

SCIP Capital Management, LLC

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Part 2A of Form ADV: Firm Brochure

March 31, 2017

This Brochure provides information about the qualifications and business practices of SCIP Capital Management, LLC (“we” or “SCM”). If you have any questions about the contents of this Brochure, please contact us at 212-209-8860 or jcattau@silfern.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

SCIP Capital Management, LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

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

Material Changes

We last filed an annual update to this Brochure on March 30, 2016 and have not updated this Brochure since that annual update.

This annual amendment updates the description of the business practices of SCM and its affiliates relating to the terms and operations of its Silverfern Investment Partnerships (as defined herein).

Our Brochure may be requested by contacting John R. Cattau, our Chief Compliance Officer, at (212) 209-8860 or jcattau@silfern.com.

Additional information about SCM is available on the SEC's web site, www.adviserinfo.sec.gov. The SEC's web site also provides information about persons affiliated with SCM who are registered, or are required to be registered, as investment adviser representatives of SCM.

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Advisory Business

Our Organization

SCIP Capital Management, LLC (“SCM”), a Delaware limited liability company formed in 2005, is an investment adviser registered with the United States Securities and Exchange Commission (“SEC”).

SREP Capital Management, LLC (“SRM”), a Delaware limited liability company formed in 2007 is an investment adviser registered with the SEC which is a relying adviser of SCM.

Collectively, references to SCM and SRM, each a “Manager” may be referred to as “we” or the “Managers”, and together with their applicable affiliates, “Silverfern”.

Principal Owners

Each of SCM and SRM is a single member limited liability company, each of which is owned jointly by Clive R. Holmes and Reeta K. Holmes. Mr. Holmes was the owner of SCM and SRM since its formation, and the indirect owner of each since January 1, 2014. Ms. Holmes has been the indirect owner of each of SCM and SRM since January 1, 2014. Mr. Holmes and Ms. Holmes are control persons of SCM and SRM.

Types of Services Offered

The Managers provide certain management, investment advisory and administrative services to certain single-purpose limited partnerships and separately managed accounts (each a “Silverfern Investment Partnership”, and collectively, the “Silverfern Investment Partnerships”), (or other similar) interests in which are privately placed with accredited investors and qualified purchasers. The interests in the Silverfern Investment Partnerships are intended to be exempt from registration under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and the other applicable U.S. federal and state securities laws, “blue sky” laws and other non-U.S. securities laws and regulations in each jurisdiction in which such interests are offered and/or sold. Silverfern makes investments in 1) private equity (co-control minority, equity and PE credit) in buyouts, build-ups, acquisitions, growth equity and recapitalizations worldwide, and 2) real estate (co-control minority, majority control, equity and RE credit) in the acquisition and recapitalization of real estate assets and companies around the world. The Managers typically organize Silverfern Investment Partnerships to provide accredited investors and qualified purchasers the opportunity to invest in private equity and real estate alongside certain sophisticated family offices, non-traditional investment partners, leading private equity firms leading real estate operating partners, institutional real estate owners, and (each, as applicable, an “Investment Partner”) in a transaction (or series of related transactions) with respect to a target investment, and determined by the relevant Manager, in its sole discretion, to be appropriate for the Silverfern Investment Partnership. The only advisory clients of the Managers are the Silverfern Investment Partnerships.

Each Manager generally provides investment advisory services to each Silverfern Investment Partnership pursuant to a separate investment advisory agreement (each, an “Advisory Agreement”). The terms of the investment advisory services to be provided by the relevant Manager to a Silverfern Investment Partnership, including any specific investment guidelines or restrictions, are set forth in the Advisory Agreement. These guidelines may include investigating, analyzing, structuring and negotiating potential investments, monitoring the performance of portfolio companies and/or real estate investments, and advising the general partner of each Silverfern Investment Partnership as to disposition opportunities.

These Silverfern Investment Partnerships may be organized as either domestic or non-U.S. limited partnerships that are intended to be exempt from registration as investment companies under the Investment Company Act of 1940, as amended (the “Investment Company Act”) in reliance on certain exemptions thereunder. A description of each Silverfern Investment Partnership and the terms of an investment therein is set forth in the confidential offering materials and the applicable limited partnership agreement (or other similar governing document) for the Silverfern Investment Partnership. The relevant Manager or its related entities also may enter into side letter agreements with certain investors in the Silverfern Investment Partnerships, establishing rights under, or supplementing or altering the terms of, the applicable limited partnership agreements and subscription agreements relating to such Silverfern Investment Partnerships with respect to such investors. While the relevant Manager has no obligation to offer all such additional rights, terms or conditions to any other investor in such Silverfern Investment Partnerships, the relevant Manager generally discloses such arrangements to all limited partners of the relevant Silverfern Investment Partnership. Once invested in a Silverfern Investment Partnership, investors cannot impose additional investment guidelines or restrictions on such Silverfern Investment Partnership.

SCM has entered into an agreement with Citi Private Bank and its global affiliates to privately place interests in Silverfern Investment Partnerships with such institution’s high net worth clients who are accredited investors and qualified purchasers. SRM, by virtue of its affiliate relationship with SCM, works with Citi Private Bank in a similar manner.

Assets Under Management

As of December 31, 2016, the Managers managed client assets on a discretionary basis in the amount of \$359.3 million and do not manage client assets on a non-discretionary basis.

Fees and Compensation

Structuring Fee: The relevant Manager charges a one-time structuring fee to all investors in connection with their participation in their first Silverfern Investment Partnership (the “Structuring Fee”). The Structuring Fee is non-refundable and is capitalized into the investor’s capital account for such first Silverfern Investment Partnership.

Management Fee: As consideration for services relating to the evaluation, procurement and management of the investments, the investors in each Silverfern Investment Partnership are issued capital calls, quarterly in advance, for management fees due to the relevant Manager (the “Management Fee”) in an aggregate amount that can vary based on the investor type or amount of capital committed in an amount up to (i) three percent (3.00%) per annum of such investor’s capital commitments to the Silverfern Investment Partnership during the commitment period (5 years from the initial closing of the Silverfern Investment Partnership) and (ii) after the expiration of the commitment period and with respect to each investor, an aggregate amount that can vary based on the investor type or amount of capital committed in an amount up to three percent (3.00%) per annum of such investor’s capital contributions to the Silverfern Investment Partnership, including (if applicable) any such capital contributions that have been returned to such investor. Management Fees for certain Silverfern Investment Partnerships may be lower for investors who invest above certain invested capital thresholds.

The Management Fee for any period in which a Manager serves as investment manager for less than a full quarterly period shall be prorated on the basis of the number of days in the period compared to the number of days the Silverfern Investment Partnership and its assets were managed by the relevant Manager during the period. Upon termination of an investment management services agreement by the relevant Manager, any prepaid, unearned Management Fees will be promptly refunded, and any earned, unpaid Management Fees will be due and payable.

Each respective Manager’s Management Fees are exclusive of any brokerage commissions, transaction fees, and other related costs and expenses incurred by the investor or Silverfern Investment Partnership. Investors in each Silverfern Investment Partnership receive capital calls for operating expenses incurred on their behalf by the Silverfern Investment Partnership on a quarterly basis. Each Silverfern Investment Partnership may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Carried Interest: In addition to the Structuring Fee and the Management Fee payable to the relevant Manager, the general partner of each Silverfern Investment Partnership is entitled to receive a performance allocation (the “Carried Interest”) calculated on a cumulative basis of up to twenty-five percent (25.00%) of the realized profits earned from investments by the Silverfern Investment Partnership. Carried Interest is determined after the return to the investors of all capital contributions plus a preferred return, as described in the offering and organizational documents for the relevant Silverfern Investment Partnership. The Carried Interest is not allocated to the general partner until proceeds are realized from an investment. Carried Interest for certain Silverfern Investment Partnerships may be lower for investors who invest above certain invested capital thresholds.

Reimbursements are payable to the relevant Manager by each Silverfern Investment Partnership for Operating Expenses (quarterly), Investment Expenses (one-time, relating to the costs incurred in consummating the investment and any such costs and expenses relating to potential investments that are not consummated) and Organizational Expenses (one-time, relating to the formation of the Silverfern Investment Partnership and its affiliated entities). These expense reimbursements are disclosed to investors in the relevant offering documents and/or limited partnership agreement for each Silverfern Investment Partnership and are in addition to the Structuring Fee, Management Fees and Carried Interest discussed above. All such expenses are capitalized into the capital account for each investor in each Silverfern Investment Partnership on a pro-rata basis and are non-negotiable.

Operating Expenses generally relate to the Silverfern Investment Partnership's activities, operations and meetings (other than expenses resulting from the fraud, gross negligence or willful misconduct of its general partner or the relevant Manager) including, without limitation, fees, costs and expenses directly related to custodians, consultants, outside counsel, accountants and auditors; the cost of insurance; any taxes (including tax return preparation and filing fees), fees or other governmental charges levied against the Silverfern Investment Partnership; expenses relating to any audit, investigation, governmental inquiry or public relations undertaking; and the costs and expenses of any litigation relating to the activities or operation of the Silverfern Investment Partnership and the amount of any judgments or settlements paid in connection therewith, relating to the business, activities and interests of the Silverfern Investment Partnership.

Certain existing investors (the "Anchor Investors") have signed side letters with terms different from those disclosed above. Anchor Investors generally are charged lower Management Fees and Carried Interest based on the aggregate amount of capital invested across all Silverfern Investment Partnerships into which such Anchor Investor has invested with the relevant Manager. Anchor Investors pay their pro-rata share of all other expenses in each Silverfern Investment Partnership in which they invest.

The Silverfern Group, Inc. ("SGI"), an affiliate of the Managers and a broker-dealer registered with the SEC, typically receives a transaction fee in connection with investments made by Investment Partners and/or a Silverfern Investment Partnership. Professionals of Silverfern who are also registered representatives of SGI may share in the receipt of transaction fees paid by Investment Partners in connection with SGI's services in introducing the investment to an Investment Partner. In certain cases the transaction fee may be paid by the investors in Silverfern Investment Partnership. Silverfern seeks to address this conflict of interest by not making its transaction fee contingent on the investment decision by the relevant Manager Investment Committee, and by having an independent voting member on the relevant Manager Investment Committee who is not able to share in such transaction fees.

From time to time, investors may have the option of participating in investments with the relevant Manager that do not involve transaction fees for Silverfern's services. Item 10 has further disclosure on the conflicts involved with entities affiliated with the relevant Manager.

Performance-Based Fees and Side-By-Side Management

As noted in Item 5 above, the general partners of the Silverfern Investment Partnerships are entitled to receive Carried Interest. The relevant Manager will not receive any portion of the Carried Interest; however, certain investment professionals of the relevant Manager will participate in such Carried Interest. The Carried Interest is charged in accordance with Rule 205-3 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Although the existence of the Carried Interest is intended to align the interests of the general partners and the principals of the relevant Manager with the interests of the limited partners, it may also create an incentive for the relevant Manager and the individuals who are entitled to receive a portion of such fees to manage investments in a more aggressive manner than they might otherwise do in the absence of performance-based compensation. The relevant Manager seeks to treat its clients fairly and equitably in connection with meeting its general fiduciary obligations to them.

Types of Clients

The only advisory clients of the Managers are the Silverfern Investment Partnerships, single purpose limited partnerships, interests in which are privately placed with accredited investors and qualified purchasers. The interests in the Silverfern Investment Partnerships are intended to be exempt from registration under the Securities Act, and the other applicable U.S. federal and state securities laws, “blue sky” laws and other non-U.S. securities laws and regulations in each jurisdiction in which such interests are offered and/or sold. Investors may include, among others, high net worth individuals, trusts, estates, corporations, limited partnerships and limited liability companies.

These Silverfern Investment Partnerships may be organized as either domestic or non-U.S. limited partnerships that are intended to be exempt from registration as investment companies under the Investment Company Act in reliance on certain exemptions thereunder. A description of each Silverfern Investment Partnership and the terms of an investment therein is set forth in the confidential offering materials for the Silverfern Investment Partnership.

The minimum investment in each Silverfern Investment Partnership is \$500,000 per investor, although the relevant Manager may elect to accept such smaller investment amounts as it determines in its sole discretion.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategies

Silverfern's investment strategy is to invest, on behalf of each Silverfern Investment Partnership, in private equity and similar investments (co-control minority, equity and PE credit), seeking to invest \$25 million to \$100 million per investment with Investment Partners in buyouts, build-ups, acquisitions, growth equity and recapitalizations worldwide. In real estate and similar investments (co-control minority, majority control, equity and RE credit), the Managers seeks to invest \$15 million to \$75 million per investment in partnership with Investment Partners in the acquisition and recapitalization of real estate assets and companies around the world. Silverfern's focus in such areas is on value-added and opportunistic real estate investments on an equity and/or debt basis. The firm's target investments in such areas include all real estate asset classes, including multi-family, retail, office, industrial and hospitality.

In evaluating potential private equity and similar investments, Silverfern conducts due diligence to analyze, among other things, the target company's: (i) market and competitive position within that market, (ii) cost and revenue structures, (iii) unique assets, such as brand strength, distribution capability and intellectual property, (iv) management team and compensation structure, (v) contingent liabilities (environmental, regulatory, accounting or otherwise), (vi) potential growth opportunities, and (vii) potential exit strategies.

In evaluating potential real estate investments, Silverfern conducts due diligence to analyze, among other things, the asset's or portfolio's: (i) market and competitive position within that market, (ii) cost and revenue structures, (iii) unique features, such as location, tenant base and physical features, (iv) management team and their compensation structure, (v) contingent liabilities (environmental, regulatory, accounting or otherwise), (vi) potential value-add and opportunistic enhancements, (vii) current and potential capital structure, and (viii) potential exit strategies.

The investment strategies described above for each of the Managers involve a substantial degree of risk, and the Silverfern Investment Partnerships may lose all or a substantial portion of the value of their investments. Material risks relating to the investment strategies and methods of analysis described above include the following, each of which is described in more detail in the applicable Silverfern Investment Partnership's offering materials.

Risk of Loss

General. Prices of securities of the underlying company and/or asset in certain Silverfern Investment Partnerships can move erratically and be unpredictably affected by many diverse factors, including political and economic events but also rumors and sentiment. While presenting the opportunity for gains, investment in a Silverfern Investment Partnership involves a high degree of risk and is suitable only for investors that have no immediate need for liquidity of the amount invested and can withstand a loss of their entire investment in the Silverfern Investment Partnership. Past performance of investment entities associated with the principals or officers of the relevant Manager or their affiliates is not necessarily indicative of future results and provides no assurance of future success.

Lack of diversification. Each Silverfern Investment Partnership is expected to invest in one portfolio company, asset or strategy only. Accordingly, each Silverfern Investment Partnership's aggregate return is entirely dependent on the performance of that single portfolio company.

Dependence on Key Personnel. The success of the Silverfern Investment Partnerships will be highly dependent on the financial and managerial expertise of the principals of the relevant Manager and its affiliates. The loss of the services of one or more of the principals could have an adverse impact on the ability of the Silverfern Investment Partnerships to realize their investment objectives.

Reliance on Portfolio Company's Management Team. The management teams of the underlying portfolio companies and/or assets are responsible for managing their respective companies' day-to-day operations. There can be no assurance that the existing management team, or any successor, will be able to operate a portfolio company successfully in accordance with the relevant Manager's due diligence.

Economic Risk. The performance of a Silverfern Investment Partnership may be adversely affected by a downturn in the economies in which the underlying portfolio company and/or asset operates, which is not under the control of the Silverfern Investment Partnership's general partner or the relevant Manager.

Risks Associated with Foreign Investments. The relevant Manager offers investment opportunities in both United States and non-U.S. companies. Investing outside the United States may involve substantially greater risks than investing in the United States. Investments in the securities of foreign issuers may be restricted or controlled to varying degrees, and require consideration of certain risks typically not associated with investing in US securities or property, including, among other things, trade balances and imbalances and related economic policies, potential price volatility in, and relative illiquidity of, some non-US securities markets, unfavorable currency exchange rate fluctuations, imposition of exchange control regulation by the US or foreign governments, US, foreign or other withholding taxes, limitations on the removal of funds or other assets, policies of governments with respect to possible nationalization of their industries, and political difficulties, including expropriation of assets, confiscatory taxation and economic or political instability in foreign nations.

Leveraged Nature of Investments. The underlying portfolio companies and/or assets in certain Silverfern Investment Partnerships may employ leverage. The leveraged capital structure of such companies may increase the exposure of the investment to any deterioration in the company's condition or industry, competitive pressures, adverse economic developments and rising interest rates.

Illiquidity of Limited Partner Interests. The limited partner interests in each Silverfern Investment Partnership are expected to be issued in reliance upon certain exemptions from registration or qualification under applicable U.S. federal and state securities laws and other non-U.S. securities laws and regulations in each jurisdiction in which such interests are offered and/or sold and, accordingly, will be subject to certain restrictions on transferability. There will be no public market for the interests in the Silverfern Investment Partnerships, and none is expected to develop. Interests in the Silverfern Investment Partnerships constitute illiquid investments and may therefore be difficult to value and to sell or otherwise liquidate.

Legal, Tax and Regulatory Risks. An investment in a Silverfern Investment Partnership involves complex tax considerations that will differ for each investor. Prospective investors should consult their own tax advisors with specific reference to their own situations concerning a commitment in a Silverfern Investment Partnership, including amongst other considerations the possibility that the Silverfern Investment Partnership may generate taxable income to its investors in an amount greater than cash available for distribution. In addition, legal, tax and regulatory changes could occur during the term of the Silverfern Investment Partnership that may adversely affect the Silverfern Investment Partnership.

Conflicts of Interest. From time to time in the management of the Silverfern Investment Partnerships, situations are expected to arise where the interests of the general partner of a Silverfern Investment Partnership (or the relevant Manager, its personnel or affiliates) may potentially or actually conflict with the interests of the Silverfern Investment Partnership and its investors. For example, the existence of the general partner's 20 percent carried interest in the Silverfern Investment Partnership may create an incentive for the general partner to make investments on behalf of a Silverfern Investment Partnership that are riskier or more speculative than might be the case in the absence of performance-based compensation. Additionally, professionals of the relevant Manager and its affiliates are expected to invest in the Silverfern Investment Partnerships. While the relevant Manager believes that when it invests in a Silverfern Investment Partnership, its interests generally are aligned with the interests of other investors, it is possible that investment may lead to a conflict of interest. Notwithstanding these potential conflicts, the relevant Manager will select potential investments that it believes in good faith to be in the best interests of the relevant Silverfern Investment Partnership and appropriate to meet its investment objectives, as disclosed in its offering and organizational documents.

Market Conditions. Each Silverfern Investment Partnership will be materially affected by conditions in the financial markets and economic conditions throughout the world, including interest rates, availability and terms of credit, inflation rates, economic uncertainty, changes in laws, trade barriers, commodity prices, currency exchange rates and controls and national and international political circumstances, and such conditions may adversely impact its performance.

Non-Controlling Investments. A Silverfern Investment Partnership will typically hold less than 50% of the outstanding voting interests of a portfolio company and/or asset, or may hold investments in debt instruments or other securities that do not entitle the Silverfern Investment Partnership to voting rights, and, therefore, the Silverfern Investment Partnership may have a limited ability to protect its investment in such portfolio company.

Risks Associated with Publicly-Traded Securities. A Silverfern Investment Partnership may invest in publicly-traded securities, and may hold publicly-traded securities following a partial exit from an investment. Investments in securities of publicly-traded companies may be sensitive to movements in the stock market and trends in the overall economy.

Extensive Government Regulation. Certain Silverfern Investment Partnerships invest in companies in industries subject to extensive government regulation, which creates additional uncertainty and risks for the relevant Silverfern Investment Partnership. Obtaining regulatory approval may be a lengthy and expensive process with an uncertain outcome. Portfolio companies and/or assets may be

unable to obtain necessary regulatory or permitting approvals on a timely basis, if at all, which could materially and adversely affect portfolio company success.

Uncertainty Regarding Investments. Although the relevant Manager makes every effort to conduct appropriate due diligence prior to making an investment, the due diligence process may involve subjective judgments at times, may be required to be undertaken on an expedited basis in order to take advantage of available investment opportunities and may require the relevant Manager to rely on limited resources available to it including information provided by the target of the investment and third party consultants, legal advisers, accountants and investment banks. As a result, the due diligence investigation may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating an investment opportunity.

Increased Regulatory Scrutiny. The financial services industry generally, and the activities of private investment funds and their managers, in particular, have been subject to intense and increasing regulation and regulatory oversight. Such scrutiny may increase the relevant Manager's and a Silverfern Investment Partnership's exposure to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight may impose administrative burdens on the relevant Manager, including, without limitation, responding to investigations and implementing new policies and procedures. Such burdens may divert the relevant Manager's time, attention and resources from portfolio management activities. It is anticipated that, in the normal course of business, the relevant Manager's officers will have contact with governmental authorities and/or be subjected to responding to inquiries or examinations. The relevant Manager may also be subject to regulatory inquiries concerning securities positions held by a Silverfern Investment Partnership.

Indemnification. Each Silverfern Investment Partnership will be required to indemnify its general partner and its affiliates, and their respective officers, directors, agents, stockholders, members and partners for liabilities incurred in connection with the affairs of the Silverfern Investment Partnership. Such liabilities may be material and may have an adverse effect on the returns to investors. If the assets of the Silverfern Investment Partnership are insufficient, or if the indemnification obligation of the Silverfern Investment Partnership arises after the term of the Silverfern Investment Partnership, the general partner under certain circumstances may recall a portion of the distributions previously made to investors.

Hedging Policies and Risks. In connection with the funding of certain investments, the Silverfern Investment Partnership may employ hedging techniques designed to reduce the risks of such investments, including, without limitation, adverse movements in interest rates, securities prices and currency exchange rates. However, a Silverfern Investment Partnership is not required to employ hedging techniques in connection with its investments, and may be unable to anticipate all risks against which hedges could be employed. Hedging transactions have inherent risks, including the possible default by the counter-party to the transaction and the illiquidity of the instrument acquired by a Silverfern Investment Partnership relating thereto. Although hedging transactions may reduce a Silverfern Investment Partnership's exposure to, among other things, losses from currency fluctuations or decreases in the value of investments, the costs and risks associated with these arrangements may reduce the returns a Silverfern Investment Partnership.

Broken Deal Costs. The relevant Manager may terminate an investment process, in its reasonable opinion, if material information is disclosed during the relevant Manager's due diligence process that

invalidates the investment rationale for such investment. If the investor had applied to subscribe to that investment, the investor will be liable for a pro-rata portion of certain expenses incurred by the relevant Manager or its affiliates. These expenses may include costs related to the formation, structuring, distribution, operation, administration, investment and development (including, without limitation, tax and legal expenses) of the potential investment.

General Risks Associated with Joint Ventures. The relevant Manager may cause the Silverfern Investment Partnerships to effect transactions through or in connection with programmatic or other types of joint ventures. Investments made as a co-venturer with a real estate firm which is involved in one or more aspects of the real estate industry, including investing in, sourcing and/or consulting with respect to, originating mortgages or other financings with respect to, acquiring, owning, managing, leasing, operating and/or developing real estate assets, and/or with other unaffiliated investors, involve risks not inherent in other types of investment vehicles. For example, such arrangements may involve the applicable Silverfern Investment Partnership taking on greater risk with a greater expected return, or reducing risk with a corresponding reduction in the expected rates of return. Such third-party involvement may also negatively impact the returns of investments through such arrangements if, for example, a third-party co-venturer has financial difficulties (including the possibility that such persons might become bankrupt), have economic or business interests or goals inconsistent with those of the applicable Silverfern Investment Partnership or otherwise be in a position to take (or block) actions in a manner contrary to the relevant Manager's and the applicable Silverfern Investment Partnership's desires, policies or objectives. Further, actions taken by such persons might subject investments, and/or the entities through which such investments are made, to liabilities in excess of, or other than, those initially contemplated. The applicable Silverfern Investment Partnership may also be liable for actions of its co-venturers. It may also be more difficult for the applicable Silverfern Investment Partnership to sell its respective interests in such joint ventures than to sell interests in other types of investments. Finally, deadlocks could adversely affect investment returns or values, or require the applicable Silverfern Investment Partnership to use its assets to purchase the interests of its co-venturers or under agreements providing for the forced sale of such interests.

Multiple Layers of Fees and Expenses. The relevant Manager expects to cause the Silverfern Investment Partnerships to effect transactions through joint ventures or other structures, which are expected to subject the applicable Silverfern Investment Partnership to multiple layers of fees and expenses more typical to "fund-of-funds" investment structures. Such fees and expenses may include the payment of fees or other incentive-based compensation (such as a carried interest component and/or a "promote") to an Investment Partner or other investor, the payment of management (or similar fees) to an Investment Partner or other investor and/or sharing in the general expenses and/or liabilities of each such investment vehicle. Such expenses and liabilities reduce the capital available for investment and/or may require the return of proceeds previously distributed.

Leverage; Granting of Security Interests. The relevant Manager may cause a Silverfern Investment Partnership to employ leverage. The use of leverage involves a high degree of risk, and increases the exposure of investments to adverse risks and other economic factors normally associated with debt financing, including, without limitation, rising interest rates, downturns in the economy generally, deteriorations in the conditions of investments, ability to refinance a real estate asset, and the

insufficiency of cash flow to meet principal and interest payments. Further, any such loan agreements may generally impose a number of operating and financial restrictions on such investments and/or the entities through which such investments are made. Such restrictions could affect, among other things, the ability to incur additional indebtedness, pay dividends, issue securities, repay indebtedness prior to stated maturity, create liens, sell assets or engage in mergers or acquisitions, make certain capital expenditures and make investments in operating subsidiaries and/or real estate. Leveraging one or more of the capital structures could significantly reduce or even eliminate the value of equity invested in such real estate and real estate-related investments, and means that third parties, such as banks, may be entitled to the cash flow from such investments prior to the applicable Silverfern Investment Partnership receiving a return. Moreover, loan agreements may require, among other things, a pledge of direct and/or indirect interests in leveraged investments and/or entities through which such investments are made, including a pledge of assets and/or equity interests in operating subsidiaries, in each case as security for one or more lenders. If a real estate property or real estate properties are mortgaged to secure payment of indebtedness and such mortgage payments are not made, such properties could be foreclosed upon by the mortgagee or otherwise transferred to the mortgagee. Similarly, an event of default under borrowings by entities directly and/or indirectly investing in real estate assets may result in the foreclosure on those equity interests and assets pledged. If the applicable entities and/investments cannot generate adequate cash flow to meet their respective debt obligations, a partial or total loss of capital invested could be suffered.

Role of Real Estate Professionals. The success of certain Managers' real estate strategies will depend in part upon the skill and management expertise of Investment Partners' and other persons' respective real estate professionals. The interests of these professionals in an investment should tend to discourage them from withdrawing from participation therein. However, there is ever increasing competition among alternative asset firms, financial institutions, private equity firms, investment managers and other industry participants for hiring and retaining qualified investment professionals and there can be no assurance that such professionals will continue to be associated with the applicable investment or that replacements will perform well. In many cases, the relevant Manager or an affiliate expects to compensate real estate consultants and other real estate professionals in order to attract and retain such expertise, and such compensation (in various forms, together with expense reimbursement, equity or profits interests, benefits or other amounts) in many cases will be borne by the relevant Silverfern Investment Partnership(s). Further, conflicts of interest may arise in allocating management time, services or functions.

Real Estate Risks Generally. The Silverfern Investment Partnerships (and the investors with interests therein) will be subject to all the risks inherent in the ownership and operation of real estate and real estate-related businesses and investments, which risks may be increased if the investments are leveraged. Deterioration of real estate fundamentals generally, and in the regions in which such investments are located, may negatively impact the performance of investments. These risks include, but are not limited to: those associated with the burdens of ownership of real property; general and local economic conditions; neighborhood values; the supply of and demand for properties of the types in which the applicable Silverfern Investment Partnership may directly and/or indirectly invest; casualty or condemnation losses; decreases in property values; the financial resources of tenants; changes in the appeal of properties to tenants; vandalism; vacancies; rent

strikes; terrorism, war, natural disasters and acts of God; various uninsurable risks; changes in tax, zoning, building, environmental and other applicable laws; federal and local rent control laws; existing and changes to real property tax rates and operating expenses; energy and supply shortages; changes in availability of debt financing, interest rates and/or other mortgage funds, each of which may render the acquisition, sale or refinancing of properties difficult or unattractive; environmental liabilities; contingent liabilities on disposition of assets; and other factors that are beyond the control of the relevant Manager, an Investment Partner and their respective affiliates. Such risks may also cause fluctuations in occupancy rates, rent schedules and operating expenses, which could adversely affect the value of real estate and real estate-related investments. There can be no assurance of profitable operations for any property or the repayment of any debt investments. Accordingly, investment objectives may not be realized. Certain expenditures associated with real estate investments, such as property taxes, utility costs, debt service, maintenance costs and insurance, tend to increase and are not generally decreased by events adversely affecting rental revenues. Thus, the cost of operating a property may exceed the rental income thereof, and the applicable Silverfern Investment Partnership may be required to (a) advance funds to protect an equity investment or forego the payment of interest on debt investments or (b) dispose of investments on disadvantageous terms to raise needed funds. Moreover, while insurance may be purchased to cover casualty losses and general liability, such insurance may not be available or may be available only at prohibitive costs to cover losses from ongoing operations and other risks such as earthquake, flood, environmental contamination or terrorism.

Highly Competitive Market; Operators and Other Partners. The activity of identifying, completing and realizing attractive investments is highly competitive and involves a high degree of uncertainty. The availability of investment opportunities generally will be subject to market conditions and the risks described above with respect to real estate investments generally. In particular, in light of changes in such conditions, including changes in long-term interest rates, certain types of investments may not be on terms that are attractive. The applicable Silverfern Investment Partnership and/or Investment Partner may be competing for investments with other real estate investment vehicles, as well as individuals, publicly traded real estate investment trusts as defined in the Code (“REITs”), financial institutions (such as mortgage banks and pension funds), hedge funds and other institutional investors. Competition may also be with a large number of property owners and developers, some of which may be willing to accept lower returns on their investments. Further, over the past several years, many real estate investment funds and publicly traded REITs have been formed and others have been consolidated (and many such existing funds have grown in size) for the purpose of investing in real estate and real estate-related assets, including distressed real estate assets. Additional real estate funds and REITs with similar investment objectives may be formed by other unrelated parties and further consolidations may occur (resulting in larger funds and vehicles). In addition, implementing an investment may depend on the ability to enter into satisfactory relationships with other joint venture partners or local operating partners with whom the applicable Silverfern Investment Partnership and/or Investment Partner may partner with from time to time, whose compensation (in various forms, together with expense reimbursement, equity or profits interests, benefits or other amounts) in many cases will be borne by the relevant Silverfern Investment Partnership(s). There can be no assurance that any relationship with other such persons will be able to be established as desired with respect to any investment or on favorable terms. Competition for investment opportunities may also have the effect of increasing costs, thereby reducing investment returns.

Risks of Acquiring Real Estate Property. Investments are subject to certain risks inherent in acquiring real estate property which may cause fluctuations in occupancy, rental rates, operating income and expenses or which may render the sale or financing of properties difficult or unattractive. For example, following the termination or expiration of a tenant's lease there may be a period of time before rental payments are received under a replacement lease. During that period, the applicable Silverfern Investment Partnership and/or other investors will continue to bear fixed expenses such as interest, real estate taxes, maintenance and other operating expenses. In addition, declining economic conditions may impair the ability to attract replacement tenants and achieve rental rates equal to or greater than the rents paid under previous leases. Increased competition for tenants may require capital improvements to properties which would not have otherwise been planned. Any unbudgeted capital improvements may divert cash that would otherwise be available for distribution to their respective direct and/or indirect investors (including the applicable Silverfern Investment Partnership). Ultimately, to the extent that unable to renew leases or re-let space as leases expire, decreased cash flow from tenants will result, which could adversely impact operating results.

Investments may require the expenditure of funds to correct defects or to make improvements before an investment in a property can be sold. No assurance can be given that there will be funds available to correct those defects or to make those improvements. In acquiring a property, the acquirer may agree to lock-out provisions that materially restrict it from selling that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed on that property. These factors and others that could impede the ability to respond to adverse changes in the performance of properties and could significantly affect financial conditions and operating results. In some instances, the principal asset of the lessee of a property may be only the tenant's improvements thereon, or the liability of the lessee may be limited to its interest in such improvements. In those cases, an investor may be required to rely on the lessee's equity interest in the improvements for its security. In the event of a default by a lessee or other premature termination of a lease, the applicable Silverfern Investment Partnership and/or other investors may experience delays in enforcing its rights as lessor, may incur substantial costs in protecting its investment and may experience an impairment of value. In addition, adverse changes in the operation of any property, or the financial condition of any tenant, could have an adverse effect the ability to collect rent payments and, accordingly, on the ability to make distributions to direct and/or indirect investors (including the applicable Silverfern Investment Partnership). A tenant may experience, from time to time, a downturn in its business which may weaken its financial condition and result in its failure to make rental payments when due. At any time, a tenant may seek the protection of applicable bankruptcy or insolvency laws, which could result in the rejection and termination of such tenant's lease or other adverse consequences and thereby cause a reduction in distributable cash flow.

Investments in Land, New Development, Newly-Completed Properties and Properties Under Construction. A Manager may cause one or more Silverfern Investment Partnerships to make direct and/or indirect investments in land intended to be developed and in properties under development. Purchase of property prior to completion of development and construction, or making loans relating to properties under development, is subject to greater risks than purchasing or loaning funds to properties with operating histories. The purchase of, or loans with respect to, properties under development and construction, is subject to certain risks, including the risks of unanticipated delays in, or increases in the cost of, development and construction as a result of factors beyond the control of the applicable Silverfern Investment Partnership and/or Investment Partner. These factors may include, without limitation, strikes, adverse weather, material shortages, building restrictions, clearances, environmental impact studies, availability and timely receipt of zoning and other environmental and regulatory approvals, availability of both construction and permanent financing, solvency of the contractor or subcontractors and increases in the cost of labor and materials. In addition, the contractor may not be able to build in conformity with plans and specifications, and the property may not be rented for the amounts or within the time projected. Additional risks may be incurred where periodic progress payments or other advances to contractors prior to completion are made. Such payments may be unable to be recovered subsequent to any such contractor's default. Such factors can result in increased costs, delay in completion, loss of anticipated rental revenues and corresponding depletion of working capital and reserves or loss of investment. Furthermore, the price paid for a property upon which improvements are to be constructed or completed must of necessity be based upon projections of rental income and expenses or fair market value of the property upon completion of construction. Whether the property will operate at such projected income and expense levels or achieve such projected fair market value cannot be determined in most cases until after completion of construction and a number of months of actual operation.

Further, properties under development or properties acquired for development may receive little or no cash flow from the date of acquisition through the date of completion of development and may experience operating deficits after the date of completion. In addition, market conditions may change during the course of development that make such development less attractive than at the time it was commenced. Moreover, investments in new development activities could be more susceptible to irregular accounting or other fraudulent practices. In the event of fraud with respect to any asset or company, a partial or total loss of capital invested may be suffered. There can be no assurance that any such losses will be offset by gains (if any) realized.

Investments in Multifamily Properties. A Manager may cause one or more Silverfern Investment Partnerships to make direct and/or indirect investments in multifamily residential properties. A large number of risk factors may affect the value and successful operation of such properties, including, without limitation: physical attributes of the property such as its age, condition, design, appearance, access to transportation and construction quality; location of the property; ability of management to provide adequate maintenance and insurance; the types of services or amenities that the property provides; the property's reputation; the level of mortgage interest rates and availability of government incentives, which may encourage tenants to purchase rather than lease housing; presence of competing properties; the tenant mix, such as the tenant population being heavily dependent on workers from energy and energy-related businesses; 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; state and local regulations, which may affect the building owner's ability to increase rent to the level of market rents for an

equivalent apartment; government assistance/rent subsidy programs; and the inventory of unsold condominium units in the local market that are being rented until economic conditions in the condominium market improve. If any of such risk factors are heightened or the conditions associated with such risk factors deteriorate in the continuing economic crisis, investments in multifamily properties may incur losses.

In addition, certain jurisdictions regulate the relationship between 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 and retaliatory evictions.

In addition to U.S. federal, state and/or local regulation of the landlord-tenant relationship, some counties and/or 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.

Investments in Office Properties. A Manager may cause one or more Silverfern Investment Partnerships to make direct and/or indirect investments in office properties. There are a large number of risk factors associated with investments in office properties, including, without limitation: the impact of general economic conditions on the local market and the building's tenants; the quality of an office building's tenants; an economic decline in the business operated by the tenants; the physical attributes of the building in relation to competing buildings (e.g., age, condition, design, appearance, location, access to transportation and ability to offer certain amenities, such as sophisticated building systems and/or business wiring requirements); the physical attributes of the building with respect to the technological needs of the tenants, including the adaptability of the building to changes in the technological needs of the tenants; the diversity of an office building's tenants (or reliance on a single or dominant tenant); the availability of sublease space; the desirability of the area as a business location; the strength, nature and unemployment rates of the local economy, including labor costs and quality, tax environment and quality of life for employees; and an adverse change in population, patterns of telecommuting or sharing of office space and employment growth (which creates demand for office space). To the extent any of such risk factors are heightened or the conditions associated with such risk factors deteriorate, investments in office properties may incur losses.

Investments in Retail Properties. A Manager may cause one or more Silverfern Investment Partnerships to make direct and/or indirect investments in retail properties. The value and successful operation of a retail property is sensitive to a number of risk factors, including, without limitation: changes in consumer spending patterns; local competitive conditions (such as the supply of retail space or the existence or construction of new competitive shopping centers or shopping malls, including, for example, competition between regional malls and local shopping centers and changing consumer preferences for upscale outlet malls, big-box discount stores and price clubs); the bankruptcy or distress of tenants; the availability of sublease space; alternative forms of retailing (such as direct mail, video shopping networks and internet web sites, which reduce the need for retail space by retail companies); the safety, convenience and attractiveness of the property to tenants and their customers or clients; the public perception of the safety of customers at shopping malls and shopping centers; the need to make major repairs or improvements to satisfy the needs of major

tenants; traffic patterns and access to major thoroughfares; and unemployment rates in the local economy. The general strength of retail sales also directly affects retail properties. If retail sales by tenants in such properties were to decline, the rents that are based on a percentage of revenues may also decline, and tenants may be unable to pay the fixed portion of their rents or other occupancy costs. The cessation of business by or bankruptcy of a significant tenant can have a material adverse effect on a retail property, not only because of rent and other factors specific to such tenant, but also because significant tenants at a retail property play an important part in generating customer traffic and making a retail property a desirable location for other tenants at such property.

Investments in Industrial Properties. A Manager may cause one or more Silverfern Investment Partnerships to make direct and/or indirect investments in industrial properties. Significant factors determining the value of industrial properties include, without limitation: the location of the property (including proximity to supply sources and customers and accessibility to rail lines, major roadways and other distribution channels and transportation routes); the quality of tenants; a reduced demand for industrial space because of a decline in a particular industry segment, property becoming functionally obsolete, building design and adaptability, scarcity of labor sources, changes in access, energy prices, strikes, relocation of highways, the construction of additional highways or other factors; changes in proximity of supply sources; the expenses of converting a previously adapted space to general use; and the location of the property. Concerns about the quality of tenants, particularly major tenants, are similar in both office properties (as discussed above) and industrial properties, although industrial properties may more frequently be dependent on a single or a few tenants. A particular industrial or warehouse property that suited the needs of its original tenant may be difficult to re-let to another tenant or may become functionally obsolete relative to newer properties. Also, properties used for many industrial purposes are more prone to environmental concerns than other property types. Further, because of unique construction requirements of many industrial properties, many vacant industrial property spaces may not be easily converted to other uses. Thus, if the operation of an industrial property becomes unprofitable due to competition, age of the improvements or other factors, the liquidation value of that industrial property may be substantially less than would be the case if the property were readily adaptable to other uses.

Investments in Hospitality Properties. A Manager may cause one or more Silverfern Investment Partnerships to make direct and/or indirect investments in hospitality properties. Negative publicity regarding luxury or other hotels and decreases in airline capacity could reduce demand for hotel rooms in such investments and, in turn, further depress revenue per available room to such properties. The reduction of room rates or offering of comparable incentives (including free nights) by upscale/luxury hotels could further exert downward pressure on demand for, and room rates, of mid-scale hotel properties.

Hospitality properties are subject to certain operating risks, including, without limitation, reductions of occupancy or room rates, increases in real estate and other tax rates, wages and benefits, utility costs, insurance costs, repairs and maintenance and administrative expenses, all of which may adversely affect such property's cash flows. In addition, more so than other property types, hospitality properties are saddled with an ongoing obligation to make renovations and other capital improvements in order to stay competitive, including replacements, from time to time, of furniture, fixtures and equipment, particularly if the hotel is a branded hotel. This obligation is subject to the

risks that cash flow from operations and reserves may be inadequate to fund capital improvements, financing for these capital improvements may not be available to such properties on affordable terms and market demand for hotel properties following the undertaking or completion of capital improvements will not exist or will continue to be diminished until the economy recovers. Consequently, the costs of these capital improvements could negatively impact the financial condition of investments.

Certain hotels that may be acquired may be managed by third-party hotel management companies pursuant to management agreements (or, with respect to certain hotels, a lease for the entire hotel property which contains terms similar to traditional hotel management agreements). Under the terms of these management agreements, the third-party hotel managers may control the daily operations of the hotels and may be compensated with a base management fee tied to revenues generated from operations and/or an incentive management fee based on achieving specific performance thresholds. Accordingly, the hotel's business and operating results depend in large part upon the performance of these hotel management companies under their management agreements. There is no guarantee that the third party management company (or operating lessee) for any given hotel property will meet the performance objectives desired. In addition, hotel properties may not readily be converted to alternative uses if they were to become unprofitable due to competition, age of improvements, decreased demand or other factors. Moreover, the conversion of a hotel to alternative uses would generally require substantial capital expenditures. Finally, hotel properties face the risk that legislation under consideration by federal and state governments may effect changes in the negotiations of collective bargaining agreements and introduce related labor concessions that could negatively impact the ability of hotel properties to meet revenue projections.

Availability of Insurance Against Certain Catastrophic Losses. With respect to properties acquired in connection with Silverfern Investment Partnership activities, liability, fire, flood, extended coverage and rental loss insurance with insured limits and policy specifications that are believed to be customary for similar properties may or may not be maintained. Further, certain losses of a catastrophic nature, such as wars, natural disasters, terrorist attacks or other similar events, may be either uninsurable or, insurable at such high rates that to maintain such coverage would cause an adverse impact on the related investments. In general, losses related to terrorism are becoming harder and more expensive to insure against. Most insurers are excluding terrorism coverage from their all-risk policies. In some cases, the insurers are offering significantly limited coverage against terrorist acts for additional premiums, which can greatly increase the total costs of casualty insurance for a property. As a result, not all investments may be insured against terrorism, or adequately insured at all. If a major uninsured loss occurs, both invested capital in and anticipated profits from the affected investments may be lost.

Environmental Liabilities. A Manager may cause one or more Silverfern Investment Partnerships to be exposed to substantial risk of loss from environmental claims arising from undisclosed or unknown environmental, health or occupational safety matters, or problems with inadequate reserves, insurance or insurance proceeds for such matters that have been previously identified. Under various federal, state and local laws, ordinances and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Such laws may impose joint and several liability, which can result in a party being obligated to pay for greater than its share, or even all, of the liability involved. Such liability may also be imposed without regard to whether the owner knew of, or was responsible for, the presence of

such hazardous or toxic substances. The cost of any required remediation and the owner's liability therefor as to any property are generally not limited under such laws and could exceed the value of the property and/or the aggregate assets of the owner. The presence of such substances, or the failure to properly remediate contamination from such substances, may adversely affect the owner's ability to sell the real estate or to borrow funds using such property as collateral, which could have an adverse effect on returns from such investments. Environmental claims with respect to a specific investment may exceed the value of such investment, and under certain circumstances, subject the other assets of investors to such liabilities. In addition, even in cases where indemnification by the seller with respect to an investment exists against liabilities arising out of violations of environmental laws and regulations, there can be no assurance as to the financial viability of the seller to satisfy such indemnities or the ability to achieve enforcement of such indemnities.

Real Estate Market Conditions; Lack of Flexibility. A Manager may cause one or more Silverfern Investment Partnerships to make investments that are based, in part, on the premise that real estate and real estate-related assets will be available for purchase at prices considered favorable and, in part, on the premise that favorable market conditions for timely and favorable dispositions of real estate and real estate-related assets will exist. Generally, real estate and real estate-related assets are highly illiquid, and are generally difficult to acquire or sell quickly. As a result, there may be limited flexibility to vary a portfolio of such investments promptly in response to changes in economic or other conditions. Further, no assurance can be given that real estate and real estate-related assets can be acquired at favorable prices or that the market for such assets will not deteriorate, since this will depend largely on events and factors outside the control of the relevant Manager, the applicable Silverfern Investment Partnership and/or Investment Partner.

Certain Restrictions on Disposal of Assets and/or Reduction in Debt. In connection with investments, one or more investments may not be permitted to be disposed of and/or have the debt associated with it paid down at a time when such action(s) might otherwise be desirable without incurring additional costs. In addition, when disposing of or selling assets, the sales proceeds may not be able to be reinvested or, if reinvested, earn similar returns. As part of an acquisition of a property, or a portfolio of properties, the applicable Silverfern Investment Partnership and/or other investors may agree not to dispose of the acquired properties or reduce the mortgage indebtedness for a long-term period, unless it pays certain of the resulting tax costs of the applicable seller. These agreements could result in holding properties that could otherwise be sold or with respect to which indebtedness could other be paid down or refinanced.

Debt Market Conditions Generally. Prevailing conditions in U.S. debt markets, as observed in recent years, may adversely affect acquisition and disposition activities related to investments because it may affect the ability, or the ability of a prospective purchaser of assets, to obtain financing on favorable terms, or at all. In addition, the condition of the U.S. debt markets may heighten the risks associated with such debt financing, including the risk of borrower default.

Existing Leverage; Risks of Refinancing; Bridge Financings. As noted under the heading "*Leverage; Granting of Security Interests*" above, certain investments rely, in part, on leverage and the ability to finance and/or refinance investments. Specifically, such strategy relies in part on both secured and

unsecured, variable rate and non-variable rate debt to finance acquisitions and development activities and for working capital. If debt financing is unable to be obtained, or existing indebtedness is unable to be refinanced upon maturity, financial conditions and results of operations would likely be adversely affected. In addition, the cost of existing debt may increase, especially in the case of a rising interest rate environment, and refinancing existing debt in sufficient amounts or on acceptable terms may not be practicable. In addition, certain acquisitions, redevelopments and/or developments may be financed using the proceeds of lines of credit or other forms of temporary secured or unsecured financing that may have less advantageous terms than permanent debt financings. Use of these forms of financing may be subject to the risk that permanent financing for these projects might not be available or would be available only on disadvantageous terms. If permanent debt financing is not available on acceptable terms to refinance projects undertaken without permanent financing, further acquisitions may be curtailed and cash flows may be adversely affected.

Certain Restrictive Covenants in Debt Instruments. Certain restrictive covenants in debt instruments could adversely affect financial conditions and acquisitions and development activities in connection with certain investments. The mortgages on investment properties may contain customary covenants, such as those that limit the ability, without the prior consent of the applicable lender, to further mortgage the applicable property or to discontinue insurance coverage. Unsecured indebtedness and debt that may be obtained may contain customary restrictions, requirements and other limitations on the ability to incur indebtedness, including covenants that limit the ability to incur debt based upon the level of the ratio of total debt to total assets, the ratio of secured debt to total assets, the ratio of EBITDA to interest expense, and fixed charges, and that require the maintenance of a certain level of unencumbered assets to unsecured debt. The ability to borrow is subject to compliance with these and other covenants. In addition, failure to comply with covenants could cause a default under the applicable debt instrument, which may require the repayment of such debt with capital from other sources or require giving possession of a secured property to the applicable lender. Under those circumstances, other sources of capital may not be available, or may be available only on unattractive terms.

Risk of Distressed Mortgage Loans. Certain investments may include direct and/or indirect purchases of sub-performing and non-performing mortgage loans, as well as mortgage loans that have had a history of delinquencies or defaults. These mortgage loans may be in default or may have a greater than normal risk of future defaults, delinquencies, bankruptcies or fraud losses, as compared to a pool of newly originated, high-quality loans of comparable type, size and geographic concentration. Returns on an investment of this type depend on the borrower's ability to make required payments and, in the event of default, the ability to foreclose and liquidate the mortgage loan. Foreclosures can be lengthy and expensive and borrowers often assert claims, counterclaims and defenses to delay or prevent foreclosure actions. At any time during the proceedings, the borrower may file for bankruptcy, which would have the effect of staying the foreclosure action and further delaying the process, and materially increasing the expense thereof, which expenses may or may not be recoverable. In addition, "antideficiency" and related laws in certain states and countries limit recourse and remedies available against borrowers in connection with or as a result of foreclosure proceedings or other enforcement actions taken with respect to such borrowers. Such laws can result in the loss of liens on collateral or personal recourse against a borrower altogether.

Investment in Troubled Assets. Certain investments may include investments in non-performing or other troubled assets that involve a degree of financial risk, and there can be no assurance that any internal rate of return objectives will be realized or that there will be any return of capital in connection with such investments. Furthermore, investments in properties operating in workout modes or under Chapter 11 of the U.S. Bankruptcy Code may, in certain circumstances, be subject to additional potential liabilities that could exceed the value of an investor's original investment, including equitable subordination and/or disallowance of claims or lender liability. In addition, under certain circumstances, payments to the applicable Silverfern Investment Partnership and distributions by the applicable Silverfern Investment Partnership to its investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment under applicable law.

Cybersecurity Risks. Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject. To the extent that a portfolio company is subject to cyber-attack or other unauthorized access is gained to a portfolio company's systems, such portfolio company may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or portfolio company financial information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; or (v) other items. In certain events, a portfolio company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Any of such circumstances could subject a portfolio company, or the relevant Silverfern Investment Partnership, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at a Manager or one of its service providers holding its financial or investor data, a Manager, its affiliates or the Silverfern Investment Partnerships may also be at risk of loss, despite efforts to prevent and mitigate such risks.

Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an evaluation of the adviser or the integrity of the adviser's management. Neither SCM nor SRM has any legal, financial or other disciplinary matters to report.

Other Financial Industry Activities and Affiliations

The principals and other persons associated with the relevant Manager are registered with SGI, (The Silverfern Group, Inc., (CRD no. 119266)), which is a broker-dealer registered with the Securities and Exchange Commission. SCM, SRM and SGI share common ownership. SGI is principally engaged in the merchant banking business, among other things introducing proprietary investment opportunities to private equity firms worldwide and participating in the sales of Silverfern Investment Partnership interests.

In connection with Silverfern's merchant banking activities relating to a particular target company and/or asset, an opportunity for investment alongside an Investment Partner may arise. If the relevant Manager in its good faith judgment determines that the investment opportunity is attractive, such relevant Manager forms a Silverfern Investment Partnership to make an investment in the target company. The portfolio companies and/or assets in which the Silverfern Investment Partnerships invest represent both opportunities that Silverfern has introduced and opportunities that are brought to the applicable Manager by Investment Partners.

Various potential and actual conflicts of interest may arise from the overall investment activities of the relevant Manager and its affiliates. The following briefly summarizes certain of the principal conflicts. The references to the relevant Manager in this section include the relevant Manager's affiliates, partners, members, managers, shareholders, officers, directors and employees. Prospective investors should review the applicable Silverfern Investment Partnership offering materials and organizational documents, as applicable, for a more extensive description of the risks of investing in the Silverfern Investment Partnerships.

Relationship with SGI. SGI typically receives a fee upon the completion of a transaction. The relevant Manager will not receive any portion of such transaction fees, however where a Silverfern Investment Partnership makes its investment in a portfolio company in connection with a transaction for which another Silverfern entity or Silverfern personnel receive a fee, the potential receipt of a fee by SGI may provide an incentive for the relevant Manager to participate in a transaction in which it otherwise would not participate if SSGI did not benefit from the transaction, as the relevant Manager professionals who are also registered representatives of SGI may directly or indirectly share in the receipt of transaction fees paid by Investment Partners or investors in the Silverfern Investment Partnerships in connection with SGI's services. SGI seeks to manage the conflict by having an independent voting member on the relevant Manager Investment Committee who is not able to share in such transaction fees.

Allocation of Personnel. The relevant Manager and its affiliates will devote as much time as they consider necessary to conduct the business affairs of the Silverfern Investment Partnerships in an appropriate manner. However, personnel of the relevant Manager also work on other projects, and, therefore, conflicts may arise in the allocation of personnel.

Other Fees, Costs and Expenses. Each relevant Manager expects to engage and retain strategic advisers, consultants, and other similar professionals who are not employees or affiliates of the relevant Manager and who will, from time to time, receive payments from, or allocations with respect to, portfolio companies and/or assets, and such compensation paid to strategic advisers, consultants

and other similar professionals (in various forms, together with expense reimbursement, equity or profits interests, benefits or other amounts) in many cases will be borne directly or indirectly by the relevant Silverfern Investment Partnership(s).

Investor Side Letters. Each relevant Manager expects to enter into “side letters” with certain investors in the Silverfern Investment Partnerships. Such investors may be charged lower Management Fees and may attract lower Carried Interest based on the aggregate amount of capital invested across all Silverfern Investment Partnerships into which such Anchor Investor has invested with the relevant Manager. Anchor Investors pay their pro-rata share of all other expenses in each Silverfern Investment Partnership in which they invest. A more detailed description of applicable conflicts of interest is set forth in the offering documents for each Silverfern Investment Partnership.

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

The relevant Manager has adopted a Code of Ethics (the “Code”) for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at the relevant Manager must acknowledge the terms of the Code annually, or as amended.

Description of the relevant Manager’s Code of Ethics

Each of SCM and SRM has adopted the Code pursuant to SEC rule 204A-1, for the purposes of establishing the standards of business conduct and fostering a culture of honesty and accountability and assisting those covered by the Code to comply with the Advisers Act. The Code is applicable to all supervised persons of the firm and is available to any investor or prospective investor by contacting the relevant Manager in writing and requesting a copy of SCM’s Code of Ethics. Please send written requests for SCM to: SCIP Capital Management, LLC, 599 Lexington Avenue, 47th Floor, New York, NY 10022 Attention: John R. Cattau. Please send written requests for SRM to: SREP Capital Management, LLC, 599 Lexington Avenue, 47th Floor, New York, NY 10022 Attention: John R. Cattau.

The Code of Ethics contains policies which address the following topics:

Compliance with Federal Securities Laws

Supervised persons are required to comply with all applicable laws in the jurisdictions in which the relevant Manager does business, including the U.S. federal securities laws.

Standards of Business Conduct

Consistent with the fiduciary obligations owed to clients, supervised persons are required to act fairly and in the best interest of clients.

Conflicts of Interest

The Code addresses conflicts of interest that may arise in the course of conducting the relevant Manager’s business and requires that all supervised persons endeavor to avoid situations that present potential or actual conflicts. Among other things, the Code prohibits certain personal business activities by supervised persons without prior approval, and provides that supervised persons should not engage in activities that might influence or appear to influence decisions made by a supervised person in business transactions involving the relevant Manager. In addition to various trading restrictions, personal securities transactions are reviewed by the relevant Manager’s compliance personnel.

Treatment of Inside Information

The Code forbids supervised persons from trading, encouraging others to trade or recommending securities or other financial instruments based on material, non-public information. A supervised person in possession of material, non-public information is not permitted to: (i) buy or sell the securities of companies with respect to which such supervised person has non-public information or (ii) communicate the information outside of the relevant Manager except, if necessary, to any client (or any authorized agent of the client) or the general partner of any client.

Restrictions on Personal Investing and Related Activities

The relevant Manager imposes certain restrictions on personal investing and related activities designed to prevent conflicts of interest and to guard against the misuse of proprietary or confidential information. The relevant Manager maintains and updates a restricted list of securities. In addition, supervised persons are discouraged from engaging in personal trading on a scale that would distract such person from his or her daily responsibilities. Supervised persons are prohibited from investing in an issuer whose securities are under consideration for investment, or have been acquired by, any client of the relevant Manager, except, directly or indirectly, through the Silverfern Investment Partnerships.

Supervised persons are required to receive pre-approval from the Chief Compliance Officer for SCM and SRM for acquiring direct or indirect beneficial ownership of any security sold in private offerings. The Code requires supervised persons to submit and initial quarterly securities transactions and annual holdings reports. In addition, supervised persons must direct their brokers to supply duplicate copies of all confirmations and monthly brokerage statements for all accounts maintained by the supervised person in which reportable securities are held. If duplicate copies of all confirmations and brokerage statements for all accounts maintained by the supervised person in which reportable securities are held are automatically delivered by the broker-dealer or other institution, supervised persons will not be required to deliver the quarterly securities transactions so long as these brokerage statements contain the same information and are supplied within the same 30-day period after the end of each calendar quarter.

Reporting of Violations and Sanctions

All supervised persons are required to promptly report all violations and apparent violations of the Code to the relevant Manager Chief Compliance Officer. A copy of the Code is available to any investor or prospective investor upon request.

Interest in Client Transactions

As in the relevant Manager's business generally, the relevant Manager will consider the implications of identified actual or potential conflicts of interest and will act in accordance with the relevant Manager's internal guidelines and procedures. Certain related persons of the relevant Manager (including individual members of the investment team who are registered representatives of Silverfern) may invest in the Silverfern Investment Partnership and serve on the board of directors of a portfolio company and/or assets in which a Silverfern Investment Partnership invests and, in such capacity, will have duties to both the investors of such company and to the Silverfern Investment Partnership. In addition, the relevant Manager may have an incentive to recommend to

investors to invest in Silverfern Investment Partnerships in which it or related persons of the relevant Manager, including individual members of the relevant Manager investment team who are registered representatives of Silverfern, have a financial interest due to the prospect of receiving Carried Interest as described in Item 5 above.

Each Manager anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which it has management authority to effect, and will recommend to investment advisory clients or prospective investors, the purchase or sale of securities in which the relevant Manager, its affiliates and/or clients, directly or indirectly, have a position or interest. The relevant Manager's employees and persons associated with the relevant Manager are required to follow the Code. The Code is designed to assure that the personal securities transactions, activities and interests of the employees of the relevant Manager will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of the relevant Manager's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code, and to reasonably prevent conflicts of interest between the relevant Manager and its clients.

It is the Managers' policy that the firm will not affect any principal or agency cross securities transactions for client accounts. the relevant Manager will also not engage in cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

Brokerage Practices

For each of the Silverfern Investment Partnerships, the relevant Manager has sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker or dealer, if any, to be used to effect transactions. The relevant Manager will seek the best price and execution available except to the extent it may be permitted to pay higher brokerage commissions in exchange for brokerage and research services. “Best execution” means obtaining for a Silverfern Investment Partnership the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), subject to the circumstances of the transaction and the quality and reliability of the executing broker or dealer. In selecting brokers or dealers, the relevant Manager will consider various factors, including: the reputation, experience and financial stability of the broker-dealer; the ability to maintain the relevant Manager’s anonymity; the ability to provide competitive pricing; the size and timing of the transaction; the ability and willingness to commit capital and provide prompt and accurate execution and settlement; whether the broker-dealer makes a market in a security and/or finds sources of liquidity; the nature of the market for the security and the difficulty of execution; the broker-dealer’s trading expertise, including its ability to minimize total trading costs and to trade without unduly impacting the market; the belief that the broker-dealer charges a fair and reasonable fee for each trade, and that the Silverfern Investment Partnerships have been treated fairly and honestly in prior trades; and the quality of execution, quality of the broker-dealer relationship, quality of service rendered by the broker-dealer in prior transactions, and quality of any proprietary research and investment ideas.

The relevant Manager does not has formal arrangements with specific brokers or dealers to receive research or other services beyond transaction execution in exchange for brokerage commissions from client transactions (so called “soft dollar” arrangements). However, brokers or dealers may be selected who provide research reports and services to the relevant Manager, including: proprietary broker-dealer company research and analyses; oral and written reports, statistics and advice about the economy, industries and individual securities’ or company investment opportunities; and reports on underwriting activity, bank rates, loan defaults, loan new issuance volumes and other capital markets statistics, both of which may be attractive for one or more Silverfern Investment Partnerships or to the relevant Manager; and opportunities to confer with company management. In accordance with Section 28(e) of the Securities Exchange Act of 1934, broker-dealers providing such services may be paid commissions on transactions for Silverfern Investment Partnerships in excess of those that other broker-dealers not providing such services might charge so long as the relevant Manager determines in good faith the amount of commissions is reasonable in relation to the value of the brokerage and research services provided, taking into account all of the accounts over which the relevant Manager exercises investment discretion. Recognizing the value of the brokerage and research services provided, the relevant Manager may allow a brokerage commission or negotiated term in excess of that which another broker might have charged for effecting the same transaction. The relevant Manager will periodically evaluate the overall reasonableness of the brokerage commissions and negotiated terms paid to or made with broker-dealers with respect to client transactions by, among other things, seeking to compare such commissions and terms with the commission rates and negotiated terms being charged by and entered into with other comparable broker-dealers. The relevant Manager will also periodically review the past performance of the broker-dealers with whom it has

placed orders to execute Silverfern Investment Partnership transactions in light of the factors discussed above.

Review of Accounts

The investment interests held by the Silverfern Investment Partnerships are generally private, illiquid and long-term in nature; accordingly, the relevant Manager's review of them is not directed toward a short-term decision to dispose of securities. However, the relevant Manager closely monitors the portfolio companies and/or assets of the Silverfern Investment Partnerships. The relevant Manager's professionals meet periodically with members of the relevant Manager's Investment Committee to update them on portfolio positions and related matters.

Reporting

The relevant Manager provides formal written reports to limited partners of its Silverfern Investment Partnerships on a quarterly basis. The reports include individual investor capital balance information and Silverfern Investment Partnership performance information. Investors also will receive annual audited financial statements for the Silverfern Investment Partnership in which they are invested.

Certain investors may request information relating to the Silverfern Investment Partnership in which they are invested. If the requested information is readily available or may be obtained without unreasonable effort or expense, the relevant Manager generally provides the information requested. Consequently, these investors will possess information regarding the business and affairs of the Silverfern Investment Partnership that may not be known to other investors. As a result, certain investors may be able to take actions on the basis of this information which, in the absence of such information, other investors do not take.

Client Referrals and Other Compensation

We or our affiliates may pay third-party solicitors a portion of the management fee and/or performance fee paid to the relevant Manager or its affiliates (although other payment arrangements could exist) to solicit prospective investors in the Silverfern Investment Partnerships. A prospective investor solicited by a third party will be informed of (and may be asked to acknowledge in writing its understanding of) any such arrangement. All fees for such solicitation services will be ultimately borne by the relevant Manager and neither the Silverfern Investment Partnerships nor the investors in the Silverfern Investment Partnerships will be charged any increased or additional fees or charges. In the U.S., third-party solicitors will be registered as broker-dealers with the SEC or registered representatives of registered broker-dealers. Third-party solicitors outside the U.S. will be registered with a non-U.S. regulatory body to the extent such registration is required in the applicable non-U.S. jurisdiction.

Custody

The relevant Manager may have, or may be deemed to have, custody of certain funds or securities of the Silverfern Investment Partnerships. Rule 206(4)-2 (the “Custody Rule”) under the Advisers Act defines custody as holding client securities or assets or having any authority to obtain possession of them, including the authority to withdraw funds or securities from a client’s accounts or ownership of or access to client funds or securities (such as through fee deductions).

Most of the assets of the Silverfern Investment Partnerships are defined as “privately offered securities” and are not required to be held by a “qualified custodian” under the Custody Rule. All other assets of the Silverfern Investment Partnerships are held in custody by unaffiliated broker/dealers or banks acting in the capacity as “qualified custodians”.

With respect to the Silverfern Investment Partnerships, the relevant Manager is deemed to have custody of their money or securities under the Custody Rule because the general partners of the Silverfern Investment Partnerships are affiliates of the relevant Manager and are deemed to have custody of such money and securities. As a result of the relevant Manager’s constructive custody of certain Silverfern Investment Partnership funds and securities, the relevant Manager has developed procedures that ensure the safeguarding and protection of the assets of those Silverfern Investment Partnerships. The qualified custodians of certain Silverfern Investment Partnerships send quarterly statements directly to the investors in the affected Silverfern Investment Partnership. Investors should carefully review these statements and are urged to compare these statements to statements received from the Silverfern Investment Partnership, which statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

The Silverfern Investment Partnerships’ financial statements are audited annually by a nationally recognized independent public accountant registered with, and regularly examined by, the Public Company Accounting Oversight Board to conduct annual financial audits of such Silverfern Investment Partnerships prepared in accordance with U.S. Generally Accepted Auditing Standards and deliver the audited financial statements directly to investors in such Silverfern Investment Partnerships within 120 days of the end of the Silverfern Investment Partnerships’ fiscal year. The audited financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles.

Investment Discretion

As of December 31, 2016, SCM (including SRM) managed assets on a discretionary basis in the amount of approximately \$359.3 million. The relevant Manager has discretionary authority with respect to all the Silverfern Investment Partnerships. Under the terms of a separate management agreement between the relevant Manager and each Silverfern Investment Partnership, the relevant Manager received discretionary authority from the Silverfern Investment Partnerships to select the identity and amount of securities to be bought or sold. In all cases, however, discretion is to be exercised in a manner consistent with the stated investment objectives for each Silverfern Investment Partnership and the terms of the management agreement.

Voting Client Securities

The relevant Manager has been delegated the authority to vote proxies regarding securities held by the Silverfern Investment Partnerships. The relevant Manager has adopted and implemented policies and procedures reasonably designed to ensure that the relevant Manager votes proxies in the best interests of the Silverfern Investment Partnerships. In exercising its voting discretion, the relevant Manager seeks to avoid any direct or indirect conflict of interest between the Silverfern Investment Partnerships and the relevant Manager's voting decision.

It is the general policy of the relevant Manager to vote or to give consent on all matters presented to security holders in any proxy, and its policies and procedures have been designed with that in mind. However, the relevant Manager reserves the right to abstain on any particular vote or otherwise to withhold its vote or consent on any matter if, in the judgment of certain professionals within the relevant Manager, the costs associated with voting such proxy outweigh the benefits to the applicable Silverfern Investment Partnerships or if the circumstances make such an abstention or withholding otherwise advisable and in the best interest of the applicable Silverfern Investment Partnerships.

The relevant Manager's Investment Committee is responsible for monitoring proxy decisions for any actual or perceived conflicts of interests. All proxy voting decisions require a mandatory conflicts of interest review by the relevant Manager's Chief Compliance Officer, which includes consideration of whether the relevant Manager or any investment professional or other person recommending how to vote the proxy has an interest in how the proxy is voted that may present a conflict of interest. When the relevant Manager's Chief Compliance Officer deems appropriate in his sole discretion, unaffiliated third parties may be used to help resolve conflicts. In this regard, the relevant Manager's Chief Compliance Officer has the power to retain independent fiduciaries, consultants or professionals to assist with proxy voting decisions and/or to delegate voting or consent powers to such fiduciaries, consultants or professionals.

In accordance with the requirements of the Advisers Act, SCM maintains records of its proxy voting for at least five years and, at a limited partner's request, will furnish proxy voting information, free of charge, to the requesting limited partner within a reasonable period of time (usually within ten business days). Limited partners may request proxy voting information by contacting the Chief Compliance Officer for either Manager at (212) 209-8895 or by writing to SCIP Capital Management, LLC, or SREP Capital Management, LLC, as appropriate, Attention: John R. Cattau at 599 Lexington Avenue, 47th Floor, New York, NY 10022.

Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about their financial condition. Neither Manager has any financial commitment or condition that does or is reasonably likely to impair its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.