture, the Client and its tenant could be treated as co-ventures with respect to the property. As a result, the Client could be held liable, under some circumstances, for debts incurred by the tenant relating to the property. Either of these outcomes could adversely affect the Client's cash flow and the amount available for distributions to investors.

In the event that any sale-leaseback transaction is challenged and re-characterized as a financing transaction or a loan for U.S. federal income tax purposes, deductions for depreciation and cost recovery relating to such property would be disallowed. If a sale-leaseback transaction entered into by any REIT subsidiary or any entities through which a REIT subsidiary invests were so re-characterized, such REIT subsidiary might fail to satisfy the REIT qualification "asset tests" or "income tests" and, consequently, lose its REIT status effective with the year of re-characterization. Alternatively, the amount of such REIT subsidiary's taxable income could be recalculated which might also cause it to fail to meet the distribution requirement for a taxable year.

Control Position. The Clients will generally seek investment opportunities that allow a Client to have significant influence on the management, operations and strategic direction of companies or properties in which it invests. The exercise of control and/or significant influence over a company or property imposes additional risks of liability for environmental damage, failure to supervise management and other types of liability in which the limited liability characteristic of business operations may generally be ignored. The exercise of control and/or significant influence over a company could expose the assets of a Client to claims by such company, its security holders and its creditors. While the General Partners intends to manage the Clients in a way that will minimize exposure to these risks, the possibility of successful claims cannot be precluded.

Minority Position and Toehold Investments. The Clients may also make minority equity or debt investments in companies where the Clients may have limited influence. Such companies may have economic or business interests or goals that are inconsistent with those of a Client and a Client may not be in a position to limit or otherwise protect the value of its investment in such companies. A Client's control over the investment policies of such companies may also be limited. This could result in the Client's investments being frozen in minority positions that incur substantial loss. If a Client takes a minority position in publicly traded securities as a "toe-hold" investment, then such publicly traded securities may fluctuate in value over the limited duration of the Client's investment in such publicly traded securities, which could potentially reduce returns to the investors. While the General Partners may seek to accumulate larger positions through open market purchases, registered tender offers, negotiated transactions or private placements, the General Partners may be unable to accumulate a sufficiently large position in a company to execute its strategy. In such circumstances, the Clients may dispose of its position in a company within a short

time of acquiring it; there can be no assurance that the price at which a Client can sell such securities will not have declined since the time of acquisition. Moreover, this may be exacerbated by the fact that securities of the companies that the Clients may target may be thinly traded and that a Client's position may nevertheless have been substantial, although not controlling, and its disposal may depress the market price for such securities.

Environmental Risks on Real Estate. Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real estate (which may include a lender in some instances) may be required to investigate and clean up any hazardous or toxic substances or petroleum product releases at such property and may be liable to a governmental entity or to third parties for property damage and for investigation and cleanup costs incurred by such parties in connection with contamination. These laws typically impose clean up responsibility and liability without regard to whether the owner knew of or caused the presence of the contaminants, and the liability under such laws has been interpreted to be joint and several unless the harm is divisible and there is a reasonable basis for allocation of responsibility. The cost of investigation, remediation or removal of such substances may be substantial, and the presence of such substances or the failure to properly remedy the contamination on such property may adversely affect the owner's ability to sell or rent such property or to borrow using such property as collateral. Persons who arrange for the disposal or treatment of hazardous or toxic substances or petroleum products at a disposal or treatment facility may also be liable for the costs of removal or remediation of a release of hazardous or toxic substances or petroleum products at such disposal or treatment facility, whether or not the facility is owned or operated by such person. In certain circumstances, third-party lenders which have directed or had an active involvement in the environmental compliance activities or the day-to-day management of a borrower's facilities or which have taken possession of or title to such borrower's collateral may be liable for the costs of removal or remediation of a release of hazardous or toxic substances or petroleum products at the facility. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs it incurs in connection with contamination. The owner of a site may also be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from a site. Certain federal, state and local laws, regulations and ordinances govern the removal, encapsulation or disturbance of asbestos-containing materials ("ACMs") when such materials are in poor condition or in the event of construction, remodeling, renovation or demolition of a building. These laws may impose liability for release of ACMs and may provide for third parties to seek recovery from owners or operators of real property for personal injury associated with ACMs.

In connection with its direct or indirect ownership and operation of real estate, the Clients may incur liability for such environmental costs. And in connection with a Client's debt investments, a Client, to the extent it has an active involvement in the environmental compliance activities of a borrower's facilities or takes possession of a borrower's collateral, may incur liability for environmental costs. Also in connection with a Client's debt investments, the ability of the owner to make payments to the Client may be reduced, which in turn may also adversely affect the value of the relevant asset held by the Client. Additionally, changes in environmental laws or in the environmental condition of an asset may create liabilities that did not exist at the time of acquisition and that could not have been foreseen.

Air Quality at the Clients' Properties. Complaints about poor indoor air quality at properties owned by the Clients could necessitate costly investigation and remediation activities. Indoor air quality issues can stem from inadequate ventilation, chemical contaminants from indoor or outdoor sources, and biological contaminants such as bacteria, molds, pollen and viruses. Chemical contaminants, including volatile organic compounds, naturally emanate from common indoor sources such as adhesives, carpeting, upholstery, manufactured wood products, copy machines, pesticides and cleaning agents. Outdoor contaminants such as pollutants from motor vehicle exhaust, plumbing exhaust and building exhausts can also enter buildings through air intake vents, windows and other openings. In addition, bacteria, molds, pollen and viruses may grow in moisture that accumulates in buildings or on building materials, particularly if the moisture problem remains undiscovered. Indoor exposure to chemical or biological contaminants above certain levels can cause a variety of health effects and symptoms in susceptible individuals, which the popular press sometimes dubs "sick building syndrome" or "building related illnesses." If these



conditions were to occur at one of a Client's properties, then it may need to undertake a targeted remediation program, including steps to increase indoor ventilation rates and the installation of high performance air filters and/or absorbent beds. Such remediation programs could be costly, necessitate the temporary closure of the property or in extreme cases require extensive rehabilitation of the affected property.

Engineering and Environmental Reports. The Clients will receive engineering reports and environmental surveys with respect to its properties. The reports will make observations about the properties. There can be no assurance that the reports will reveal the full extent of repairs or remediation required or that the costs thereof, which a Client will have to bear, will not exceed available funds.

Competitive Market. The business of identifying, acquiring and realizing suitable investments is highly competitive and involves a high degree of uncertainty. The Clients will be competing for investments with many other real estate investment vehicles, as well as publicly-traded real estate investment trusts, private investment funds, advisers managing pension fund separate accounts, foreign investors, institutional investors, family groups and wealthy individuals, some or all of which may have more capital and resources than the Clients. These organizations and individuals may be able to accept more risk than the Clients can prudently accept and may invest in promising opportunities before a Client is able to do so, or, their competitive offers to invest may drive up prices of prospective investments thereby lowering potential returns. Further this competition may generally limit the number of suitable investment opportunities offered to a Client or the number of properties that it is able to acquire, and may also increase the bargaining power of property owners seeking to sell to a Client, making it more difficult for it to acquire new properties on attractive terms.

Competition for investments may have the effect of increasing costs, thereby reducing a Client's investment returns. Likewise, other investment companies with similar investment objectives to the Clients may be formed in the future by unrelated parties and compete with the Clients for suitable investment opportunities. There is no assurance that the Clients will be able to locate and complete investments that satisfy its investment objective.

Investment Selection Risk. Given the significant capital allocations to real estate and heightened valuations in the current market (as discussed further herein), investment selection has become increasingly important. Successfully executing value-add plans requires an ability to buy at a discount and recognize tangible opportunities to add real value operationally, physically and/or financially. Should a Client's underwriting falter (e.g., the Client overpays for an asset, invests in assets that are never able to convert to core assets or invests in submarkets that never experience economic growth) and valuations decrease, investors may sustain significant losses.

Expenses, Reserves for Expenses and Contingencies. The Clients pay all expenses directly or indirectly incurred in the acquisition, management and realization of investments made by the Clients. Such expenses, which may include engineering and environmental reviews and the costs of workouts and restructurings, are generally higher for real estate investments than for many other non-real estate investments. Further, the General Partners may, from time to time, establish reserves for estimated or accrued expenses, liabilities or contingencies, including general reserves for unspecified contingencies, which need not be taken in accordance with generally accepted accounting principles. The establishment and existence of such reserves could substantially reduce the amount of the distributions to the investors.

Property Taxes and Risk of Property Reassessments. Real property owned by the Clients or real property that secures (directly or indirectly) an investment of the Clients will likely be subject to real property taxes and, in some instances, personal property taxes. Such real and personal property taxes may increase as property tax rates change and as the properties are assessed or reassessed by taxing authorities. An increase in property taxes on a Client's real property could adversely affect the Client's results from operations and could decrease the value of that real property. An increase in property taxes on real property that secures an investment of a Client could adversely affect the ability of the borrower to make payments to the Client, which in turn may also adversely affect the value of the relevant asset held by the Client.

Litigation. In the ordinary course of its business, the Clients may be subject to litigation from time to time. The outcome of any such proceedings may materially adversely affect the Clients and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of the General Partners' time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation. Under the Organizational Documents of the Clients, a Client will generally be responsible for indemnifying the General Partner and related parties for costs they may incur with respect to such litigation not covered by insurance.

The acquisition, ownership and disposition of real properties carries certain litigation risks, which could result in losses to the Clients. Litigation may be commenced with respect to a property acquired by a Client in relation to activities that took place prior to the Client's acquisition of such property. In addition, at the time of disposition of an individual property, a potential buyer may claim that it should have been afforded the opportunity to purchase the asset or alternatively that such buyer should be awarded due diligence expenses incurred or statutory damages for misrepresentation relating to disclosures made, if such buyer is passed over in favor of another as part of the Client's efforts to maximize sale proceeds. Similarly, successful buyers may later sue a Client under various damage theories, including those sounding in tort, for losses associated with latent defects or other problems not uncovered in due diligence. A Client may also be exposed to litigation resulting from the activities of tenants or their customers.

Lender Liability Considerations; Equitable Subordination. Over the years, a number of judicial decisions in the U.S. have upheld the right of borrowers to sue lenders or bondholders on the basis of various evolving legal theories (collectively, termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender or bondholder has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or issuer or has assumed a degree of control over the borrower or issuer resulting in the creation of a fiduciary duty owed to the borrower or issuer or its other creditors or shareholders. Although the Clients do not intend to engage in conduct that it expects would form the basis for a successful cause of action based upon lender liability, the potential for such a cause of action exists.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lender or bondholder (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination." Although the Clients do not intend to engage in conduct that it expects would form the basis for a successful cause of action based upon the equitable subordination doctrine, the potential for such a cause of action exists.

The preceding discussion is based upon principles of U.S. federal and state laws. Insofar as subsidiaries of the Clients or investments are formed under the laws of foreign jurisdictions, the laws of such foreign jurisdictions may impose liability upon lenders or bondholders under factual circumstances similar to those described above, with consequences that may or may not be analogous to those described above under U.S. federal and state laws.

Risks Relating to Debt Investments. The Clients may invest in mortgage loans, mezzanine debt or other indebtedness secured by real property. Such debt investments are subject to, among other risks, (i) the risk of borrower default, (ii) the risks attendant to foreclosure, (iii) the risk of delays and expenses due to interposed defenses or counterclaims, and the possibility that a foreclosure sale may be challenged as a fraudulent conveyance, regardless of the parties' intent, (iv) the risk that a Client may be limited in its ability to collect certain funds due to it from a borrower that is a debtor in a case filed under Title 11 of the U.S. Code, 11 U.S.C. §§ 101 et seq., as amended, and (v) the risk that a Client's borrowers may not maintain adequate insurance coverage against liability for personal injury and property damage in the event of casualty or accident.

Risk of Default or Insolvency of Counterparty. The leveraged capital structure of most of the borrowers which the Clients expect to finance, will increase these borrowers' exposure to adverse economic factors (such as rising interest rates, competitive pressures, downturns in the economy or deterioration in the condition of the borrower or its industry) and to the risk of unforeseen events. This leverage may result in more serious adverse consequences to any such borrower (including to its overall profitability or solvency) if these factors arise or events occur when compared to the consequences that may be suffered by less leveraged borrowers. For example, rising interest rates may significantly increase a borrower's interest expense, or a significant industry downturn may affect a borrower's ability to generate positive cash flow, in either case causing an inability to service outstanding debt. If a borrower cannot generate adequate cash flow to meet its debt obligations, then the borrower may default on its loan agreements or be forced into bankruptcy or insolvency (which may lead to restructuring or liquidation). As a result, a Client may suffer a partial or total loss of capital invested in that borrower, particularly in light of the subordinated position of the Client's investments.

Operating Company Investments. Investments in early stage and middle-market companies such as those that the Adviser may pursue on behalf of its Client generally entail larger risks than are customarily associated with investments in large companies. Such companies may have more limited product lines, markets and financial resources, and may be dependent on a smaller management group and on additional financing. As a result, such companies may be more vulnerable to general economic trends and to specific changes in markets and technology. Further, there is ordinarily a more limited marketplace for the sale of interests in smaller, private companies, which may make realizations of gains more difficult.

Reliance on Professionals. The Clients' future success depends, to a significant extent, upon the continued services of the Adviser's investment professionals (the individuals who are material to the Clients' success are not limited to the designated "key persons"). Any of these individuals could be difficult to replace, and the loss of any of them could have a material adverse effect on the Clients' investment results and prospects.

Fair Value Asset Valuation. The Clients' investments will be presented in its financial statements on a "fair value basis." In the case of many of the Clients' investments, it is unlikely that readily available price quotations will exist. Accordingly, investors will need to rely on the judgment of the General Partners for valuing and pricing the Clients' investments, both for financial statement purposes and in connection with disposing of such investments. A valuation is only an estimate of value and is not a precise measure of realizable value. Ultimate realization of the value of an asset depends to a great extent on economic and other conditions beyond the control of the Clients. Further, valuations do not necessarily represent the price at which an investment would sell since market prices of investments can only be determined by negotiation between a willing buyer and seller. If a Client were to liquidate a particular investment, then the realized value may be more than or less than the appraised valuation of such asset.

Uncertain Asset Valuation. Certain actions by the General Partners, such as the sale of investments, may be based on the General Partners' estimate of the value of the Clients' investments. Accordingly, investors will need to rely on the judgment of the General Partners for valuing the Clients' investments. A valuation is only an estimate of value and is not a precise measure of realizable value. Ultimate realization of the value of an asset depends to a great extent on economic and other conditions beyond the control of the Clients. Further, valuations do not necessarily represent the price at which an investment would sell since market prices of investments can only be determined by negotiation between a willing buyer and seller. If a Client were to liquidate a particular investment, the realized value may be more than or less than the General Partner's valuation of such asset.

Possible Lack of Diversification. While the General Partners intend to employ some degree of portfolio diversification as one of its risk management strategies, the Clients are expected to participate in a limited number of investments and there can be no assurances concerning the diversification of the Clients' investments either by geographic region or asset type. To the extent a Client concentrates its investments in certain geographic markets, adverse events or conditions affecting these markets in particular could have a more negative effect on the financial condition and operations of the Client than if its investments were more geographically diverse. Similarly, a

Client's financial condition and results of operations could be adversely affected by conditions affecting the Client's specific property types. This could lead to increased risk as a result of a Client having an unintended long-term investment and reduced diversification. A limited degree of diversification increases risk because, as a consequence, the aggregate return of a Client may be substantially adversely affected by the unfavorable performance of even a single investment. In addition, investors have no assurance that as a Client continues to invest the degree of diversification in the Client's investments will increase, with respect to asset category, geographic location or other risk exposure. Portfolio diversification will decrease as a Client's investments are divested.

**Risks of Joint Venture Investments.** The Clients may make investments through joint ventures or other entities with another person or entity (including third parties and funds, separate accounts or co-investment capital managed by the Adviser). Such investments may involve risks not present in investments where a co-investor is not involved, including diverging investment interests of the Client and co-investor, dysfunctional management, increased costs, greater illiquidity, the possibility that a co-investor may have financial difficulties resulting in a negative impact on such investment, or may have economic or business interests or investment objectives which are inconsistent with those of the Client. The joint venture agreement between a Client and a co-investor may grant a co-investor veto powers with respect to major decisions concerning the management, financing or disposition of an investment, which could allow a co-investor to block an action, contrary to the Client's investment objective, and could increase the risk of deadlocks that may adversely affect investment liquidity, values and returns. A Client may be subject to various costs and fees relating to such ventures, including on occasion additional performance-based or asset-based fees or allocations that may be paid to third party operating partners. A Client may bear or be responsible for more than its pro rata share (based on relative equity participation) of expenses, guarantees and/or recourse liabilities, including environmental and other "non-recourse carveout" or so-called "bad boy" liabilities. A Client may hold a non-controlling interest in certain investments and, therefore, may have a limited ability to protect its position in such investments, although the General Partners expects to procure appropriate rights to protect the Clients' interests.

If a Client and co-investors have the ability to dispose of their interests in the investment separately, a disposition of a large position by one party may depress the market value of the continuing investment of the remaining co-investors (possibly including the Client), or may reduce the price available to other co-investors (possibly including the Client) which may also be disposing of their respective investments. In addition, agreements governing joint ventures often contain restrictions on the transfer of a co-investor's interest, "buy-sell" mechanisms or similar provisions that may require the Client to obtain the consent of a co-investor prior to divesting its interest in the joint venture or result in the purchase or sale of the Client's interest at a disadvantageous time or on disadvantageous terms.

If a co-investor removes its general partner or manager or terminates prior to a Client, the ability of the Client to exercise certain rights associated with its investments may require the cooperation of a successor general partner/manager or other persons. In addition, a Client may be liable for actions of its co-investors. It may not be practicable or possible to review the qualifications, condition or suitability of prospective co-investors or partners.

**Nature of Anticipated Transactions.** Because of the objectives of the Clients, special considerations are presented by the nature of its anticipated activities. Investment analyses and decisions by the Adviser or one of its affiliates may frequently be required to be undertaken on an expedited basis to take advantage of target investment opportunities. In such cases, the information available to the Adviser or its affiliates at the time of making an investment decision may be limited, and they may not have access to detailed information regarding the underlying real estate, such as physical characteristics, environmental matters, planning regulations or other local conditions affecting an investment. Therefore, no assurance can be given that the Adviser and its affiliates will have knowledge of all circumstances that may adversely affect an investment. In addition, the Adviser expects to rely upon independent consultants in connection with their evaluation of proposed investments, and no assurance can be given as to the accuracy or completeness of the information provided by such independent consultants or to a

Client's right of recourse against them in the event errors or omissions do occur.

Non-Circumvent and Non-Disclosure Agreements. In connection with potential investments for the Clients, the Adviser, the investment professionals and certain of their officers, directors, employees, agents and affiliates may enter into non-circumvent and/or non-disclosure agreements with intermediaries, restricting their ability to disclose information and/or pursue the investment through a different intermediary. Due to these restrictions, the Clients may not be able to initiate a transaction that it might otherwise have initiated.

Illiquidity of Investments. The investments to be made by the Clients are likely to be illiquid, and it is unlikely that there will be a public market for any of the investments held by the Clients. The Clients generally will not be able to sell its investments publicly. While an investment may be disposed of at any time, it is generally expected that investments will be held for a number of years after being made. It is possible that a Client may not encounter favorable disposition, financing or refinancing terms for its investments, thereby reducing its returns. No assurances can be given that all investments will be able to be liquidated prior to the scheduled expiration of the term of a Client.

Undiscovered Liabilities. The General Partners intend the Clients to structure investments through privately negotiated transactions where a level of protection is typically afforded by covenants and due diligence. However, there can be no guarantee that a target investment by the Clients does not carry with it a significant undisclosed liability which could have a material adverse effect on the value of the Client's investments.

Fraud. The Clients could be subject to losses due to fraudulent and negligent acts on the part of third parties, including borrowers, brokers, sellers, vendors, tenants, co-lenders, loan participants, servicers, and the boards and management teams of operating companies.

Third Party Servicer. Certain of the Clients' investments may comprise securities collateralized by pools of loans or receivables for which certain management functions – such as, for example, payment collection and deposit, record-keeping or reporting with respect to payment collections and deposits – are performed by asset servicers. In the event that a servicer for one of the Client's assets experiences operational or financial difficulties, the Client's investment could experience asset deterioration or payment delay, reduction or suspension, thereby compromising the asset's value.

Derivatives. The Clients may from time to time utilize exchange-traded futures, swaps and options as part of its investment policy. Subject to the terms of the derivative contract, under certain market conditions, these instruments can be highly volatile and may expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage normally not fully disclosed on the balance sheet. As a result, depending upon the type of instrument, a relatively small movement in the price of an underlying instrument may result in a profit or loss which is high in proportion to the amount of funds actually placed as initial margin, and may result in a loss exceeding any margin deposited. Transactions in over-the-counter contracts may involve additional risk as there may not be a readily-accessible market on which to close out an open position.

Hedging Transactions. The Clients may, but is not obligated to, utilize financial instruments to hedge its investments and the interest rate risk associated therewith. There can be no assurance that a Client will hedge when appropriate or choose the correct hedge if it does hedge. Although the Clients expect to engage in hedging transactions to hedge against risks and not for speculation, the use of hedging transactions involves certain risks. These risks include: (i) the possibility that the market will move in a manner or direction that would have resulted in gain for the Client had a particular hedging transaction not been utilized, in which case the Client's performance would have been better had the Client not engaged in the hedging transaction; (ii) the risk of imperfect correlation between the risk sought to be hedged and the hedging instrument used; and (iii) potential illiquidity for the hedging instrument used, which may make it difficult or costly for the Client to close-out or unwind a hedging transaction.

A Client's ability to hedge may be constrained by the requirements of U.S. Commodity Futures Trading Commission ("CFTC") Rule 4.13(a)(3) (which imposes certain limitations on an investment vehicle's ability to utilize commodities, including currency hedging strategies) if the General Partners determine that it will rely on the exemption from registration with the CFTC set forth in such rule. The tax rules applicable to real estate investment trusts ("REITS") may limit any REIT subsidiary's ability to hedge its assets or liabilities. To the extent that a Client so elects to employ hedging strategies (and it will be under no obligation to do so), the use of hedging instruments carries certain risks, including the risk that losses on a hedge position will reduce earnings and funds available for distribution to the investors. There is no perfect hedge for any investment, and a hedge may not perform its intended purpose of offsetting losses on an investment and, in certain circumstances, could increase such losses. There can be no assurance that techniques used in hedging strategies will always be available, that a Client will engage in these techniques when available, or that the hedging strategies will be successful in limiting any applicable risks.

Counterparty Risk. It is expected that many of the Clients' target investment purchases and dispositions will transpire in private markets. To the extent consistent with a Client's intended use of leverage, these transactions may include swaps and financing trades including reverse repos, repos, bonds borrowed and bonds loaned. Differing market standards for counterparty credit evaluation may expose a Client to the risk that a counterparty will not complete or settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (irrespective of whether bona fide), counterparty default, or inability to perform, causing the Client to suffer a loss. Such "counterparty" risk is accentuated for contracts with longer maturities or where a Client has concentrated its transactions with a particular counterparty or group of counterparties. The Clients are not restricted from dealing with any particular counterparty or from concentrating its transactions with one counterparty. In addition, although in the majority of its purchase and sale transactions the Clients expect to transact with well-capitalized credit-worthy counterparties, there can be no assurance that such will be the case in every transaction (or that the counterparties will perform their obligations).

The ability of a Client to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated exchange market to facilitate settlement may increase the potential for losses by the Client.

Casualty Losses; Uninsurable Losses. The Clients intends to maintain insurance on each of its assets in amounts sufficient to permit the replacement of the assets in the event of a total loss, subject to applicable deductibles, and will endeavor to obtain coverage of the types and in the amounts customarily obtained by owners of real estate. The Clients may also require, prior to lending on a given real estate asset, that the owner or property manager obtain suitable comprehensive liability, fire and extended coverage insurance for the property of the types and in the amounts customarily obtained for similar properties. However, there can be no assurance that insurance will be available or sufficient to cover any such risks. Additionally, there are certain types of losses, generally of a catastrophic nature, including, without limitation, losses sustained from terrorist strikes, earthquakes, floods and hurricanes, which may be uninsurable, not economically insurable or for which insurance may only be available in amounts that are less than the full market value or replacement cost of the insured properties. Also, there can be no assurance that any risks currently insurable will continue to be insurable on an economic basis. Inflation, changes in building or zoning codes and ordinances, environmental considerations, and other factors may also make it infeasible to use insurance proceeds to replace an asset if it is damaged or destroyed. Under such circumstances, the insurance proceeds received by the Clients might not be adequate to restore its economic position with respect to a particular property. Further, because the Funds are pooled investment funds, all Fund assets may be at risk in the event of an uninsured or under-insured liability to third-parties.

Contingent Liabilities on Disposition of Investments. In connection with the disposition of a target investment prior to its maturity, the Clients may be required to make certain representations and warranties about such target investment. The Clients may also be required to indemnify the purchasers of such target investment in case any such representations and warranties are inaccurate. These arrangements may create contingent liabilities of the

Clients, for which the General Partners may establish reserves or escrow accounts.

Risks of Leverage. The amount of borrowings which the Clients may have outstanding and/or to which its investments may be subject at any time may be large in relation to its capital, the then current value of its investments and/or its uncontributed capital commitments. Although the use of leverage may enhance returns, it will also substantially increase a Client's risk of loss. For example, under declining market conditions, a decline in the value of the collateral securing a mortgage loan could result in covenant breaches and defaults by a Client. Because borrowings may be cross-collateralized, it is likely that a Client could experience concurrent foreclosures of multiple financed assets, accompanied by attendant losses upon lender liquidations. For purposes of this Item 8, "cross-collateralization" shall refer to any debt that is recourse to a Client or which is secured by more than one asset.

In addition, fluctuations in market values may significantly decrease the availability, and increase the costs, of real estate mortgage loans. The ability to obtain financing quickly and on reasonable terms is important to the success of a Client. Any dramatic change in the real estate business may substantially increase the risks that a Client will not be able to obtain such financing. Furthermore, the use of leverage will subject the Clients to risks normally associated with debt financing, including the risk that a Client's cash flow will be insufficient to meet required payments of principal and interest, the risk that the indebtedness on the investments will not be able to be refinanced and the risk that the terms of any refinancing will not be as favorable as the terms of the existing indebtedness. A Client may, under some circumstances, be required to liquidate assets to service interest and principal obligations on leveraged assets. Because a Client can incur recourse indebtedness up to 20% of the fair market value of the Client's investments, if a Client defaults on indebtedness secured by a particular property, then the lender may foreclose and the Client could lose its entire investment in the property. Even with respect to nonrecourse indebtedness, the lender may have the right to recover deficiencies from a Client in certain circumstances, including fraud and environmental liabilities. Moreover, if a Client is required to deleverage as a result of changing market conditions, to comply with the limitations on its ability to leverage or otherwise, then it may be forced to sell investments at inopportune times or at disadvantageous prices.

Changes in Market Circumstances. The Clients face risks attendant to changes in economic environments, changes in interest rates, instability in certain securities markets, changes in the relative valuations of its investments and changes in the availability of, and/or the general terms and conditions for, investment financing, among other factors – any one of which could adversely affect investment returns. In addition, major market disruptions could occur which could significantly impair the value of the portfolio. Investments in real estate and real estate-related entities are subject to various risks, including, for example, adverse changes in national and international economic and geopolitical conditions, local market conditions and the financial conditions of tenants; changes in the number of buyers and sellers of properties; increases in the availability of supply of property relative to demand; changes in availability of financing; increases in interest rates, real estate tax rates, energy prices, and other operating expenses; changes in environmental laws and regulations, zoning laws and other governmental rules and policies; changes in the relative popularity of properties; risks due to dependence on cash flow; risks and operating problems arising out of the presence of certain construction materials, as well as acts of God, uninsurable losses and other factors which are beyond the control of the Clients. In addition, real estate is subject to long-term cyclical trends that give rise to significant volatility in real estate values. Many of the factors which could affect the performance of the Clients or its properties will be beyond the control of the General Partners and the Clients. While the U.S. economy has begun a recovery from the "Great Recession", there can be no assurance as to whether any such recovery will persist or whether economic conditions may deteriorate. Recent events may indicate that recovery from the Great Recession may be more prolonged or that the U.S. risks entering into a double-dip recession, which could adversely affect the Clients' operating results and ability to implement its business strategy.

Political and Social Risks. The U.S. has been the target for terrorist attacks and been involved in a variety of

military actions. Some of these terrorist attacks have resulted in, among other things, a disruption in financial markets and the economy generally, as well as volatility in the international economic market. Future terrorist attacks and/or the anticipation of any such actions or response to them may have a further adverse impact on economic stability. It is not possible to predict the severity of the effect that any further terrorist activity and/or military response will have on the market. Any resulting economic instability or downturn could adversely affect the returns sought by the Clients.

In addition, there is a risk that one or more of the Clients' properties will be directly or indirectly affected by a terrorist attack. Such an attack could have a variety of adverse consequences for the Clients, including risks and costs related to the destruction of property, inability to use one or more properties for their intended uses for an extended period, decline in rents achievable or property value, and injury or loss of life, as well as litigation related thereto. Such risks may or may not be insurable at rates that the General Partners deem economical at all times. So long as the Clients' service providers have followed typical industry practices in protecting the Clients' properties, recourse to them in the event of losses may be limited and such losses may be borne by the Clients.

Adverse Real Estate Market Conditions. The performances of certain of the Clients' investments are vulnerable to downturns in various economic environments. U.S., regional or local economic declines may negatively affect the payments of borrowers or the performance of real estate assets. The prices for investment sales, and the prices, terms and conditions for investment refinancing may be threatened by unanticipated declines in various economic environments – thereby reducing or extinguishing anticipated returns of capital and internal rates of return.

Real Estate Capital Markets. The real estate capital markets are dynamic, continually evolving and impacted by many variables. The Clients' strategies, targeted investments, targeted portfolio composition and targeted returns were formulated based on the current environment at the launch of the applicable Client. The real estate capital markets, financing techniques and products are likely to materially change over the term of the Clients, and adapting to such changes and/or the General Partners' inability to successfully adapt the Clients to some or all of such changes may negatively impact the performance of the Clients.

Capital Availability. The Adviser believes that global capital markets have recovered and have significantly impacted values in certain core gateway markets. Allocations are increasing for value-added real estate driven by both a search for yield in the current low interest rate environment and larger denominators due to the rise in equities. Further, on the debt side, CMBS underwriting standards are declining and new non-traditional lenders are entering the market. This availability of capital has, and may continue to, drive up real estate valuations, making it increasingly difficult to identify and gain control of compelling value-added investment opportunities and, as a result, lowering returns.

Government Intervention. In light of the relatively recent economic turmoil, the U.S. government, including the Federal Reserve, took a number of measures in an effort to stabilize the U.S. economy and to inject liquidity into the U.S. capital markets. The Federal Reserve, in an attempt to stimulate the overall economy, has, among other things, kept interest rates low through its targeted federal funds rate and purchased mortgage-backed securities. As the economy has started to recover, it is expected that the U.S. government and Federal Reserve will play a less active role and will phase-out certain programs or policies; the effects of such a phase-out could negatively affect the manner in which the Clients operate and the Clients' prospects. The far-reaching implications of the Dodd-Frank Wall Street Reform and Consumer Protection Act are unknown and could negatively impact the Clients. Additional intervention by the U.S. government could provide banks with advantages as compared to the Clients in terms of competitiveness in providing first mortgage or subordinated loans or preferred equity to potential borrowers. There can be no assurance that programs and proposals initiated and announced by the U.S. Treasury or the Federal Reserve will have a beneficial impact on the financial and real estate markets. Additionally, further government intervention could include legislation or regulations which would require the Clients to modify or waive certain terms of previously made investments or to otherwise cause the Clients to not receive the full benefit of its contractual relationship with a borrower. Any of these scenarios may unfavorably impact a Client's returns.



Refinancing Market. The ability of the Clients to successfully utilize loan refinancing's as an exit strategy will depend on a number of factors beyond the control of the Clients such as market interest rates, mortgage spreads, underwriting standards, investor appetite for commercial mortgage securitizations, etc. Should it become more difficult to facilitate mortgage refinancings as a result of increased mortgage rates, tightening underwriting and lending standards, etc. such an event could have an adverse effect on the ability of the Clients to realize its return and liquidity objectives.

Cybersecurity Risk. The Adviser, the Clients' 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 Clients and their investors, despite the efforts of the Adviser and the Clients' 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 the Clients and their investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems of the Adviser and the Clients' 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 Adviser's systems to disclose sensitive information in order to gain access to the Adviser's data or that of the Clients' investors. A successful penetration or circumvention of the security of the Adviser's systems could result in the loss or theft of 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 Clients, the Adviser or their service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss. In addition, the Adviser may incur substantial costs related to forensic analysis of the origin and scope of a cybersecurity breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, adverse investor reaction or litigation.

Similar types of operational and technology risks are also present for the companies in which the Clients invests, which could have material adverse consequences for such companies, and may cause the Clients' investments to lose value.

Tax Reform Risks. President Trump signed into law a broad-based reform of the Internal Revenue Code of 1986, as amended (the "Code") on December 22, 2017 (the "Tax Act"). There are significant uncertainties regarding the interpretation and application of the Tax Act. While additional guidance on the Tax Act is expected, the timing, scope and content of such guidance are not known. Changes to the Code made by the Tax Act and any further changes in tax laws or interpretation of such laws may be adverse to the Clients and their investors. In addition, although not free from doubt, the Tax Act subjects allocations of income and gain in respect of entitlements to carried interest and gain on the sales of profits interests in certain partnerships realized in taxable years beginning after December 31, 2017 to higher rates of U.S. federal income tax than under prior law in certain circumstances. Significant uncertainties remain regarding the application of the provisions of the Tax Act that affect the taxation of carried interest. Enactment of this legislation could cause the Adviser's investment professionals to incur a material increase in their tax liability with respect to their entitlement to carried interest. This might make it more difficult for the Adviser to incentivize, attract and retain these professionals, which may have an adverse effect on the Adviser's ability to achieve the investment objectives of the Clients. In addition, this can create a conflict of interest as the tax position of the Adviser may differ from the tax positions of the Clients and/or the investors and therefore, these rules may have an additional impact on the investment decisions made by the Clients, including with respect to decisions on the timing and structure of dispositions and whether to pursue other realization events during the holding period of an investment such as non-liquidating distributions. For example, the Tax Act gives the Adviser an incentive to cause a Client to hold an investment for longer than 3 years in order to obtain lower tax rates on carried interest gains even if there are attractive realization opportunities earlier than 3 years.

**ITEM 9. DISCIPLINARY INFORMATION**

Neither the Adviser nor its management persons have been involved in any legal or “disciplinary” events that are material to an investor’s evaluation of the Adviser’s advisory business or the integrity of its management.

**ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS***Related Persons*

The Adviser is a vertically-integrated operating company, which, together with its affiliates, provides investment advisory, property management, leasing services or construction and development management to its Clients. While the Adviser's primary business is providing investment advisory services through its affiliated entities to its Clients, affiliates of the Adviser may provide property management, leasing services or construction and development management to certain of the real estate properties held by its Clients for investment (as described in more detail below). Further, the General Partners of the Clients are affiliates of the Adviser. In the future the Adviser or one or more of its affiliates may provide additional services to the Clients. For a description of material conflicts created by the relationship among the Adviser and the General Partners, as well as description of how such conflicts are addressed, please see Item 11.

Divco West Real Estate Services, Inc.

An affiliate of the Adviser, Divco West Real Estate Services, Inc. ("DWRES, Inc."), is a licensed real estate broker and is engaged in the business of providing property management, leasing services or construction and development management. DWRES, Inc. provides such services to the Clients in respect of certain of their investments and receives a fee from such Clients for such services. The permitted applicable terms of any such affiliate arrangements between DWRES, Inc. and the Clients are set forth in the Client's Organizational Documents, and all engagements with DWRES Inc. are subject to a service agreement with the Client. Please also see the Organizational Documents for each Client and Item 5 for a description of the Property-Related Fee arrangements for the property-related services provided by affiliates of the Adviser.

Engagement of DWRES, Inc. by the Clients generally replaces third party services. Fees paid to DWRES, Inc. solely benefit DWRES, Inc. and pursuant to an agreement between DWRES, Inc. and the Adviser, substantially all of DWRES Inc.'s net income is received by the Adviser. Such fees are not shared with the applicable Clients holding investments for which such services are provided, and neither fees nor cost reimbursements paid to DWRES Inc. offset the Adviser's Management Fees.

Conflicts of interest may arise in connection with the retention of DWRES Inc. to provide such services, including, without limitation, incentivizing the Adviser or its affiliates to (i) engage DWRES Inc. for a Client investment in a circumstance where the engagement of an independent third party by the Client would be appropriate or conventional or (ii) hold investments longer than it may otherwise hold such investment, which may result in lower returns for the Clients. For additional information on the conflicts of interest involved in retention of affiliated Property Managers, please see Item 11 below.

LoanCore Capital

LoanCore Capital, a real estate debt management company, is 20% owned indirectly by a principal of the Adviser. LoanCore Capital may, in certain circumstances and subject to any conditions set forth in the Organizational Documents of the Clients, provide real estate financing through an affiliated company to the Clients. In such instances, the terms of the real estate loans must be on market terms and are disclosed to the applicable Fund's advisory committee or Client's investor representatives as specified in the respective Organizational Documents.

The Adviser does not otherwise engage, itself or through an affiliate, in any other financial industry activities.

*Other Potential Conflicts*

Certain of Adviser Investors may be investors in some Clients or in other real estate ventures outside of their

association with the Adviser or that are not controlled by the Adviser's Clients, subject to the conditions described below. This allows for a potential conflict of interest to arise where an Adviser Investor may favor a Client in which he or she has a financial benefit, or he or she may take measures to minimize an issue that could negatively affect him or her personally. Furthermore, Adviser Investors who have real estate interests outside of the Adviser may divert potentially profitable investments from the Adviser's pipeline for their own personal gain or may not disclose potential investments that they encounter which meet the investment criteria for one of the Adviser's Clients. The Adviser seeks to mitigate these risks by requiring that all Adviser Investors disclose their outside business activities and to obtain prior written consent from the Chief Compliance Officer for any potential private investment. Also, no Adviser Investor may invest in a potential investment opportunity in the Adviser's pipeline unless it fails to meet the investment criteria of any currently investing Client or all Clients have affirmatively refused to accept the investment opportunity.

Please see Item 11 below for additional discussion of potential conflicts of interest.

**ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING***Code of Ethics and Personal Trading*

The Adviser has adopted a Code of Ethics pursuant to Advisers Act Rule 204A-1 (the “Code of Ethics”) which sets forth fiduciary principles and certain standards of business conduct that must be followed by, among others, all principals, officers and employees of the Adviser (collectively “Covered Persons”). The Code of Ethics provides guidelines for professional conduct and personal trading procedures, including certain pre-clearance and reporting obligations, and regarding adherence to securities laws generally. Covered Persons and their families and households may purchase investments for their own accounts, including the same investments as may be purchased or sold for a Client, subject to the terms of the Code of Ethics. Under the Code of Ethics, Covered Persons are also required to file certain periodic reports with the Adviser’s Chief Compliance Officer as required by Rule 204A-1 under the Advisers Act. The Code of Ethics helps the Adviser detect and prevent potential conflicts of interest.

In addition, the Code of Ethics requires that all Covered Persons report Code violations and provides the potential for sanctions for such violations. Covered Persons who violate the Code of Ethics may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, demotion, suspension or dismissal. Covered Persons are also required to promptly report any violation of the Code of Ethics of which they become aware and are required to annually certify compliance with the Code of Ethics.

The Adviser’s Chief Compliance Officer is responsible for various aspects of the Code of Ethics’ administration, including, without limitation, the monitoring and review of personal securities transactions, and is available for any questions Covered Persons have regarding the Code of Ethics. The Adviser will provide a copy of the Code to any Client or prospective Client upon request and may elect to provide a copy of the Code of Ethics to investors in the Clients.

*Participation in Client Transactions*

Certain Covered Persons of the Adviser are active investors in the Clients and have committed significant amounts of their own capital to invest in the Clients through their investments in the Clients’ General Partners. Generally, Covered Persons are not permitted to make personal investments in properties or joint ventures in which the Clients invest other than through their personal investment in those Clients. A Client or its General Partner, as applicable, may reduce all or a portion of the Management Fee and Carried Interest related to investments held by such persons. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see “*Conflicts of Interest*” immediately below.

*Conflicts of Interest*

The Adviser and its affiliates engage in a broad range of activities, including investment activities for their own account and for the account of its Clients, and providing services as a Property Manager to the portfolio investments. In the ordinary course of conducting its activities, the interests of a Client will, from time to time conflict with the interests of the Adviser, other Clients or their respective affiliates. Certain of these conflicts of interest, as well a description of how the Adviser addresses such conflicts of interest, can be found below.

*Certain of the material conflicts of interest encountered by a Client are discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by a Client. Other conflicts may be disclosed throughout this Brochure and as such, this Brochure should be read in its entirety for other conflicts. For a more comprehensive disclosure of potential conflicts of interest associated with investing in a Client, current and prospective investors should refer to the Client’s Organizational Documents, together with all of the other information included in the Organizational Documents.*

Resolution of Conflicts. The Organizational Documents of the Clients typically govern conflicts of interest and resolution thereof and the Adviser has a duty to comply with the procedures described in such agreements with respect to potential conflict of interest situations. Such Organizational Documents may explicitly permit certain transactions that involve a conflict of interest, in which event the Adviser may (or may cause a Client to) enter into such transactions. Additionally, certain Funds have advisory committees that meet periodically to advise and consult with the Adviser concerning, among other things, issues involving potential conflicts of interests.

In the event the Organizational Documents of a Client do not address conflicts of interest, the Adviser shall, in its best judgment, resolve the conflicts using those factors it determines to be relevant, taking into account its fiduciary duty and disclosure obligations. Furthermore, the Adviser's Chief Compliance Officer may seek the advice of certain other persons (including internal legal counsel, external legal counsel, or senior principals) to assist in the identifying, assessing, mitigating, resolving and monitoring actual, potential or perceived conflicts of interest. In certain instances, some conflicts of interest may be resolved in a manner adverse to a Client and its ability to achieve its investment objectives.

Allocation of Investment Opportunities Among Clients. In recognition of its fiduciary duties required of investment advisers under the Advisers Act, the Adviser has adopted written policies and procedures relating to the allocation of investment opportunities, and will make allocation determinations consistently therewith. Certain Clients may be subject to investment allocation requirements (the "Investment Allocation Requirements") pursuant to the Organizational Document of such Clients.

The Adviser generally establishes its Funds such that only one Fund is able to make investments in a described investment strategy at a time. For so long as a Client has been granted contractual priority with respect to a particular investment opportunity (such Client, a "Priority Vehicle") over other Clients pursuant to its Organizational Documents, such investment opportunity shall be considered first on behalf of the Priority Vehicle prior to being considered for any other Clients ("Non-Priority Vehicles"). If the Adviser's Diligence and Allocation Committee determines such opportunity is suitable for the Priority Vehicle, such investment opportunity shall be allocated to the Priority Vehicle. If the opportunity is declined for the Priority Vehicle, the Diligence and Allocation Committee may consider the opportunity for a Non-Priority Vehicle, and will allocate opportunities that meet the principal investment strategy for more than one Non-Priority Vehicle among such Non-Priority Vehicles on a consistent rotational basis. Specifically, non-Priority Vehicles will rotate through the queue on a sequential basis unless the Adviser, in its sole discretion, determines to adjust the rotation, including, without limitation, because: (i) a Non-Priority Vehicle is restricted from making such investment (either due to an explicit restriction or a good faith determination by the Adviser to implement restrictions based on the investments previously made by such Non-Priority Vehicle, the desired diversification of investments to be held by such Non-Priority Vehicle and/or applicable law or regulation or other factors deemed relevant in the reasonable discretion of the Adviser); (ii) a Non-Priority Vehicle is unable to acquire such investment because the capital required to acquire such investment exceeds such Non-Priority Vehicle's remaining investment capital; or (iii) such investment is brought to the attention of the Adviser by a particular Non-Priority Vehicle (in which case such investment may be allocated to such Non-Priority Vehicle). The allocation policy described herein may be modified from time to time.

The Adviser will seek to apply the forgoing the policies and procedures in a fair and equitable manner, and will not favor or disfavor, consistently or consciously, any Client in relation to any other Client.

Notwithstanding the foregoing, under no circumstances will the Adviser allocate opportunities based, in whole or in part, on (i) the relative fee structure or amount of fees paid by any Client, (ii) the profitability of any Client or (iii) any person's interest in offering or participating in co-investment opportunities outside of any Client. The Adviser will maintain appropriate documentation in the event of any deviation from the policy described above. There can be no assurance that the application of the Investment Allocation Requirements and factors set forth above will result in a Client participating in all investment opportunities that fall within its investment objectives.

Allocation of Co-Investment Opportunities. If the Adviser determines in its sole and absolute discretion because of portfolio construction considerations (e.g., geography, asset type or mix, tenant concentration or mix, etc.), investment limitations, or otherwise that it is not permissible or in a Client's best interest to purchase or retain all of an investment, then the Adviser may, but will have no obligation to, offer to one or more persons (which may include, in the Adviser's sole and absolute discretion, one or more investors) a portion of any such investment opportunity ("Co-Investment Opportunity"). The terms of any Co-Investment Opportunity offered by the Adviser will be on terms and conditions determined by the Adviser in its sole and absolute discretion.

The Adviser offers Co-Investment Opportunities in accordance with the Organizational Documents of the applicable Clients. Subject to any restrictions contained in the Organizational Documents of the relevant Client and any Investment Allocation Requirements, in general, (i) no investor in a Client has a right to participate in any Co-Investment Opportunity and investing in a Client does not give an investor any rights, entitlements or priority to co-investment opportunities, (ii) decisions regarding whether and to whom to offer co-investment opportunities, as well as the applicable terms on which a co-investment is made, are made in the sole discretion of the Adviser or its related persons, (iii) Co-Investment Opportunities may, and typically will, be offered to some and not other investors, in the sole discretion of the Adviser or its related persons and investors may be offered a smaller amount of Co-Investment Opportunities than originally requested, and (iv) certain persons other than investors (e.g., consultants, joint venture partners, persons associated with a portfolio investment and other third parties) rather than one or more investors in a Client, may be offered Co-Investment Opportunities, in the sole discretion of the Adviser or its related persons.

Decisions regarding whether and to whom to offer Co-Investment Opportunities are made at the sole and absolute discretion of the Adviser and may be based on a number of factors, including an investor's expressed interest in Co-Investment Opportunities, the character and nature of the Co-investment Opportunity (including the potential size of such investor's capital commitment (or such investor's capital commitment to other Adviser-sponsored investment vehicles), structure, geographic location, tax characteristics and relevant industry), the level of demand for participation in such Co-investment opportunity, the Adviser's assessment of such investor's ability to both fund and timely execute such Co-Investment Opportunity, any confidentiality concerns the Adviser may have that may arise in connection with providing the investor with specific information with respect to such Co-Investment Opportunity, the Adviser's assessment of whether an investor has provided value in the sourcing, establishing relationships, participating in diligence and/or negotiations for a transaction or is expected to provide value to the business or operations of an investment post-closing, the Adviser's assessment of whether the profile or characteristics of an investor may have an impact on the viability or terms of the proposed investment opportunity, and whether the Adviser believes, in its sole and absolute discretion, that allocating a Co-Investment Opportunity to such investor will help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits (including strategic, sourcing or similar benefits) to the Clients or future funds of the Adviser and/or the Adviser.

The Adviser's exercise of its discretion in allocating investment opportunities with respect to a particular investment among the persons, including the Clients, potential co-investors, Covered Persons and third parties, and in the manner discussed above often will not, result in proportional allocations among such persons, and such allocations often will be more or less advantageous to some such persons relative to other such persons. For example, the Adviser may be incentivized to offer a Co-investment Opportunity to certain persons over others based on its economic arrangement with such persons. While the 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 Adviser is subject, discussed herein, did not exist.

In the event the Adviser determines to offer an investment opportunity to co-investors, there can be no assurance that the 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 the Client or that expenses incurred by the Client with respect to the syndication of the co-investment will not be substantial. Further, it is possible that a potential co-investment party may experience financial, legal or regulatory difficulties and may, from time to time, have economic, tax, regulatory, contractual or other business interests or goals that are inconsistent with those of a Client and as a result, may take a different view from the Adviser as to appropriate strategy for an investment or may be in a position to take a contrary action to a Client's investment objective. In the event that the Adviser is not successful in offering a Co-Investment Opportunity to potential co-investors, in whole or in part, the 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.

Secondary Transfers. In addition, to the extent the Adviser has discretion over granting or withholding consent to a secondary transfer of interests in a Fund pursuant to such Fund's Organizational Documents, the Adviser may make such decisions in its sole and absolute discretion. Notwithstanding anything to the contrary, however, absent disclosure to the contrary, in determining whether to grant or withhold consent to a secondary transfer of interest in a Fund, a purchaser's potential investment into another Fund (including a future fund raised by the Adviser) shall not be the sole factor considered by the Adviser.

Cross-Transactions. In certain cases, the Adviser may cause a Client to purchase investments from another Client, or it may cause a Client 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 may not receive the best price otherwise possible, or the 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. Additionally, in connection with such transactions, the 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). The Adviser and its affiliates receive Management Fees or other fees in connection with their management of the relevant Clients involved in such a transaction, and generally are entitled to share in the investment profits of the relevant Clients. To address these conflicts of interest, in connection with effecting such transactions, the Adviser will follow the Investment Allocation Requirements of the relevant Clients. To the extent such matters are not addressed in the Investment Allocation Requirements, the Adviser's Chief Compliance Officer will be responsible for confirming that the 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.

Principal Transactions. 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 the Adviser's management of its Clients, the Adviser and its affiliates may engage in principal transactions. The Adviser has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate 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.

Management of the Clients. The Adviser manages a number of Clients that may have investment objectives similar to each other. The Adviser expects that it or its personnel will in the future establish one or more additional investment funds with investment objectives substantially similar to, or different from, those of the current Clients.



Allocation of available investment opportunities between the Clients and any such investment fund could give rise to conflicts of interest. See “*Allocation of Investment Opportunities*” above. The Adviser may give advice or take actions with respect to, the investments of one or more Client that may not be given or taken with respect to other Clients with similar investment programs, objectives or strategies. As a result, Clients with similar strategies may not hold the same securities or achieve the same performance. In addition, a Client may not be able to invest through the same investment vehicles, or have access to similar credit or utilize similar investment strategies as another Client. These differences may result in variations with respect to price, leverage and associated costs of a particular investment opportunity.

In addition, it is expected that employees of the Adviser responsible for managing a particular Clients will have responsibilities with respect to other Clients managed by the Adviser, including funds raised in the future or to proprietary investments made by the Adviser and/or its principals of the type made by a Client. Conflicts of interest arise in allocating time, services or functions of these officers and employees.

Conflicts Relating to the General Partners and the Adviser. The Adviser, its affiliates, and members, officers, principals and employees of the Adviser and its affiliates may buy or sell securities or other instruments that the Adviser has recommended to Clients, or may have pre-existing interests in securities purchased by the Clients. Officers, principals and employees of the Adviser may also buy securities in transactions offered to but rejected by Clients. A conflict of interest may arise because such investing Adviser personnel will, for some investments, benefit from the evaluation, investigation, and due diligence undertaken by the Adviser on behalf of the Client. In such circumstances, the investing Adviser personnel will not share or reimburse the relevant Client(s) and/or the Adviser for any expenses incurred in connection with the investment opportunity. In addition, officers and employees may also buy securities in other investment vehicles (including private equity funds, hedge funds, real estate funds and other similar investment vehicles) which may include potential competitors of the Clients. The transactions described above are subject to the policies and procedures set forth in the Adviser’s Code and investors will not benefit from any such investments. The investment policies, fee arrangements and other circumstances of these investments may vary from those of the Clients. If officers, principals and employees of the Adviser have made large capital investments in or alongside the Funds they will have conflicting interests with respect to these investments. While the significant interests of the officers and employees of the Adviser generally aligns the interest of such person with the Clients, such persons may have differing interests from the Client with respect to such investments (for example, with respect to the availability and timing of liquidity).

Because certain expenses are paid for by a Client and/or its portfolio investments or, if incurred by the Adviser, are reimbursed by a Client and/or its portfolio investments, the Adviser may not necessarily seek out the lowest cost options when incurring (or causing a Client or its portfolio investments to incur) such expenses.

Affiliated Property Managers. As noted above in Item 5, the Adviser generally retains a Property Manager for each portfolio investment, which may be an affiliate of the Adviser. The Property Manager receives a Property-Related Fee from the applicable portfolio investment or Client (or is reimbursed from the applicable portfolio investment of the Client), that is in addition to any Management Fee or Carried Interest received by the Adviser or its affiliates. In addition, the Property Manager receives reimbursement for out-of-pocket property management-related expenses. While a portion of such expenses may be directly reimbursed by tenants of the applicable portfolio investments, subject to the terms of the agreements with such tenants, some or all of such expenses are otherwise reimbursed by the applicable Client. A conflict of interest arises when engaging an affiliate as Property Manager, because the Adviser has an incentive to recommend an affiliate even if another person may be more qualified to provide the applicable services and/or can provide such services at a lesser cost.

The Organizational Documents of the Clients set forth parameters and/or restrictions on the use of affiliated service providers. For example, the Organizational Documents of some Funds require the Fund’s advisory committee review and approve Property-Related Fees paid to affiliate Property Managers and/or require that the Adviser provide documentation to demonstrate the comparable nature of the Property-Related Fees and services in relation

to those fees charged, and services provided, by third-party Property Managers. The use of affiliated service providers as Property Managers is generally disclosed in the Organizational Documents of the applicable Client.

The Adviser endeavors to engage the best service providers in an applicable market (whether affiliates or unaffiliated third parties) with competitive fees and rates. Subject to any restrictions set forth in the Organizational Documents of a Client, when engaging an affiliate Property Manager, the Adviser ensures that Clients must receive fair, reasonable and competitive terms and fee rates that are commensurate with and no less favorable than those that would be negotiated with an unaffiliated third party on an arm's length basis providing comparable services in the local market.

Investments in Operating Companies. Clients and/or members, officers, principals and employees of the Adviser or its affiliates, and/or their family members or relatives (collectively, "Adviser Parties") may invest in operating companies (collectively, "Associated Companies") that currently, or that may in the future, transact with other Clients. Potential conflicts of interest may arise with respect to such transactions, including, without limitation, in circumstances where the Adviser recommends an Associated Company in which a Client and/or an Adviser Party has an interest provide services to another Client's portfolio investments, which may involve fees, commissions, and/or servicing payments to such Associated Company. Potential conflicts of interest may also arise in circumstances where such companies lease space at properties owned by another Client. The Adviser will generally have a conflict of interest in making such recommendations, in that the Adviser has an incentive to maintain goodwill between it and the existing and prospective portfolio investments of the Clients, while the products or services recommended may not necessarily be the best available to the portfolio investments held by the Clients. Further, the benefits received by the Associated Company providing a service may be greater than those received by the Client(s) and its portfolio investments receiving the service.

Additional conflicts may arise when a Client makes investments in conjunction with an investment in an Associated Company being made by other Clients, or in a transaction where another Client and/or an Adviser Party has a pre-existing interest in such Associated Company. Investment opportunities may be appropriate for Clients at the same, different or overlapping levels of a company's capital structure. Conflicts may arise in determining the terms of investments, particularly where these Clients may invest in different types of securities in a single Associated Company. Questions may arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring may raise conflicts of interest, particularly in Clients that have invested in different securities within the same Associated Company. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, the Clients may or may not provide such additional capital, and if provided each Client will supply such additional capital in such amounts, if any, as determined by the Adviser. Investments by more than one Client in an Associated Company also raise the risk of using assets of a Client to support positions taken by other Clients, or that a Client may remain passive in a situation in which it is entitled to vote. The Adviser may also express inconsistent or contrary views of commonly held investments or of market conditions more generally. There can be no assurance that the return of a Client participating in a transaction would be equal to and not less than another Client participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

Additionally, Adviser Parties may have ownership, employment, or other interests in service providers to the Clients or their portfolio investments. These relationships that the Adviser may have with a service provider can influence the Adviser in determining whether to select, or recommend such service provider to perform services for a Client or a portfolio investment. Although the Adviser selects service providers that it believes will enhance portfolio investment performance (and, in turn, the performance of the relevant Client(s)), there is a possibility that the Adviser, because of 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. While the Adviser often does not

have visibility or influence regarding advantageous service rates or arrangements, there will be situations in which the Adviser receives more favorable service rates or arrangements than the Clients or their portfolio companies.

Fee Structure. Because there is a fixed investment period after which capital from investors in the Funds will only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of the Funds, based upon capital invested by the Funds, this fee structure creates an incentive to deploy capital when the Adviser would not otherwise have done so.

Additionally, as discussed above in Item 6, the General Partners of many of the Clients are entitled to Carried Interest under the terms of the Organizational Documents of such Clients. Such general partners are affiliates of the Adviser. The existence of the General Partners' Carried Interest creates an incentive for the General Partners to cause such Clients to make more speculative investments than they would otherwise make in the absence of performance-based compensation. The Adviser believes that it has implemented policies and procedures to mitigate such conflicts and aligned its interests with that of the Clients.

Pursuant to the Organizational Documents, the General Partner may be required to return excess amounts of Carried Interest as a "clawback". This clawback obligation may create an incentive for the General Partner to defer disposition of one or more investments or delay the liquidation of a Client if the disposition and/or liquidation would result in a realized loss to the Client or would otherwise result in a clawback situation for the General Partner.

Diverse Membership. The investors in the Clients are expected to include U.S. taxable and tax-exempt entities, and institutions from jurisdictions outside of the United States. Such investors often have conflicting investment, tax and other interests with respect to their investments in a Client. The conflicting interests among the investors generally relate to or arise from, among other things, the nature of investments made by a Client, the structuring of the acquisition of investments and the timing of the disposition of investments. As a consequence, conflicts of interest arise in connection with decisions made by the Adviser or its affiliates, including with respect to the nature or structuring of investments, that are more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for a Client, the Adviser and its affiliates will consider the investment and tax objectives of the applicable Client, not the investment, tax or other objectives of any investor individually.

Side Letter Agreements; Advisory Committee Rights. The Adviser may enter into certain side letter arrangements with certain investors in a Client providing such investors with different or preferential rights or terms, including but not limited to different fee structures, information rights, co-investment rights, and liquidity or transfer rights. Except as otherwise agreed with an investor, the Adviser (or applicable General Partner) is not required to disclose the terms of side letter arrangements with other investors in the same Client.

Many of the Funds have established an advisory committee, consisting of representatives of investors. A conflict of interest may exist when some, but not all limited partners are permitted to designate a member to the advisory committee. The advisory committee may also have the ability to approve conflicts of interests with respect to the Adviser and the applicable Fund, which could be disadvantageous to the investors, including those investors who do not designate a member to the advisory committee. Representatives of the advisory committee may have various business and other relationships with the Adviser and its partners, employees and affiliates. These relationships may influence the decisions made by such members of the advisory committee.

In addition, members of one Fund's advisory committee may also be a member of another Fund's advisory committee. In such instances, a conflict of interest exists because the Funds on which such overlapping advisory committee members may have conflicting interests and such advisory committee members may be requested to provide their consent with respect to such conflicts of interest and will not recuse themselves from any such vote.

Other Potential Conflicts. The Adviser may engage common third-party service providers for the Clients, or the portfolio investments of the Clients, on either a long-term basis or in connection with a specific transaction. Such third-party service providers include, without limitation, investment bankers, real estate brokers, leasing brokers, outside legal counsel, accountants, custodians and auditors. In the event of a significant dispute or divergence of interest between Clients, the Adviser and/or its affiliates, the parties may engage separate counsel in the sole discretion of the Adviser and its affiliates, and in litigation and other circumstances separate representation may be required. In certain circumstances, the service provider may charge varying rates or engage in different arrangements for services provided to the Adviser, the Clients, and/or the portfolio investments. This may result in the Adviser receiving a more favorable rate on services provided to it by such a common service provider than those payable by the Clients and/or the portfolio investment, or the Adviser receiving a discount on services even though the Clients and/or the portfolio investments receive a lesser, or no, discount. This creates a conflict of interest between the Adviser, on the one hand, and the Clients and/or portfolio investments, on the other hand, in determining whether to engage such service providers, including the possibility that the Adviser 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 the Clients and/or the portfolio investments.

Investors may be introduced to the Adviser, or may be brought in a Fund, by a third-party consultant from which the Adviser or a related person purchase products and to which the Adviser or a related person may make payments, including in connection with conferences sponsored or hosted by the third-party consultant.

The Adviser has in the past and may, from time to time in the future, cause one or more Clients to purchase, and/or bear premiums, fees, costs and expenses (including any expenses or fees of insurance brokers) for insurance to insure the applicable Clients, the applicable general partner, the Adviser and/or their respective directors, officers, employees, agents, representatives, members of the advisory committee and other indemnified parties, against liability in connection with the activities of the Clients. This may include a portion of any premiums, fees, costs and expenses for one or more “umbrella” or other insurance policies maintained by the Adviser that cover one or more Clients and/or the Adviser (including their respective directors, officers, employees, agents, representatives, members of the advisory committee and other indemnified parties). The Adviser will make judgments about the allocation of premiums, fees, costs and expenses for such “umbrella” or other insurance policies among one or more Clients, and/or the Adviser on a fair and reasonable basis, and may make corrective allocations should it determine subsequently that such corrections are necessary or advisable. There can be no assurance that a different allocation would not result in a Client bearing less (or more) premiums, fees, costs and expenses for insurance policies.

The Organizational Documents of certain Clients permit each such Client’s General Partner, or its affiliates, to lend money to the applicable Client. Such lending arrangements create conflicts of interest between the applicable General Partner or affiliate and the Client acting as borrower.

Please see the discussion above under the sub-heading “*Resolution of Conflicts*” for a description of the means by which the Adviser and its related persons may seek to alleviate conflicts of interest among the Clients or other persons.

**ITEM 12. BROKERAGE PRACTICES**

The Adviser does not currently have a contractual relationship with or utilize the services of any securities broker-dealers in connection with the real estate transactions in which it engages on behalf of the Clients. The Adviser's advisory business generally does not involve securities broker dealers, or directing Clients to execute transactions (through broker dealers or otherwise), nor do Clients direct the Adviser to engage securities broker dealers.

The Adviser generally engages a real estate broker in connection with the disposition or leasing of a real estate asset held on behalf of the Clients, including its own affiliates. The Adviser selects the brokerage company and the particular real estate broker that the Adviser believes will best represent the interests of the Clients.

The Adviser and its affiliates do not engage in any trade aggregation practices. The Adviser does not receive "soft dollars" in connection with its use of broker-dealers.

**ITEM 13. REVIEW OF ACCOUNTS***Oversight and Monitoring*

The investment portfolios of the Clients are generally private, illiquid and long-term in nature, and accordingly the Adviser's review of them is not directed toward a short-term decision to dispose of them. However, the Adviser's investment professionals provide ongoing oversight and supervision of those individuals responsible for the asset management and ongoing operations of the investments. Business plans are updated at least annually by Adviser's or its affiliate's asset management professionals or the Adviser's operating partners, as applicable, and significant operations and assumptions are discussed with investment professionals. The Adviser's investment professionals periodically review the investments held by the Clients to ensure compliance with the applicable investment guidelines and restrictions. In the case of the Funds, an investment committee must approve any acquisitions and any dispositions of Fund investments as specified in the Fund's Organizational Documents.

*Reporting*

Investors in the Clients typically receive, among other things, a copy of audited financial statements of the relevant Client within 75 days after the fiscal year end of such Client, as well as quarterly performance reports within 45 days after each fiscal quarter end. The Adviser and the applicable General Partner, if any, will from time to time, in their sole discretion, provide additional information relating to such Client to one or more investors in such Client as they deem appropriate.

**ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION**

The Adviser does not routinely provide or accept compensation from any person for Client referrals, nor does the Adviser refer its Clients to other professionals. For details regarding economic benefits provided to the Adviser by non-Clients, including a description of related material conflicts of interest and how they are addressed, please see Items 5 and 11 above. While not a Client solicitation arrangement, capital commitments from investors investing in the Clients may be sourced through persons acting as placement agents, as described in the Organizational Documents of the Clients. The Adviser has entered into, and in the future may enter into, contractual agreements with organizations (hereafter referred to as “placement agents”) who solicit investors for Clients advised by the Adviser. While the specific terms of each arrangement may differ, generally, a placement agent’s compensation is based upon the referred investor(s) investment in the Client. Management Fees received by the Adviser are generally reduced by the amount of such fees paid by the Client to any placement agents. As some Clients do not pay Management Fees, any such reduction will not benefit such Clients.

**ITEM 15. CUSTODY**

The Adviser may be deemed to have custody, as defined under Rule 206(4)-2 under the Advisers Act, of funds or securities of the Clients and other advisory clients. The Adviser and its affiliates rely on the “audit exemption” under Rule 206(4)-2(b)(4) under the Advisers Act, which exempts an adviser to a limited partnership, limited liability company or other pooled investment vehicle from the requirement to deliver account statements to its Clients if the Adviser requires the vehicle to be audited annually by an independent public accountant that is registered with the Public Company Accounting Oversight Board and distributes the audited financial statements annually to the investors in the vehicles.



**ITEM 16. INVESTMENT DISCRETION**

In most cases, the Adviser maintains the authority to manage the Clients on a discretionary basis, subject to the overall supervision of the applicable General Partner, in accordance with the investment guidelines, limitations, other provisions and terms set forth in the Client's Organizational Documents. In certain circumstances, the Adviser or its affiliate may not have investment discretion with regard to certain of the Clients. Any limitations with respect to the Adviser's or its affiliate's investment discretion is set forth in such Client's Organizational Documents. With respect to the Funds, the Adviser or its affiliate provides investment advice directly to the Funds under its management (subject to the direction and control of the General Partner), and not individually to the investors in each Fund. With respect to Managed Accounts, the Adviser provides investment advice to institutional clients through its Managed Accounts.

**ITEM 17. VOTING CLIENT SECURITIES**

The Adviser and its affiliated General Partners primarily invest on behalf of the Clients solely in real estate and real estate related assets and such assets do not require voting. With respect to investments in securities of operating companies that are related to and/or have an application with respect to real estate or real estate-related assets, the Adviser historically has not been required to vote Client securities by proxy. The Adviser generally does not hold publicly-traded securities which possess voting rights on behalf of the Partnerships. If however the Adviser is ever required to vote proxies in any of the Clients, then it will do so in accordance with its proxy voting policies and attempt to address any material conflicts of interest that may arise in the course of such voting.

Copies of relevant proxy logs, identifying how proxies were voted in connection with a Client and copies of proxy voting policies are available to any Client or prospective Client upon written request to the Chief Compliance Officer, Divco West Real Estate Services, LLC, 575 Market Street, 35<sup>th</sup> Floor, San Francisco, California, 94105 or via facsimile at (415) 995-5555.

**ITEM 18. FINANCIAL INFORMATION**

The Adviser has not been the subject of a bankruptcy petition at any time during the past ten years.

The Adviser does not believe there are any financial conditions that are reasonably likely to impair its ability to meet contractual commitments to its Clients.

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

The Adviser is registered with the SEC and is not required to be registered at the State level.