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## **Form ADV Part 2A**

Client Brochure

August 18, 2016

**This brochure (“Brochure”) provides information about the qualifications and business practices of Sabal Investment Advisors, LLC (“SIA”), a registered investment adviser. If you have any questions about the contents of this Brochure, please contact us at (877) 900-6272. 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. Registration does not imply a certain level of skill or training.**

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

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

**Please Retain a Copy of this Brochure for Your Records**

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Item 2 Material Changes

Not Applicable.

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### **Item 4 Advisory Business**

#### **A. Description of the Firm and its Principals**

Sabal Investment Advisors, LLC (“SIA”) is an investment adviser newly registered with and regulated by the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). SIA provides investment advisory services to the SIA Debt Opportunities Fund, L.P. (the “Fund”), a closed-end, real estate debt fund structured as a Delaware limited partnership. The Fund is exempt from registration as an investment company under U.S. law by virtue of Section 3(c)(7) of the Investment Company Act of 1940, as amended (the “1940 Act”) and whose securities are exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”).

SIA is a privately held Delaware limited liability company founded by R. Patterson (“Pat”) Jackson on September 13, 2012 and is headquartered in Newport Beach, CA. Principal owners are Pat Jackson (51% owner); Kevin R. McKenzie (24.5% owner); and John A. Bogler (24.5% owner), each of whom has an extensive background in real estate investing.

**Pat Jackson** is Senior Portfolio Manager and Chief Investment Strategist of SIA responsible for overall company direction and oversight, investment sourcing and business development. He is also the founder of Sabal Financial Group (“Sabal Financial Group”) and Sabal Capital Partners, LLC (“Sabal Capital Partners” together with Sabal Financial Group and each of their respective subsidiaries, the “Sabal Debt Platform”). He is responsible for the direction, management and business development activities of Sabal Financial Group and oversees strategic business initiatives in support of the financial services practice. Under Pat’s leadership, Sabal Financial Group has acquired nearly \$5 billion in assets on behalf of its clients and investors and has grown to include offices in 12 locations across the United States. Pat is the former CEO and founder of IndyMac Commercial Lending Corporation, which he developed, launched and grew into a leading nationwide small balance commercial and multifamily lending platform with an annualized production of \$1 billion. He has also served as President and COO of Unitek Miyachi Corporation and held senior leadership positions with Signet Scientific Company and Intecolor Corporation.

Pat obtained a Bachelor of Science in Business Administration from the University of South Carolina and a Master of Business Administration from Winthrop College Graduate School of South Carolina. Pat is an accredited Mortgage Professional with the Mortgage Banking Association.

**Kevin McKenzie** is Chief Investment Officer and Portfolio Manager of SIA responsible for investment and portfolio management. He chairs SIA’s Investment Committee. He is also Head of Investments for Sabal Financial Group and leads Acquisitions, Portfolio Management and Servicing for Sabal Financial Group’s national real estate portfolio. With more than 25 years’ real estate experience, Kevin has served as a developer, principal investor, advisor, investment banker and architect, working on more than \$8 billion of property investments involving multifamily, industrial, office and retail properties. He provides executive management, acquisition, development, asset management and capital markets/workout expertise.

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Kevin is also co-founder of Palisades Equity Partners, an opportunistic, value-based real estate investment firm. He previously served as president of Parker Properties, a Southern California developer of tenant-oriented office campus environments. While at Parker, Kevin developed more than 750,000 square feet of Class A office buildings, including three LEED-certified Silver buildings. He has also held senior positions with Buchanan Street Partners, AEW Capital Management and a venture of Goldman Sachs/J.E. Robert Companies.

Kevin earned his undergraduate degree from the University of Colorado and a Master of Business Administration from the Anderson School of Business at the University of California, Los Angeles. He is a full member of the Urban Land Institute, a LEED Accredited Professional and a licensed California Real Estate broker. An ardent supporter of the Boy Scouts, he is a recent past member of the Executive Committee for the organization's Orange County Council. Kevin also served as a member of the Executive Advisory Board at the University of California, Irvine Paul Merage School of Business Center for Real Estate, and is an adjunct professor teaching Real Estate Capital Markets.

**John Bogler** is Chief Financial Officer and Chief Operating Officer of SIA responsible for fund operations, reporting and overall compliance for funds managed by SIA. John is Chief Financial Officer of Sabal Financial Group and Sabal Capital Partners and is responsible for providing strategic leadership in all aspects of Sabal Financial Group's and Sabal Capital Partners' financial operations. He has more than 25 years of experience in the financial services sector, with expertise in cross-functional team building, corporate and operational consolidation, financial and capital planning, budgeting and enterprise risk management.

Prior to joining Sabal Financial Group, John served as Chief Financial Officer at CapitalSource, Inc. (NYSE: CSE) where he oversaw all financial functions, compliance, facilities and information technology. John provided executive leadership in the development of an enterprise risk management program along with capital planning and stress testing in compliance with the Dodd-Frank Act. During his tenure, CapitalSource acquired a bank platform, operated a REIT subsidiary, consolidated operations, developed or acquired various lending platforms, issued debt and executed various capital management strategies with the latter ultimately leading to a sale of the company.

John also served as Chief Financial Officer at Affinity Financial Corporation. He also served in various corporate and financial capacities at Jackson Federal Bank. Throughout his career, John assumed responsibility for various financial, accounting, strategic M&A and operational activities within organizations, including start-ups as well as large established firms. He also acted as a consultant on bank *de novo* activities, including regulatory guidance and performing initial capital raising activities.

John received a Bachelor of Arts from Missouri State University. He is a Certified Public Accountant and Chartered Financial Analyst.

### **Strategic Management**

Each of Messrs. Jackson, McKenzie, and Bogler are members of SIA's Management Committee and provide strategic oversight independently of their executive management of the Sabal Debt Platform. Each member of the Management Committee has extensive experience in the real estate industry, particularly with debt investing and lending, with an aggregate of over 70 years in the CRD lending and debt acquisition market. SIA will seek to leverage the Sabal Debt Platform's

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substantial experience and history working on behalf of investors to source and evaluate investment opportunities originated both within and outside of the Sabal Debt Platform.

SIA believes that Clients will benefit from the Sabal Debt Platform's: (i) extensive small balance CRE loan origination platform, (ii) status as one of a limited number of "Seller / Servicer Freddie Mac SBL" licensees, (iii) access to a range of debt investment and lending opportunities, (iv) nationwide geographic reach, and (v) proprietary lending systems.

SIA believes that favorable opportunities exist in the small balance commercial real estate market to invest in debt securities across a range of product types. SIA's approach to investment utilizes a standardized and carefully underwritten approach in lending and purchasing securities which SIA believes can yield attractive risk-adjusted returns. SIA believes that market conditions have caused some CRE borrowers to seek (i) capital for acquisitions, (ii) reposition existing financings, and (iii) recapitalization opportunities. SIA is focused on meeting these types of financing needs within the CRE market primarily through the use of fund capital to acquire B-Piece Certificates and through shorter duration special opportunities loans, which are acquired directly using fund capital, and longer duration term loans, in which fund capital is used to acquire subordinated interests through the acquisition of B-Piece Certificates. SIA also utilizes fund capital to acquire shorter-term whole loans which are expected to be held through maturity, while B-Piece Certificates may be sold at the end of a fund's term due to their longer term.

### **B. Summary of SIA's Advisory Services**

SIA provides its investment advice pursuant to, and subject to the strategy and restrictions, (if any) set forth in the Client's offering memorandum, organizational documents, subscription agreements, advisory or investment management agreements and/or any side letter agreements negotiated with investors in the applicable Client (to the extent applicable with respect to each Client, collectively, "Organizational Documents"). Investment advice is provided to the Clients by SIA or an affiliate of SIA (e.g., the General Partner) and not individually to the limited partners, investors, or members thereof. SIA may add to, change or modify its investment strategies at any time in its sole discretion, provided that any such modification or change falls within the parameters of a Client's Organizational Documents.

SIA provides investment advice to the Fund, a newly organized closed end real estate debt investment fund. The Fund seeks to raise \$150 million from the offering (the "Offering") of limited partnership interests (the "Interests"). The Fund will seek income and capital appreciation through debt investment opportunities presented to the Fund (i) by Sabal Debt Platform and (ii) by other third party commercial real estate lenders not affiliated with the Sabal Debt Platform (the "Non-Sabal" loans).

SIA may also provide investment advisory services to certain institutional investors through separately managed accounts (the "Non-Funds" together with the Fund, the "Clients").

SIA does not currently have assets under management. SIA is a newly formed adviser and expects to maintain its registration with the SEC with a minimum of \$100 million in regulatory assets under management within 120 days of the declared effective date of its registration.

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### **Item 5 Fees and Compensation**

#### **A. Advisory Fees**

##### **Fees - Investment Adviser to SIA Debt Opportunities Fund, L.P.**

As compensation for investment advisory services rendered to the Fund, SIA is entitled to an annual management fee (the “Management Fee”) payable quarterly in advance, subject to the Fund’s Organizational Documents. Generally, the Management Fee charged to the Fund is based on committed capital and remaining invested capital. The Management Fee will be paid directly by the Fund, and will indirectly be borne by the Fund’s investors.

The investment advisory agreement between the Fund and SIA provides for Management Fee (payable quarterly in advance) equal to 1.5% times: (i) until the end of the Commitment Period, the limited partner’s aggregate commitments to the Fund as of the first day of that calendar quarter; and (ii) after the end of the Commitment Period, the aggregate cost-basis of all Fund investments that have not been realized or written off. (The Commitment Period, General Partner and Limited Partners, each have the definition as set forth in the Fund’s Organizational Documents.)

##### **Fees – Fund Operational Expenses**

In addition to the Management Fee, the Fund generally bears all of its operating expenses, including legal, organizational, offering expenses and other expenses, and each investor bears its pro-rata portion of these expenses. The Fund’s organizational expenses may include the out-of-pocket expenses of SIA, the General Partner and/or their affiliates incurred in the formation of the Fund, which are often subject to a cap. The ongoing operating expenses of the Fund are set forth in the applicable Organizational Documents, and generally include, but may not be limited to, costs, fees and other out-of-pocket expenses related to:

1. all costs, fees and expenses of the General Partner related to the investigation, purchase, financing, refinancing, managing, sale, preservation or retention of assets by the Fund (including all fees, research expenses, travel costs, placement fees, all fees and expenses relating to the sale of such assets and all transfer taxes);
2. all federal, state and local taxes and filing fees payable by the Fund (but not including taxes attributable to particular Limited Partners);
3. all costs, fees and expenses relating to accountings and the preparation and mailing of financial, tax and performance reports, including the allocable share of the costs, fees and expenses relating to internal accounting and tax preparation functions should the General Partner determine not to use third-party providers for such services;
4. all fees and disbursements of the General Partner’s attorneys, accountants and consultants;
5. all filing and recording fees;
6. all interest expenses of the Fund;
7. any indemnification expenses of the Fund;
8. any liquidation expenses, insurance and litigation expenses and broken deal expenses; and

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9. any other fees or expenses of the General Partner, the fund or their affiliates which are reasonably incurred in connection with the operation of business and maintenance of the fund (collectively, and including the Management Fee and any investment level fees, the “Fund Expenses”). To the extent such expenses are incurred for the benefit of a fund and other entities affiliated with or advised by the General Partner, the General Partner shall make a good faith allocation of such expenses among all such entities and the fund.

The above list is not intended to be exhaustive; prospective investors in the Fund are advised to review the applicable Organizational Documents for an additional description of the fees and expenses associated with investments in such Fund. The General Partner or an affiliate thereof will be responsible for the salaries and benefits of employees of the General Partner and its affiliates and for providing office space, related equipment and secretarial services, and such overhead expenses will not be borne by the Fund.

By investing in the Fund a Limited Partner is agreeing to the payment of all of the foregoing fees as set forth in the Fund’s Organizational Documents.

### **Other Fees and Expenses**

In connection with the Fund’s investment in B-Piece Certificates, the Fund may elect, at its sole discretion, to purchase loans underlying the B-Piece Certificate with respect to a securitization pool to the extent such loans are nonperforming, for the sole purpose of restructuring or otherwise working out the loan. The Fund will take into account a variety of factors in determining to purchase a loan from a securitization pool. If the Fund elects to purchase a loan from a securitization, SIA may select the Sabal Debt Platform (in an arm’s length transaction) to be the special servicer in order assist in the restructuring process. Under these circumstances, the Fund will bear the expenses (including special servicer fees to the Sabal Debt Platform) associated with restructuring such loan.

The Fund’s General Partner has engaged a third-party placement agent to conduct fundraising activities on behalf of the Fund and the General Partner. The fees of the placement agent, if any, will be paid by SIA.

### **Allocation of Expenses Among SIA Funds**

When expenses are incurred that benefit more than one fund (the “SIA Funds”), SIA shall allocate such expenses in accordance with each SIA Fund’s Organizational Documents and, to the extent not addressed in such Organizational Documents of a SIA Fund or such agreement with a portfolio investment, then in the sole and absolute discretion of SIA, in each case taking into account such factors that it determines in its sole and absolute discretion to be relevant.

The appropriate allocation of expenses and fees generated in the course of evaluating potential investments which are not consummated, such as out-of-pocket fees associated with due diligence, attorney fees and the fees of other professionals, will be determined by SIA and its affiliates in their good faith discretion, consistent with the Organizational Documents of the SIA Funds, as applicable. If multiple SIA Funds evaluate a potential investment that is not consummated, then SIA generally allocates fees and expenses generated in the course of evaluating such investment among such funds pro-rata based on the anticipated investment of each SIA Fund, subject to the Organizational Documents of the SIA Funds and any arrangements whereby a third-party is contractually obligated



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to reimburse SIA for such amounts. From time to time pursuant to the terms of the Organizational Documents, in the discretion of the SIA Fund's general partner, the general partner may offer one or more investors, including SIA Fund investors, the opportunity to co-invest in investments alongside the SIA Fund. Expenses may not be allocated to co-investment vehicles unless and until they are contractually required to invest in such investment. Subject to the Organizational Documents of the SIA Funds, SIA will make any corrective allocations and take any mitigating steps if it determines such corrections are necessary or advisable.

### **Fees - Separately Managed Accounts**

SIA may offer investment management services for securities portfolios of individuals, trusts, pension and profit sharing funds and other institutions and will be entitled to an advisory fee based on a percentage of assets under management, generally payable quarterly in advance for such services. SIA's management fee and other expenses will be negotiated on a case by case basis and will typically include legal, organizational, offering and other expenses, as applicable. A Client may also incur certain operating expenses, which will be set forth in the applicable Organizational Documents. These fees will be exclusive of other fees that a Client may bear, including brokerage commissions, transaction fees, custodian fees and other related costs and expenses. SIA shall not receive any portion of the commissions, other fees, or other costs.

Clients may also elect to be billed directly for fees or to authorize SIA to debit fees directly from their account. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee in accordance with client agreements. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

### **B. Other Account Fees**

SIA is a "fee only" investment adviser, and other than its advisory fee described above, neither the firm nor its employees receive or accept any direct or indirect compensation related to investments that are purchased or sold for Client accounts. This means that Clients will not be sold products or services that create additional fees or compensation to benefit SIA or its employees or its affiliates other than those described in this Brochure. However, in addition to advisory fees, Clients may also pay other fees or expenses to third-parties.

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### **Item 6 Performance-Based Fees and Side-by-Side Management**

SIA does not charge advisory fees on a share of the capital gains or capital appreciation of the assets of a client account (so-called performance-based fees) at this time. As such, there are no potential side-by-side management conflicts. Please refer to Item 5 above for a description of fees.

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### Item 7 Types of Clients

SIA provides investment advisory services to the Fund, a closed-end, real estate debt fund structured as a Delaware limited partnership. The Fund is exempt from registration as an investment company under U.S. law by virtue of Section 3(c)(7) of the 1940 Act and whose securities are exempt from registration under the Securities Act. Investment advice is provided directly to the Fund (subject to the direction and control of the General Partner) and not individually to the investors in the Fund. The Fund's investor base (i.e., Limited Partners, potential investors and members) consists of institutional investors such as pension plans, trusts, endowments, foundations and other highly sophisticated, high net worth participants. These investors must meet certain minimum financial requirements in order to invest in the Fund.

SIA does not have a minimum size for the Fund, but its Organizational Documents does contemplate the aggregate size of the Fund to be \$150 million. The minimum investment commitment for investors in the Fund is \$5 million, subject to the General Partner's discretion to accept a lesser amount.

SIA may offer investment management services to Non-Fund clients:

- Individuals, including high net worth individuals
- Trusts, estates and charitable organizations
- Corporate pension and profit-sharing plans
- Foundations, endowments
- Registered mutual funds

A minimum of \$5,000,000 investment is generally required to open a SMA. There are no minimums for a unified managed account.

*SIA reserves the right to accept or maintain accounts below the stated minimums. SIA also reserves the right to waive and/or negotiate other conditions for managing accounts.*

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

To meet its fund investment objectives, SIA leverages its relationship with the Sabal Debt Platform utilizing its established wholesale broker network, proprietary lending technology and institutional platform to opportunistically invest in debt instruments (and/or the securities derived therefrom). SIA seeks investments which are backed by small balance loans (“SBL”) or other commercial real estate debt instruments.

#### Investment Strategies

SIA leverages an established wholesale broker network, proprietary lending technology and institutional platform to opportunistically invest in debt instruments (and/or the securities derived therefrom). SIA seeks investments which are backed by small balance loans (“SBL”) or other commercial real estate debt instruments, such as:

1. *B-Piece Investments in Freddie Mac Small Balance Sabal Originated Loan Securitizations*

Purchase the most subordinate class of economic certificates representing the most junior 10% in principal amount of the mortgage loans backing the certificates (the “FM B-Piece Certificates”) issued by each real estate mortgage investment conduit securitizations of pools of Freddie Mac small balance multifamily mortgage loans to the extent such mortgage loans were originated by the Sabal Debt Platform.

2. *B-Piece Investments in Commercial Real Estate Small Balance Sabal Originated Loan Securitizations*

Purchase the most subordinate class of economic certificates representing the most junior principal amount of the certificates (the “CRE B-Piece Certificates” and together with the FM B-Piece Certificates, the “B-Piece Certificates”) issued by each real estate mortgage investment conduit securitizations of pools of CRE small balance mortgage loans (non-Freddie Mac) originated by the Sabal Debt Platform.

3. *B-Piece Investments in Freddie Mac Small Balance Non-Sabal Originated Securitizations*

Purchase the most subordinate class of economic certificates representing the most junior principal amount of the certificates (the “Non—Sabal B-Piece Certificates”) issued by each real estate mortgage investment conduit securitizations of pools of Freddie Mac CRE small balance mortgage loans not originated by the Sabal Debt Platform. For these securities, SIA will leverage the Sabal Debt Platform’s experience and history of working on behalf of other investors to analyze the underlying loans and source favorable investment terms.

4. *Special situations debt collateralized by CRE assets*

Acquire small balance mezzanine, rescue capital loans and other special situation debt with a significant income component primarily originated by the Sabal Debt Platform.

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Although the investment criteria prioritizes a high level of income, downside protection and strong incentives seek to ensure alignment of the interests of the borrowers with its lenders. Additional structuring provide for other fees and back end participation in favor of funds to enhance overall investment yield. As a risk mitigant, these loans are primarily low duration with maturities of 2-3 years.

### **Investment Capabilities and Process**

#### *Loan Sourcing*

The Sabal Debt Platform is comprised of several vehicles that source, underwrite, and manage small balance commercial real estate debt and other loan investment opportunities. Potential loans are sourced through the Sabal Debt Platform's wholesale national broker network and bank correspondents primarily leveraging its proprietary web-based lending technology called SNAP<sup>TM</sup> which is a dynamic, rules based approach to identifying and initial screening that allows its network to provide quick, reliable quotes to customers in order to minimize competition. From time to time and on a selective basis, SIA finds opportunities to purchase whole loans or Non-Sabal B-Piece Certificates at favorable, distressed or opportunistic prices. By virtue of its extensive experience, SIA may be in a position to value these assets appropriately and purchase them at higher yields than prevailing market conditions.

#### *Comprehensive Loan Underwriting*

The Sabal Debt Platform and SIA employ a three-tiered approach to risk management: (i) diligent underwriting and loan approval discipline, (ii) deal structuring and (iii) monitoring and asset management.

SIA believes that loan selection is key to mitigating risks and optimizing risk versus return trade-offs. The Sabal Debt Platform's due diligence, underwriting and credit review process may help to reduce risk by seeking to ensure procedures and standards of the Sabal Debt Platform are met and maintained. Process adherence is reviewed internally by the Sabal Debt Platform compliance personnel as well as third party compliance reviews, which currently include annual reviews by Morningstar, Freddie Mac, Ernst & Young, Grant Thornton and the FDIC. Because the Sabal Debt Platform underwrites each loan it originates and reviews loans and debt securities in which it purchases, SIA is aligned with investor interests to identify and manage risk prior to the origination or purchase of each loan.

Once a potential loan has been processed through the Sabal Debt Platform's initial screening and information gathering, the full underwriting process begins, including document verification, property history analysis, borrower background checks, operating statements analysis, and a full site visit (in the case of Freddie Mac SBL loans, dual site visits). Each prospective loan is assigned a lead underwriter who performs the full underwriting analysis and loan write up. Once a prospective loan underwriting is complete, the Sabal Debt Platform's management reviews the loan and approves or disapproves the loan. For Freddie Mac and CRE loans, this process is repeated until a critical mass of loans is achieved and a securitization is commenced.

The Sabal Debt Platform will sell small balance loans originated under the Freddie Mac small business loan program to Freddie Mac to be included in securitization pools. The securitization pools will be arranged by third party vendors on behalf of Freddie Mac. The arranger of each

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securitization pool will determine based on loan pool mix and other factors, with Freddie Mac, the price of FM B-Piece Certificates. The FM B-Piece Certificates will only be sold to an approved purchaser. The Fund will seek to be an approved purchaser for B-Piece Certificates. Similar procedures apply to Sabal Debt Platform originated loans sold into non-Freddie Mac securitizations.

For investments in Non-Sabal B-Piece Certificates a high level of review is employed. The process includes: (i) a review of the originator, the individual loan underwriting, due diligence and closing; (ii) an analysis of the aggregate loan pool supporting the Non-Sabal B-Piece Certificates including debt coverage ratio, loan to value, market and product diversification; and (iii) a review and analysis of the top loans in the pool including, potentially, re-underwriting, and site inspections as the characteristics of the loan pool may dictate.

SIA's team of investment professionals seek to apply a consistent approach to reviewing each debt investment opportunity presented to the Fund. Prior to any investment by the Fund, SIA's investment committee ("Investment Committee") reviews the investment for approval. For investment opportunities in B-Piece Certificates, the Investment Committee review includes a confirmation of the Sabal Debt Platform origination process and noted exceptions, if any; a summary of the top ten loans in the securitized pool of loans; and overall pool stratifications and financial projections. For investments in Non-Sabal B-Piece Certificates, SIA conducts a thorough review and underwriting due diligence. SIA engages a third party to conduct diligence on the third party Freddie Mac seller/servicer that originates the underlying loans making up such securitizations. The Investment Committee reviews loans included in each securitization pool generating Non-Sabal B-Piece Certificates to ensure that the underlying loans conform to Freddie Mac's guidelines. No loans are allowed in the Freddie Mac securitizations unless they meet the pre-determined guidelines established by Freddie Mac. The majority of the members of SIA's Investment Committee must approve for the Fund to make an investment. The key strategic factors under review by the Investment Committee for all potential investments include: confirmation of underwriting standards, review of market risk and concentration, confirmation of investment compliance with Fund guidelines, and assessment of appropriate risk return investment characteristics.

### **Exit Strategies**

SIA targets a weighted average life of the B-Piece Certificates and Non-Sabal B-Piece Certificates issued by Freddie Mac to be ~60 months and CRE bonds to be ~80 months, however there is the potential for bonds to mature at a date later than a Client's projected life. Therefore in order to accommodate the potential for shorter fund life duration versus Freddie Mac B-Piece Certificate and Non-Sabal B-Piece Certificate bond maturity, SIA will sell any outstanding B-Piece Certificates at market prices at the end of the applicable fund's life. Given the favorable yields of the B-Piece Certificates and the seasoning and short remaining term of the loans underlying the securities, SIA believes there should be good seller interest in the event of a sale of the B-Piece Certificates. The B-Piece Certificates purchased by a fund are likely to be backed by a high percentage of 10 year fixed rate loans with declining schedule/yield maintenance prepayment penalties for retiring the loan prior to the 10 year fixed period. The potential bond sale exit strategy pertains to both B-Piece Certificates collateralized by loans originated by the Sabal Debt Platform and B-Piece Certificates originated by third parties purchased by an SIA Fund.

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### **CERTAIN RISK FACTORS AND POTENTIAL CONFLICTS OF INTEREST**

*An investment in the Fund is speculative, entails a high degree of risk and is suitable only for investors who have no immediate need for liquidity and who can afford to bear a loss of the entire amount invested. No representation or guarantee is made as to the likelihood of the Fund achieving its objectives. In addition, over the term of the Fund, potential and actual conflicts of interest may arise between the Fund, on the one hand, and the General Partner, SIA and/or their respective affiliates, on the other. Prospective investors should carefully consider the following risks and conflicts of interest, among others, in making their investment decision and should consult their own legal, tax and financial advisers as to the following risks and conflicts of interest related to an investment in the Fund.*

### **POTENTIAL FUND RISKS**

**Lack of Operating History.** Although SIA's management and investment professionals have worked together for many years, the Fund is a newly-formed entity and has no prior operating history. There can be no assurance that the Fund will achieve its investment objectives or avoid substantial losses.

**No Guarantee of Returns; Possible Loss of Capital.** There can be no assurance that Limited Partners will receive a return on their contributed capital or that such return will be commensurate with the risks associated with the types of investments and strategy being pursued by the Fund. It is possible that, over the term of the Fund, aggregate distributions to the Limited Partners may be less than their contributed capital.

**No Control by Limited Partners.** Although the Limited Partners have certain voting, consent and remedial rights under the Partnership Agreement, they will have no control over the day-to-day operations of the Fund, including its selection and management of investments. Limited Partners will be relying entirely on the General Partner and SIA to conduct and manage, respectively, the affairs of the Fund.

**Dependence on Key SIA Professionals.** Successful execution of the Fund's investment strategy is likely to depend on the efforts of certain of SIA's investment professionals. There can be no assurance that such investment professionals will be actively involved in the affairs of the Fund throughout its term. If one or more of these investment professionals became incapacitated or were no longer associated with SIA for any reason, the Fund's performance could be adversely affected.

**Dependence on the Sabal Debt Platform.** The substantial majority of the Fund's investment strategy is dependent on the ability of the Sabal Debt Platform to source quality investment opportunities. Consequently, if the Sabal Debt Platform is unable to source such investment opportunities, the Fund may not be able to achieve its investment objective without seeking other sourcing strategies.

**Dependence on third parties unaffiliated with the Sabal Debt Platform.** The Fund's investment strategy is dependent on the ability of SIA and the General Partner to purchase B-Piece Certificates backed by CRE assets which may include debt and debt security instruments from loans originated by third parties unaffiliated with the Sabal Debt Platform. Consequently, if SIA and the General Partner are unable to purchase such B-Piece Certificates, the Fund may not be able to achieve its investment objective.



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**Limitations on B-Piece Certificate Exit Strategies.** The Fund's B-Piece Certificate exit strategy depends on the ability to sell all B-Piece Certificates on the open market before the Fund term expires. The B-Piece Certificates purchased by the Fund may be backed by 10 year fixed rate loans with declining schedule/yield maintenance prepayment penalties for repayment prior to the 10 years. Consequently, if the Fund cannot sell the B-Piece Certificates in the open market before the end of the term of the Fund, the Fund may not be able to achieve its investment objectives because the Fund may need to sell B-Piece Certificates at an additional discount or the Fund may need to extend its term.

**Restrictions on Transfers; No Voluntary Withdrawal.** The Interests are not transferable except with the consent of the General Partner. The Interests will not be registered for public sale under the Securities Act, and the Fund is under no obligation to register the Interests (and has no present intention to effectuate any such registration). The Interests may not resold, transferred or otherwise disposed of by the Limited Partners in the absence of an effective registration statement, or the availability of an exemption from registration, under the Securities Act and the securities law of other relevant jurisdictions. Limited Partners may not withdraw capital from the Fund except under the very limited circumstances set forth in the Partnership Agreement. Distributions may or may not be made during the Commitment Period.

**Mandatory Withdrawal.** In certain limited circumstances, Limited Partners may be required to withdraw from the Fund, in whole or in part, if it is determined that the continued participation of such Limited Partner in the Fund could materially adversely affect the Fund. A mandatory withdrawal may have adverse effects on the Fund, the withdrawing Limited Partner or the other Limited Partners.

**Consequences of Capital Call Defaults.** If a Limited Partner fails to pay installments of its Commitment to the Fund when due, then, subject to the terms of the Partnership Agreement, the General Partner may require non-defaulting Limited Partners to make additional capital contributions to the Fund on a pro rata basis to cover the defaulted contribution. If contributions made by non-defaulting Limited Partners (and/or borrowings by the Fund) are inadequate to cover the defaulted contribution, the Fund may be unable to pay its obligations when due. As a result, the Fund may be subjected to significant penalties that could adversely affect the returns to the Limited Partners (including non-defaulting Limited Partners). The General Partner may exercise certain remedies against a defaulting Limited Partner as provided in the Partnership Agreement, including forfeiture of a portion of the defaulting Limited Partner's Interest.

**Dilution from Subsequent Closings.** Limited Partners admitted at closings after the Initial Closing will participate in all investments owned by the Fund, thereby diluting the interest of existing Limited Partners therein. In general, such additional Limited Partners will be required to contribute to the Fund their pro rata share of previously made capital contributions plus interest thereon at a rate of 8% per annum, which amounts will be refunded to existing Limited Partners in proportion to their previously contributed capital. There can be no assurance that contributions made by additional Limited Partners upon their admission will equal the fair value of the portion of the Fund's existing investments being acquired by them or that such contributions will otherwise adequately compensate existing Limited Partners for advancing the cost of such investments.

**Liability of the Fund and the Limited Partners.** Limited Partners are not personally liable for any obligations of the Fund and, except as provided under applicable law and in the Partnership



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Agreement, have no obligation to make contributions to the Fund in excess of their respective Commitments at any time (including following the commencement of the winding up, liquidation and dissolution of the Fund); however, the General Partner may require a Limited Partner or former Limited Partner to return distributions for purposes of satisfying such Limited Partner's or former Limited Partner's pro rata share of the indemnification obligations or other obligations of the Fund, subject to the terms of the Partnership Agreement. A Limited Partner's Commitment is susceptible to risk of loss as a result of any liability of the Fund irrespective of whether such liability is attributable to an investment to which such Limited Partner contributed any capital. If the Fund is otherwise unable to meet its obligations, the Limited Partners may, under applicable law and the Partnership Agreement, be obligated to return to the Fund or to creditors whose interests have been injured by distributions previously made to the Limited Partners pursuant to any rules regarding fraudulent conveyances. In addition, a Limited Partner may be liable under applicable bankruptcy law to return a distribution made during the Fund's insolvency. (See also Section VIII entitled "Certain Legal and Regulatory Matters".

**Limitations on Actions and Indemnification.** The Partnership Agreement will limit the circumstances under which the General Partner, SIA and their respective employees and affiliates can be held liable to the Fund. As a result, Limited Partners may have a more limited right of action in certain cases than they would in absence of such limitation. In addition, the Fund will be required to indemnify certain indemnified parties (including the General Partner, SIA and their respective employees and affiliates) for liabilities incurred in connection with the affairs, operations or investments of the Fund. Such liabilities may be material and could have an adverse effect on the returns to Limited Partners.

**In-Kind Distributions.** The Fund expects to distribute cash to Limited Partners. However, in certain instances as described in the Partnership Agreement, the Fund can distribute assets in kind in the form of marketable securities prior to the commencement of the winding up and dissolution of the Fund and non-marketable securities and other assets of the Fund upon the commencement of the winding up and dissolution of the Fund. Most of the instruments in which the Fund invests may not be readily susceptible to independent valuation and may be subject to market value price volatility.

**Side Letters.** The General Partner, on behalf of the Fund, may from time to time enter into letter agreements or other similar agreements (collectively, "Side Letters") with one or more Limited Partners (without the approval of each other Limited Partner) that provide such Limited Partners with additional or different rights (including, without limitation, supplemental reporting and information rights and special economic rights or lower fees) than are generally available to the Limited Partners under the Partnership Agreement. As a result of such Side Letters, certain Limited Partners may receive additional benefits (including expanded informational rights or common fees) that other Limited Partners will not receive. If the General Partner enters into a Side Letter entitling a Limited Partner to withdraw from the Fund under certain circumstances (for example, as a result of a violation of any pay-to-play or similar law, regulation or policy applicable to such Limited Partner), any actual withdrawal by such Limited Partner may increase any other Limited Partner's pro rata interest in all future investments, which may have an adverse effect on such Limited Partner's returns. Absent any agreement to the contrary, the General Partner, on behalf of the Fund, will not be required to notify any or all of the other Limited Partners of any such Side Letters or any of the rights or terms or provisions thereof, nor will the General Partner be required to offer such additional or different rights or terms to any or all of the other Limited Partners. The General Partner, on behalf of the Fund, may enter into such Side Letters with any party as the General Partner may

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determine in its sole discretion at any time. The other Limited Partners will have no recourse against the Fund, the General Partner, SIA or any of their respective affiliates in the event that certain Limited Partners receive additional or different rights or terms as a result of such Side Letters.

### **POTENTIAL LEGAL, TAX AND REGULATORY RISKS**

**Securities Law and Investment Company Act Risks.** The Interests are being offered in a private offering exempt from registration under the Securities Act. Should the Interests be offered outside of the private offering exemption under the Securities Act, the Fund could experience adverse consequences. In addition, the Fund is not registered and does not intend to register as an investment company under the Investment Company Act. If the Fund were to become subject to the Investment Company Act because of a change of law or otherwise, the various restrictions imposed by the Investment Company Act and the substantial costs and burdens of compliance therewith could adversely affect the operating results and financial performance of the Fund. Moreover, parties to a contract with an entity that has improperly failed to register as an investment company under the Investment Company Act may be entitled to cancel or otherwise void their contracts with the unregistered entity. (See also “Certain Legal and Regulatory Matters.”)

**Legal, Tax and Regulatory Changes.** Legal, tax and regulatory changes could occur during the term of the Fund that may adversely affect the Fund, the General Partner, SIA or the Limited Partners. Securities and futures markets are subject to comprehensive statutes, regulations and margin requirements enforced by the SEC, other regulators and self-regulatory organizations and exchanges authorized to take extraordinary actions in the event of market emergencies. The regulatory environment for private funds and fund managers is evolving, and changes in the regulation of private funds, fund managers and their trading activities may adversely affect the ability of the Fund to pursue its strategy, its ability to obtain financing and the ultimate realization value of investments held by the Fund.

The global financial markets, have in the past few years, gone through pervasive and fundamental disruptions that have led to extensive and unprecedented governmental intervention. Such intervention has in certain cases been implemented on an “emergency” basis, suddenly and substantially eliminating market participants’ ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition — as one would expect given the complexities of the financial markets and the limited time frame within which governments have felt compelled to take action — these interventions have typically been unclear in scope and application, resulting in confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies.

The Fund may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted. The financing available to the Fund from its banks, dealers and other counterparties is typically reduced in disrupted markets. Such a reduction may result in substantial losses to the Fund.

In response to the financial crisis of 2008-2009, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Reform Act”) was enacted in July 2010. The Reform Act established a comprehensive framework for the regulation of markets, market participants and financial instruments that were previously unregulated and substantially alters the regulation of many other markets, market participants and financial instruments. Because many provisions of the Reform Act

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require rulemaking by applicable regulators before becoming fully effective and mandates multiple agency reports and studies (which could result in additional legislative or regulatory action), it is difficult to predict the ultimate impact of the Reform Act on the Fund, the General Partner, SIA, and the markets in which they trade and invest. The Reform Act could result in certain investment strategies in which the Fund engages or may have otherwise engaged becoming non-viable or non-economical to implement. The Reform Act and regulations adopted pursuant to the Reform Act could have a material adverse impact on the profit potential of the Fund.

The “Volcker Rule” component of the Reform Act materially restricts proprietary speculative trading by banks, “bank holding companies” and other regulated entities. As a result, there has been a significant influx of new portfolio managers into private investment funds who had previously traded institutional proprietary accounts. Such influx can only increase the competition for the Fund from other talented portfolio managers trading in the Fund’s investment sector.

Investors should understand that the business of the Fund, the General Partner and SIA is dynamic and is expected to change over time. Therefore, the Fund, the General Partner, SIA and their respective affiliates may be subject to new or additional regulatory constraints in the future. It is impossible to predict what, if any, changes in regulations may occur, but any regulations which restrict the ability of the Fund, the General Partner or SIA to employ, or use brokers and other counterparties to extend, credit for the Fund’s investments (as well as other regulatory changes that result) could have a material adverse impact on the Fund’s portfolio. The Fund may be subject to additional regulations if the General Partner, in its sole discretion, believes that different investment or business activity is in the Fund’s interest. In addition, SIA or an SIA affiliate may, in their sole discretion, become subject to additional regulations if SIA or any such SIA affiliate believes that submitting to such regulation is necessary or advisable in connection with its management of the Fund and/or other funds managed by SIA. Such additional regulations may have an adverse impact on the General Partner’s ability to execute the Fund’s investment strategy. Furthermore, as new or additional laws or regulations are issued, the General Partner and SIA will evaluate their potential impact on the Fund and may, in their sole discretion, in response to such laws or regulations, cause the Fund to continue, modify or withdraw from certain existing investments, investment strategies or business activities.

**Litigation and Regulatory Investigations.** It is possible that the Fund, the General Partner, SIA and/or their respective affiliates may be named as defendants in civil proceedings in connection with the Fund’s investment activities or operations. Litigation or threats of litigation consume time and resources and jeopardize the successful closing of transactions. Moreover, the outcome of such proceedings may materially adversely affect the value of investment positions, may be impossible to predict and may continue unresolved for long periods of time. The expense of prosecuting claims, for which there is no guarantee of success, and/or the expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would, subject to the terms of the Partnership Agreement, generally be borne by the Fund and would reduce net assets.

**Pay-to-Play, Lobbying Laws and the U.S. Foreign Corrupt Practices Act.** A number of states and municipal pension plans have adopted so-called “pay-to-play” laws, regulations or policies which prohibit, restrict or require disclosure of payments to (and/or certain contacts with) state officials by individuals and entities seeking to do business with state entities, including those seeking subscriptions by public retirement funds. In addition, certain jurisdictions have lobbying laws that limit the use of placement agents and internal marketing staff in connection with placements to

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governmental entities. The SEC has also adopted a rule that, among other things, prohibits an investment adviser from providing advisory services for compensation to a government client for two years after the adviser or certain of its executives or employees makes a contribution to certain elected officials or candidates. An agent working with a sovereign wealth fund may be considered a government official, making interactions with that person subject to the U.S. Foreign Corrupt Practices Act. If the General Partner or SIA (or any of their respective employees or affiliates or any service provider acting on their behalf) fails to comply with such laws, regulations or policies, such non-compliance could have an adverse effect on the General Partner and/or SIA. In addition, if the General Partner or SIA (or any of their respective employees or affiliates or any service provider acting on their behalf) violates any such law, regulation or policy applicable to a Limited Partner, such Limited Partner may have, among other remedies, the right to cease funding its capital contributions to the Fund or withdraw from the Fund (subject in each case to the terms of the Partnership Agreement), which could have an adverse impact on other Limited Partners and the General Partner's ability to execute the Fund's investment strategy.

### **POTENTIAL INVESTMENT-RELATED RISKS**

**Investment Selection.** The Fund's investments have not yet been identified. Accordingly, prospective investors will not have an opportunity to review the terms of the Fund's investments prior to investing in the Fund. Limited Partners will not have the opportunity to evaluate the relevant economic, financial and other information which will be utilized by SIA in selecting, structuring, monitoring and disposing of the investments. The likelihood that Limited Partners will realize any gain on their investment depends on the skill and expertise of the Fund's personnel.

**Failure to Meet Targeted Return.** The Fund will make investments based upon the SIA's projections of internal rates of return, which, in turn, will be based upon projections of future growth rates and interest rates of the Fund's investments and the applicable market, all of which are inherently uncertain. The actual performance of the Fund's investments will likely differ from SIA's projections and may differ materially.

**General Economic and Market Conditions.** The success of the Fund's activities will be affected by general economic and market conditions, including but not limited to, interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, disruptions in the global debt markets, changes in laws (including laws relating to taxation of the Fund's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may adversely affect the Fund's ability to source attractive investment opportunities, the pricing of such investment opportunities, the value of investments held by the Fund and the Fund's ability to exit or monetize its investments.

**Developments in Financial Markets and Government Intervention.** In the past several years, market uncertainty and adverse market conditions in U.S. and other markets have increased dramatically. The financial markets continue to be subject to pervasive and fundamental disruptions and instability, including in the wake of the ongoing crisis of confidence over the ability of certain European countries to service their sovereign debt and fears over the future of the Euro. Extensive governmental and regulatory intervention is likely to continue.

**Concentration of Investments.** The Fund's portfolio of investments may be concentrated in a few relatively large investments and any single loss may have a significant adverse impact on the Fund's

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overall returns. In addition, the Fund's investments are not required to be diversified by industry, geographical region or type of security.

**General Real Estate Risks.** The value of real estate fluctuates depending on conditions in both the general US and local economy and the real estate business. The factors that affect the value of real estate investments include, among other things: national, regional and local economic conditions; the condition of financial markets; developments or trends in a particular industry; competition from other available space; local conditions such as an oversupply of space or a reduction in demand for real estate in the area; management of properties; the development and/or redevelopment of properties; changes in market rental and occupancy rates; the timing and costs associated with property improvements and rentals; changes in operating expenses; the financial condition of tenants; availability of obtaining financing on acceptable terms; fluctuations in interest rates; changes in zoning laws and taxation; government regulation; potential liability under environmental or other laws or regulations; and acts of God, terrorist attacks, social unrest and civil disturbances. The value of the Fund's investments in debt secured by real estate may decline as a result of adverse changes in any of these factors. In addition, adverse changes in the real estate market increase the probability of default, as the equity in the underlying property declines.

Investing in real estate-related instruments is subject to cyclicalities and other uncertainties. There can be no assurance as to the Fund's performance in a weaker market or weakened economy. The cyclicalities and leverage associated with real estate-related investments have historically resulted in periods, including significant periods, of adverse performance, including performance that may be materially more adverse than the performance associated with other investments.

**Operating Risks.** The performance and value of properties can be affected by many factors, including the following: local conditions, such as an oversupply of space or a reduction in demand in the area; the attractiveness of the properties to tenants; competition from other available space; the ability to provide adequate management services for the properties; increased operating costs, if these costs cannot be passed through to tenants; and the expense of periodically renovating, repairing and re-letting spaces. The market for commercial space has been and may continue to be adversely affected by weakness in the national, regional and local economies, the adverse financial condition of tenants, the excess amount of space in a number of markets and, in the case of retail properties, the ongoing consolidation in the retail sector and increasing consumer purchases through the Internet. Any of these applicable factors could adversely affect the ability of retail or industrial properties to generate revenues, and consequently service the Fund's debt investments therein or relating thereto.

**Renewals and Re-Leases.** Commercial properties derive most of their revenues directly or indirectly from rent received from tenants. Properties are subject to the risks that, upon expiration or termination of leases, whether by their terms, as a result of a tenant bankruptcy, general economic conditions or otherwise, leases may not be renewed, space may not be re-leased, or the terms of renewal or re-lease, including the cost of required renovations or concessions to tenants, may be less favorable than current lease terms and may include decreases in rental rates. As a result, the results of operations and net income of a property could be reduced, which could adversely impact the value of the Fund's debt investments secured by such property.

**Interest Rate Sensitivity.** Almost all of the Fund's activities are sensitive to changes in interest rates. The value of mortgage loans and mortgage-backed securities is affected by the level of market



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interest rates. Similarly, the yields on loans will depend to a significant extent on market interest rates.

**Material Geographic Concentrations.** Adverse market or economic conditions in a particular country, state or region where the Fund has significant investments may disproportionately increase the risk of higher vacancy rates and lower rental rates at properties, that tenants do not pay their rent and/or that borrowers in that country, state or region are unable to make their loan payments. In addition, the market value of the real estate securing loans could be adversely affected by adverse market and economic conditions in that country, state or region. Any sustained period of increased foreclosures, losses or payment delinquencies caused by adverse market or economic conditions or natural disasters in that country, state or region could adversely affect the value of the Fund's investments.

**General Risks of Debt Investments.** The underlying borrowers for the Fund's debt investments will be subject to the same general risks associated with leverage as described elsewhere in this section.

**Debt Securities.** The General Partner expects that most of its portfolio will consist of debt securities. Debt securities are subject to the risk of an issuer's ability to meet principal and interest payments on the obligation (credit risk), and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (market risk). With bonds and other fixed-income securities, a rise in interest rates typically causes a fall in values, while a fall in interest rates typically causes a rise in values. The risk of debt securities varies significantly depending upon factors such as the issuer and maturity.

**Creditor Risks.** Most of the Fund's investments are expected to be characterized as debt and as such those investments will generally be subject to various creditor risks, including: (i) the possible invalidation of an investment as a "fraudulent conveyance" under relevant creditors' rights laws; (ii) so-called lender liability claims by the issuer of the obligations; and (iii) environmental liabilities that may arise with respect to collateral securing the obligations. Additionally, adverse credit events with respect to any borrower to which the Fund (directly or indirectly) lends, such as a missed or delayed payment of interest and/or principal, bankruptcy, receivership or a distressed exchange, can significantly diminish the value of the Fund's loan to such borrower.

**Investment in CMBS and REMICs.** The Fund's Portfolio Investments will include mortgage-backed securities, which represent interests in (or that are secured by) mortgage loans, including investments in real estate investment mortgage conduits ("REMICs"). Investing in CMBS and REMICs involves the general risks typically associated with investing in traditional fixed-income securities (including interest rate and credit risk), as well as additional risks particular to the mortgages underlying such CMBS and REMICs. CMBS and REMICs generally provide for the payment of interest and principal on a monthly basis, and there also exists the possibility that principal may be prepaid at any time due to, among other reasons, prepayments on the underlying mortgage loans or other assets. The rate of prepayments on underlying mortgages affects the price and volatility of CMBS or REMICs, and may have the effect of shortening or extending the effective maturity beyond what was anticipated. Further, different types of CMBS are subject to varying degrees of prepayment risk. Finally, the risks of investing in such instruments reflect the risks of investing in real estate securing the underlying loans, including the effect of local and other economic conditions, the ability of tenants to make payments, and the ability to attract and retain tenants.

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**Subordinated Tranches of REMICs and other CMBS Issuances.** The Fund expects to hold the most junior securities in REMICs and other tranches of CMBS issuances. Under the subordination provisions, all principal received with regard to the assets underlying the REMIC or other CMBS must be paid to holders of more senior tranches until the senior tranches are fully paid. Only after the more senior tranches are fully paid will the Fund receive distributions with regard to the principal of the junior tranches the Fund holds. Debt that is subordinated to other debt, whether by contract or structurally, bears the first risk of loss if the assets on which the lenders are relying do not perform well. Because of that, the yields on subordinated debt are substantially higher than the yields on senior debt or debt that is secured by first liens on assets.

**Risks of Investments in Debt Investments Secured by Real Estate.** The Fund intends to invest in debt investments secured by real estate and may, as a result of default, foreclosure or otherwise, hold real estate assets. Special risks associated with such investments include change in the general economic climate or local conditions (such as an oversupply of space or a reduction in demand for space), competition based on rental rates, attractiveness and location of the properties, changes in the financial condition of tenants and changes in operating costs. Real estate values are also affected by such factors as governmental regulations (including those governing usage, improvements, zoning and taxes), interest rate levels, the availability of financing and potential liability under changing environmental and other laws. Of particular concern may be those mortgaged properties which are, or have been the site of manufacturing, industrial or disposal activities. Such environmental risks may give rise to a diminution in the value of property (including real property securing any portfolio investment) or liability for cleanup costs or other remedial actions, which liability could exceed the value of such property or the principal balance of the related portfolio investment. In certain circumstances, a lender may choose not to foreclose on contaminated property rather than risk incurring liability for remedial actions

**Risk of Delinquency, Foreclosure and Bankruptcy.** Commercial mortgage loans that the Fund may indirectly own are secured (directly or indirectly) by multifamily or commercial property and are subject to risks of delinquency and foreclosure. The ability of a borrower to repay a loan secured by an income-producing property typically is dependent primarily upon the successful operation of such property, which is subject to the risks related to the ownership of real estate, as described above. In the event of any default under a real estate loan indirectly held by the Fund or its affiliate, the Fund will bear a risk of loss of to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the real estate loan, which could have a material adverse effect on the Fund's cash flow from operations and limit amounts available for distribution to the Fund's investors.

It is likely that the servicers may find it necessary or desirable to foreclose on some, if not many, of the real estate loans the Fund may indirectly hold. The foreclosure process is often lengthy and expensive. Borrowers may resist mortgage foreclosure actions by asserting numerous claims, counterclaims and defenses against the servicer or direct holders of the loan, including, without limitation, numerous lender liability claims and defenses, even when such assertions have no basis in fact, in an effort to prolong the foreclosure action and force the lender into a modification of the loan or a favorable buy-out of the borrower's position. In some states, foreclosure actions can sometimes take several years or more to litigate. At any time prior to or during the foreclosure proceedings, the borrower may file for bankruptcy, which would have the effect of staying the foreclosure actions and further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the mortgaged property and may result in disrupting the ongoing

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leasing, management and operation of the property. The expense and delay associated with foreclosure of a mortgage loan could have a substantial negative effect on the Fund's anticipated return on the foreclosed mortgage loan.

In the event of the bankruptcy of a real estate loan borrower, the real estate loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the real estate loan will be subject to the avoidance powers of the bankruptcy trustee or debtor in possession to the extent the lien is unenforceable under state law. The bankruptcy process can involve substantial legal, professional and administrative costs, be subject to unpredictable and lengthy delays and negatively impact the underlying property and consequently, on the Fund's return. The debt of entities in bankruptcy will, in most cases, not pay current interest and may not accrue interest during bankruptcy, and their assets may suffer an erosion of value. Such investments can result in a total loss of principal. During the bankruptcy process, the creditors may not take adverse actions towards the bankrupt entity or any of its assets without court approval.

**Compliance with Regulations.** The properties that the Fund indirectly invests may be subject to various covenants and federal, state and local laws and regulatory requirements, including permitting and licensing requirements. Local regulations, including municipal or local ordinances and zoning restrictions, may restrict the use of properties and may require the Fund to obtain approval from local officials, including prior to acquiring a property or when undertaking renovations of a property. There can be no assurance that existing laws and regulatory policies will not adversely affect the returns on the Fund's investments or the timing or cost of any future acquisitions or renovations, or that additional regulations will not be adopted that increase such delays or result in additional costs.

**State Laws Regarding Mortgages.** Mortgage loans in which the Fund indirectly expects to invest in through the securitization pools typically permit the lender to accelerate the debt upon default by the borrower. The courts of all states will enforce acceleration clauses in the event of a material payment default, subject in some cases to a right of the court to revoke the acceleration and reinstate the mortgage loan if a payment default is cured. The equity courts of a state; however, may refuse to allow the foreclosure of a mortgage or to permit the acceleration of the indebtedness in instances in which they decide that the exercise of those remedies would be inequitable or unjust or that the circumstances would render an acceleration unconscionable.

Further, the ability to collect upon mortgage loans may be limited by the application of state and federal laws. For example, Nevada has enacted a law providing that if an assignee of a note secured by real property paid less than the face amount of the note, the creditor cannot recover more in a deficiency action than the amount it paid for the note. If the Nevada law is upheld or if similar laws are enacted in other jurisdictions that could materially and adversely affect the Fund's performance.

**Environmental Liabilities.** Under various U.S. federal, state and local environmental laws, ordinances and regulations, a current or previous owner of real estate (including, in certain circumstances, a secured lender that succeeds to ownership or control of a property) may become liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, under or in its property. Those laws typically impose cleanup responsibility and liability without regard to whether the owner or control party knew of or was responsible for the release or presence of such hazardous or toxic substances. The costs of investigation, remediation or removal of those substances may be substantial. The owner or control party of a site may be subject to common law



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claims by third parties based on damages and costs resulting from environmental contamination emanating from a site. Certain environmental laws also impose liability in connection with the handling of or exposure to asbestos-containing materials, pursuant to which third parties may seek recovery from owners of real properties for personal injuries associated with asbestos-containing materials. Absent succeeding to ownership or control of real property, a secured lender is not likely to be subject to any of these forms of environmental liability. If the Fund becomes subject to significant environmental liabilities, the value of the Fund could be materially and adversely affected

**Availability of Insurance.** There are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes, terrorism or acts of war, that may be uninsurable or not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations and other factors, including terrorism or acts of war, also might make the insurance proceeds insufficient to repair or replace a property if it is damaged or destroyed. Under these circumstances, the insurance proceeds received might not be adequate to restore the Fund's economic position with respect to the affected property. Any uninsured loss could result in the loss of cash flow from, and the asset value of, the affected property. Adverse market or economic conditions in a particular country, state or region where the Fund has significant investments may disproportionately increase the risk of higher vacancy rates and lower rental rates at properties, that tenants do not pay their rent and/or that borrowers in that country, state or region are unable to make their loan payments. In addition, the market value of the real estate securing the investment could be adversely affected by adverse market and economic conditions in that country, state or region. Any sustained period of increased foreclosures, losses or payment delinquencies caused by adverse market or economic conditions or natural disasters in that country, state or region could adversely affect the value of the Fund's investments.

**Underlying Collateral Vulnerable to Natural Disasters; Adequacy and Availability of Insurance Coverage.** The debt investments in which the Fund may invest will be secured by commercial property and related assets and will be subject to risks relating to natural disasters and catastrophes including, but not limited to, earthquakes, tornadoes, hurricanes, tsunamis, severe storms, floods or other casualty event risks. While the servicer who services these loans will generally require that the borrower have adequate insurance coverage to fully repair and/or replace the collateral securing the investments, there can be no assurance that such insurance coverage will provide the borrower and/or the lender with sufficient insurance proceeds to fully repair and/or replace the collateral. Moreover, the insurance carrier(s) providing the insurance could contest payment in the event of a casualty event (even if that casualty event is covered under the relevant insurance policy), and resolving any such dispute may result in delays in recovering insurance proceeds and losses to the Fund.

Also, the absence of affordable insurance coverage may adversely affect the general real estate lending market, lending volume and the market's overall liquidity and may reduce the number of suitable investment opportunities available to the Fund and the pace at which the Fund is able to make investments. If the properties underlying the Fund's investments are unable to obtain affordable insurance coverage, particularly if there are any disputes with the insurer(s) and/or the underlying collateral is subject to self-insured retention coverage, the value of those investments could decline, and in the event of an uninsured or inadequately insured loss, the Fund could lose all or a portion of its investment.

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**Projections.** The Fund may rely upon projections developed by the General Partner or SIA concerning a portfolio investment's future performance and cash flow. Projections are inherently subject to uncertainty and factors beyond the control of the General Partner, SIA and the portfolio investment. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of other unforeseen events could impair the ability of a portfolio company to realize projected values and cash flow.

**Investment Due Diligence and Investment Research.** When conducting due diligence and investment research, the General Partner may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence and investment research process to varying degrees depending on the type of investment. When conducting due diligence and investment research and making an assessment regarding an investment, the General Partner may rely on information provided by such persons, or by the management or shareholders of the target of the investment or their advisors. The due diligence investigation and investment research that the General Partner carries out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity, may lead to inaccurate or incomplete conclusions, or may be manipulated by fraud. Moreover, such an investigation will not necessarily result in the investment being successful.

### **Tax Risks**

The Fund's income and gain for each taxable year will be allocated to, and includible in, a Limited Partner's taxable income whether or not cash or other property is actually distributed. The amount and timing of distributions to Limited Partners is uncertain. Accordingly, each Limited Partner should have alternative sources from which to pay its United States federal income tax liability, as such tax liability may exceed distributions to such Limited Partner for a taxable year.

The Fund may take positions with respect to certain tax issues which depend on legal conclusions not yet addressed by the courts. Should any such positions be successfully challenged by the Internal Revenue Service ("IRS"), a Limited Partner might be found to have a different tax liability for that year than that reported on his, her or its United States federal income tax return.

An IRS audit of the Fund's United States federal income tax information return could result in adjustments to the tax consequences initially reported by the Fund and could result in an examination of items on a Limited Partner's return that are not related to the Limited Partner's investment in the Fund. If audit-related adjustments result in an increase in a Limited Partner's United States federal income tax liability for any year, that Limited Partner may also be liable for interest and penalties with respect to the amount of underpayment.

The procedures for IRS audits of partnerships (such as the Fund) for tax years beginning after 2017 will change in ways that are difficult to predict. Under the new "default" procedures, if an IRS audit results in adjustments to the tax items reflected on a partnership's information return, the IRS will determine "imputed" underpayments of taxes at the partnership level, rather than at the individual partner level, generally using the highest marginal income tax rate applicable to either an individual or a corporation (regardless of the tax status of the partners) and without taking into account partner-level factors. Partnerships themselves, rather than their partners, must pay those imputed underpayments, together with interest and any penalties. This "default" approach could cause

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persons who are partners at the time a partnership pays assessed amounts to bear the economic impact of those amounts to a greater extent than they would if underpayments were determined at the partner level and were assessed against persons who were partners in the taxable year to which the audit relates (which could be several years earlier). In addition, each Limited Partner's allocable share of any such underpayment amount will be treated as distributed by the Fund to that Limited Partner for all purposes of the Partnership Agreement, including the computation of the Carried Interest. The legislation contemplates allowing partnerships to elect an alternative approach under which each person who was a partner in the audited taxable year must take that person's share of any adjustment into account on his, her or its tax return for the taxable year in which the adjustment is made (and not by amending the person's tax return for the taxable year to which the adjustment relates) and must pay any resulting imputed underpayment amounts (plus interest and any penalties) himself, herself or itself. However, a partnership may only elect that alternative pursuant to procedures the Secretary of the Treasury prescribes. While the Fund currently expects it likely would make such an election should it be audited and its tax items adjusted, at the date of this memorandum, the Secretary of the Treasury has not proposed any election procedures and it is not clear what effect those procedures, if adopted, will have on the manner in which the economic effects of audits will be borne by partners and former partners in an audited partnership.

The legal and accounting costs incurred in connection with any audit of the Fund's tax return will be borne by the Fund in the years in which the Fund incurs them. The cost of any audit of a Limited Partner's tax return will be borne solely by such Limited Partner.

The Fund would be required to withhold certain taxes from the Feeder Fund's share of any income or gain of the Fund that is considered to be effectively connected with a U.S. trade or business and, if the Fund failed to do so (e.g., because it took the position that its activities did not constitute conducting a U.S. trade or business, and the IRS successfully challenged that position), the Fund could be liable for withholding taxes, and interest and penalties. The Fund generally intends to conduct its affairs in a way that it believes will not constitute engaging in a U.S. trade or business for such purposes. The law is unclear, however, as to what activities constitute a U.S. lending or financing trade or business, and it is possible that the IRS could consider activities the Fund engages in, including the purchasing of B-Piece Certificates issued by securitizations of pools of loans originated, in whole or in part, by the Sabal Debt Platform, to constitute such a trade or business. If the Fund were determined to be liable for such taxes, interest or penalties, such liabilities could be material and could have an adverse effect on the returns to Limited Partners.

The tax accounting rules with respect to the timing and character of income and losses on investments in B-Piece Certificates may result in adverse tax consequences. For instance, Limited Partners will be required to include in income accrued interest, "original issue discount," and, potentially, "market discount" (each of which will be ordinary income), with respect to B-Piece Certificates held by the Fund, in accordance with the accrual method of accounting, regardless of a Limited Partner's usual method of accounting. Income will be required to be accrued and reported, without giving effect to delays or reductions in distributions attributable to defaults or delinquencies on the underlying loans, except to the extent it can be established that such losses are uncollectible. Accordingly, a Limited Partner may have income, or may incur a diminution in cash flow as a result of a default or delinquency, but may not be able to take a deduction for the corresponding loss until a subsequent tax year. Limited Partners are cautioned that while they generally may cease to accrue interest income if it reasonably appears that the interest will be uncollectible, the IRS may take the position that original issue discount must continue to be accrued in spite of its uncollectibility until the Fund's

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B-Piece Certificate is disposed of in a taxable transaction or becomes worthless. If an item of income is accrued and subsequently becomes uncollectible, the effect is a bad debt loss, rather than the elimination of the accrual of income. For taxpayers that are not corporations and do not hold their Interest in the Fund in connection with a trade or business, such bad debt loss will be treated as a short-term capital loss. Accordingly, Limited Partners may be subject to character mismatches where the Fund is required to accrue an amount of interest, original issue discount or market discount with respect to a capital asset which is subsequently sold at a loss or becomes wholly or partially worthless. Capital losses are subject to significant limitations on their deductibility pursuant to the Code.

The tax consequences described herein are subject to change by legislation, administrative action and judicial decision. Legislation has been proposed from time to time in Congress that, if enacted, could modify the tax treatment described herein of the Fund or the Limited Partners. In addition, the Fund may engage in some investments that have uncertain United States federal income tax consequences. If the IRS challenges any tax position that the Fund takes and such challenge is sustained, the Limited Partners may be liable for interest and penalties.

The Fund will provide Schedules K-1 as soon as practicable after receipt of all of the necessary information. Because the Fund may not be able to provide final Schedule K-1's until after April 15 of the following year, Limited Partners should be prepared to obtain extensions of the filing date for their income tax returns at the federal, state and local level.

The Fund will be required to disclose identifying information to the IRS regarding each of its Partners, including each Partner's name, address, and taxpayer identification number.

**Tax-Exempt Organizations.** Although a tax-exempt organization is generally exempt from United States federal income tax on its investment income (such as dividends, interest and capital gains), this general exemption from tax does not apply to the UBTI of a tax-exempt organization. The Fund may generate UBTI for tax-exempt investors depending upon the level and nature of leverage the Fund undertakes, the Fund activities and certain other factors. A prospective Limited Partner that is a tax-exempt organization should consult its own tax advisers with respect to an investment in the Fund.

**Alternative Investment Vehicle.** In the event that the General Partner determines that it is necessary or appropriate for the Fund to hold an investment through an Alternative Investment Vehicle, if such Alternative Investment Vehicle is taxable as a corporation for U.S. federal income tax purposes, the economic return to the Partners from such investment would be reduced by the amount of any corporate income and other taxes owed by such corporation from such investment, and/or by the amount of any withholding taxes owed with respect to a sale of, or distribution from, such corporation.

**State Tax Filings and Withholding.** The Fund, or any entity in which the Fund invests that is treated as a partnership or a disregarded entity for tax purposes, may be doing business in various states that may require each Limited Partner of the Fund, or such subsidiary entity, to file an income tax return. Where a state income tax return is required, each Limited Partner of the Fund may be required to file an income tax return in such state with respect to the Limited Partner's allocable share of the Fund's income attributable to such state. Because the Fund may do business in various states, or may invest in entities treated as partnerships or disregarded entities for tax purposes that

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do business in various states, it is possible that a particular Limited Partner will be subject to nonresident tax withholding and/or will be required to file income tax returns in a number of states and may be required to submit notices of non-residency to the Fund as a result of such Limited Partner's investment in the Fund.

**Accounting for Uncertainty in Income Taxes.** Accounting Standards Codification Topic No. 740, "Income Taxes" (in part formerly known as "FIN 48") ("ASC 740"), provides guidance on the recognition of uncertain tax positions. ASC 740 prescribes the minimum recognition threshold that a tax position is required to meet before being recognized in an entity's financial statements. It also provides guidance on recognition, measurement, classification and interest and penalties with respect to tax positions. A prospective investor should be aware that, among other things, ASC 740 could have a material adverse effect on the periodic calculations of the fair market value of the Fund, including reducing the fair market value of the Fund to reflect reserves for income taxes, such as state income taxes, that may be payable by the Fund.

The investments by the Fund may involve various tax risks for the Fund and the Limited Partners in general or for certain Limited Partners in particular. Certain of these risks are discussed in Section IX, "Certain Tax Considerations". Each prospective investor should consult with and must rely upon his, her or its own tax advisor regarding the tax consequences and liabilities related to an investment in the Fund.

### POTENTIAL CONFLICTS OF INTEREST

*Investors should be aware that, over the term of the Fund, potential and actual conflicts of interest may arise between the Fund, on the one hand, and the General Partner, SIA and/or their respective affiliates, on the other. By acquiring an Interest in the Fund, each Limited Partner will be deemed to have acknowledged the existence of any such actual or potential conflicts of interest and to have waived any claim with respect to any liability arising from the existence of any such conflict of interest. The following discussion describes certain potential conflicts of interest that should be carefully evaluated before making an investment in the Fund.*

**Carried Interest.** The existence of a 20% carried interest may create an incentive for the General Partner to make more speculative investments on behalf of the Fund than it would otherwise make in the absence of such performance-based compensation. The size of the General Partner Commitment, the "total return" nature of the Fund's distribution waterfall and the General Partner's clawback obligation should tend to reduce this incentive.

**Management Fees.** Management Fees will be paid to SIA throughout the Fund's term based on the amount of the Fund's invested capital. As a result of this fee structure, the General Partner may have an incentive to invest the Fund's capital sooner than it otherwise might have in the absence of such fee structure or to hold on to investments for a longer period of time than it otherwise might have in the absence of such fee structure.

**Other SIA Fees.** Affiliates of the General Partner and the SIA Affiliates may receive asset management fees, servicing and other fees in connection with services provided by such affiliates with respect to the Sabal Debt Platform Opportunities. Such services will be provided in the ordinary course of business and on terms deemed to be on an arm's length basis and no less favorable than could be obtained from an unaffiliated third party. Because such affiliates and/or one or more of their beneficial owners may own direct or indirect interests in the Fund, the General Partner, and/or



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SIA, there is an inherent conflict of interest that may arise in certain circumstances. Such affiliates may be paid and shall be entitled to retain all compensation received by them on such terms and there shall be no reduction of the Management Fees as a consequence thereof.

**Dedication of Sabal Personnel Time to the Fund.** Subject to the terms of the Partnership Agreement, the investment professionals and other employees of SIA and the SIA Affiliates (including the Founding Partners) will be permitted to spend a portion of their business time on activities other than the Fund and Fund portfolio investments, including, without limitation, the activities related to the management of other funds managed by SIA (the “Other SIA Funds”). As a result, such persons may spend less time on Fund activities than may be required under certain circumstances.

**Diverse Limited Partner Group.** The Fund’s Limited Partners are expected to be diverse and may include U.S. taxable investors and tax exempt investors, U.S. governmental plan investors, benefit plan investors and other regulated investors. The Fund’s Limited Partners may include both natural persons and entities. Given the possible diverse nature of the Fund’s Limited Partners, it is possible, even likely, that the Limited Partners will have conflicting tax, regulatory and other objectives in respect of the Fund’s investment program. These conflicting interests may relate to or arise from, among other things, the nature of investments selected by the Fund, the structure of such investments and the Fund’s exit from such investments. As a result, certain investments and investment structures selected by the General Partner on behalf of the Fund may be more advantageous to certain Limited Partners than others. In selecting and structuring investments for the Fund, the General Partner will be guided principally by the overall investment objectives of the Fund and interest of the Partners as a whole and it will not be obligated to consider the tax, regulatory or other objectives of any particular Limited Partner (or group of Limited Partners).

**Board of Advisors.** A Board of Advisors will be established comprising representatives of certain Limited Partners selected by the General Partner. The General Partner may (but is not required to) consult the Board of Advisors, as appropriate, with respect to certain material issues involving actual or potential conflicts of interest between the interests of the Fund, on the one hand, and the General Partner, SIA and/or their respective affiliates, on the other, to the extent required by the Partnership Agreement. The General Partner will not consult with the Board of Advisors if it has been advised by counsel that disclosure of such conflicts or potential conflicts is, or is reasonably likely to be, prohibited for regulatory or legal reasons, in which case, where the conflict cannot be satisfactorily resolved, the applicable transaction may not be consummated. The Board of Advisors will consist of members representing specific Limited Partners and will not owe any duties to other Limited Partners, whether individually or as a group.

**Transactions with Affiliates.** The Fund may participate in transactions in which the General Partner, SIA and/or their respective officers, employees, partners or affiliates are, directly or indirectly, interested. In connection with such transactions, the Fund, on the one hand, and the General Partner, SIA and/or their respective officers, employees, partners or affiliates, on the other, may have conflicting interests. The General Partner may seek Board of Advisors review and approval of such transactions, but it is not required to do so.

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### **Investments Involving Other SIA Funds**

**Allocation of Investments.** Certain investment opportunities available to the Fund may also be appropriate for investment by one or more Other SIA Funds, as determined by SIA, in its sole discretion. In such event, such investment opportunity will be allocated between (or among) the Fund, on the one hand, and any Other SIA Funds, on the other, based on their relative available investable capital (as determined by SIA, in its sole discretion) or on such other equitable basis as determined by SIA, in its sole discretion.

**Existing Relationships.** The General Partner, SIA and/or their respective affiliates (including their employees) have long-term relationships with a significant number of companies and their respective senior management. The General Partner, SIA and/or their respective affiliates (including their employees) also have relationships with numerous investors, including institutional investors and their senior management. The existence and development of these relationships may influence whether or not the General Partner undertakes a particular investment on behalf of the Fund and, if so, the form and level of such investment. Similarly, the General Partner may take the existence and development of such relationships into consideration in its management of the Fund and its investments. Without limiting the generality of the foregoing, there may, for example, be certain strategies involving the management or realization of particular investments that the General Partner will not employ on behalf of the Fund in light of these relationships.

**THE ABOVE IS NOT NECESSARILY A COMPREHENSIVE LIST OF ALL POTENTIAL CONFLICTS OF INTEREST. NEITHER THE GENERAL PARTNER, THE MANAGER NOR THEIR RESPECTIVE PARTNERS, DIRECTORS, OFFICERS, EMPLOYEES OR AFFILIATES IS OBLIGATED TO RESOLVE ANY CONFLICTS IN FAVOR OF THE FUND.**

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### **Item 9 Disciplinary Information**

Form ADV, Part 2 requires investment advisers such as SIA to disclose any disciplinary events involving SIA, its partners, officers, or principals that are material to an investor's evaluation of SIA's advisory business or the integrity of the firm's management. SIA has no information to report that is applicable to this item.



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### **Item 10 Other Financial Industry Activities and Affiliations**

SIA's primary business is providing investment advisory services to Clients by leveraging the Sabal Debt Platform's substantial experience and history working on behalf of investors to source and evaluate investment opportunities originating both within and outside of the Sabal Debt Platform.

#### **The Sabal Debt Platform leverages the expertise of Sabal Capital Partners and Sabal Financial Group.**

Formed in 2009, Sabal Financial Group is a diversified financial services firm specializing in real estate investing, asset management and servicing. Sabal Capital Partners is a nationwide commercial real estate mortgage company and is an affiliate of Sabal Financial Group. Sabal Capital Partners focuses on providing agency lending solutions, permanent financing and bridge / mezzanine debt solutions for commercial real estate. Sabal Capital Partners serves as the origination platform for the Sabal Debt Platform with critical management, employees, systems and licenses needed for originating loans across the country. Sabal Financial Group provides the Sabal Debt Platform with a servicing staff and systems for all the loans originated by Sabal Capital Partners, together with institutional market knowledge and expertise. Sabal Financial Group has acquired assets with nearly \$8.2 billion in unpaid principal balance ("UPB") on behalf of its clients and investors. In April 2009, Sabal Financial Group partnered with Oaktree Capital Management (directly, indirectly and through one or more of its managed funds, "Oaktree") to leverage Sabal Financial Group's operational platform for underwriting, asset management and servicing of acquired performing loans, non-performing loans and REO assets with a world-class equity source. In July 2011, Oaktree acquired a non-controlling interest in Sabal Financial Group. Sabal Financial Group now operates a financial services platform providing scale for Oaktree funds' investments and other investors looking to participate in real estate lending activities. Sabal Financial Group does not manage any investment fund on Oaktree's behalf nor does it make any investment decision for Oaktree or any fund managed by Oaktree.

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

This Brochure should be read in its entirety for other conflicts. In addition, prospective investors should review the applicable Organizational Documents for additional potential conflicts of interest associated with and specific to an investment.

#### *Affiliated Transactions*

Section 206 under the Advisers Act regulates affiliated transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Such affiliated transactions may pose the potential for conflicts between the interests of SIA and those of its Clients. Affiliated transactions are only permissible under certain circumstances and may only be executed with the Client's prior consent.

Affiliated transactions may include several types of transactions between and among SIA, its affiliates, private funds and any other Client Accounts. Very generally, if SIA or an affiliate thereof proposes to purchase a security from, or sell a security to, a Client (what is commonly referred to as a "principal transaction"), SIA must make certain disclosures to the Client of the terms of the

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proposed transaction and obtain the Client's consent to the transaction. SIA acquires certain assets on behalf its Clients in principal transactions, including through principal transactions with SIA's primary loan originations affiliate, Sabal Capital Partners, and SIA's primary loan servicer affiliate, Sabal Financial Group. SIA's Clients will routinely engage in principal transactions with Sabal Capital Partners given that SIA's investment strategies include, but are not limited to, investing in whole loans and B-Price Certificates originated by Sabal Capital Partners.

"Cross" trades are trades whereby SIA specifically pre-arranges or provides instructions to have one Client purchase an investment from another. Cross trades can be useful when one SIA Client wants or needs to purchase certain investments that another Client wants or needs to sell (for example, as part of a periodic rebalancing process). Cross trades may create savings, for example, on brokerage commissions and market impact costs.

In connection with SIA's management of its Clients, SIA has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to affiliated transactions, including that disclosures required by Section 206 of the Advisers Act be made to the applicable Client(s) regarding any proposed affiliated transactions and that any required prior consent to such transaction(s) be received.

### *Resolution of Conflicts*

A Client's Organizational Documents typically govern conflicts of interest and resolution thereof and SIA has the duty to comply with the procedures described in such agreements with respect to potential conflict of interest situations. Such Organizational Documents may explicitly permit certain transactions that involve a conflict of interest, in which event SIA may (or cause the Client to) enter into such transactions. Additionally, certain Clients have a committee of representatives of investors that meet periodically to advise and consult with SIA concerning, among other things, issues involving potential conflicts of interest.

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

Investors should be aware that, over the term of the Fund, potential and actual conflicts of interest may arise between the Fund, on the one hand, and the General Partner, SIA and/or their respective affiliates, on the other. By acquiring an Interest in the Fund, each Limited Partner will be deemed to have acknowledged the existence of any such actual or potential conflicts of interest and to have waived any claim with respect to any liability arising from the existence of any such conflict of interest. For a description of certain material conflicts created by the relationship among SIA, its affiliates and the Fund, as well as how SIA seeks to address these conflicts, please refer to Items 5, 8 and 11 of this Brochure.

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

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

In addition, the Code requires that all Access Persons report Code violations and provides the potential for sanctions for such violations. Access Persons who violate the Code may be subject to remedial actions, including, but not limited to, profits discouragement, fines, censure, demotion, suspension or dismissal. Access Persons are required to promptly report any violation of the Code of which they become aware. Access Persons are also required to undergo training on the Code and certify compliance with the Code annually. A copy of the Code shall be provided to Client or prospective client upon its request.

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### **Item 12 Brokerage Practices**

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

SIA and its affiliates do not engage in any trade aggregation practices. SIA does not receive "soft dollars" in connection with any of its fund's investments. SIA does not use Client commission money to compensate or otherwise reward any brokers for client referrals.

The investment strategies pursued by SIA do not cause the firm to conduct extensive trading. Nevertheless, SIA may engage in certain activities related to the trading function that are governed by policies and procedures required or suggested by Rule 206(4)-7 (the SEC's general compliance rule). For example, SIA will be mindful of the following non-exhaustive list of trading issues:

- Best execution related sales transactions
- The mitigation or elimination of any conflicts of interest associated with trading processes
- Trade ticket/order memoranda must be created to document the intent of the Investment Company in executing securities transactions as required by Rule 204-2(a)(3) (the SEC's trade ticket rule)

### **Trade and Other Clerical Errors**

SIA may on occasion experience trade, administration, operations and other human errors when conducting investment and administration activities on behalf of the Client. SIA will endeavor to detect and correct the error as soon as practicable and to scrutinize carefully its policies and procedures with respect to the error with a view towards revising its procedures to prevent or reduce future errors, if necessary.

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### **Item 13 Review of Accounts**

SIA's Investment Committee and the Fund's General Partner are responsible for oversight of the Fund's investment and financing strategies. The Fund's investment portfolio is private, illiquid and long-term in nature, accordingly SIA's review of it is not directed towards a short-term decision to dispose of its holdings. However, SIA's investment professionals provide ongoing oversight and supervision of those individuals responsible for the asset management and ongoing operations of the investments. SIA's investment professionals periodically review the investments held by the Fund to ensure compliance with the applicable investment guidelines and restrictions. SIA's Investment Committee must approve any acquisitions and any dispositions of the Fund investments as specified in the Fund's Organizational Documents.

The Fund's Board of Advisors will meet from time to time upon request of the General Partner, but in any event, at least once a calendar year, to consult with the General Partner on various matters, including: (i) investment and financing strategies; (ii) variations from the Fund's investment guidelines; (iii) status of outstanding investments; (iv) transactions involving the General Partner or other conflict situations, including transactions subject to Section 206(3) of the Advisers Act; (v) asset valuations and valuation methodologies; (vi) co-investment opportunities; and (vii) financial statements and reporting format.

### **Reporting**

Subject to the Fund's Organizational Documents, investors in the Fund typically receive, among other things, a copy of the Fund's audited financial statements within 120 days after the Fund's fiscal year end. SIA and the Fund's General Partner will from time to time, in their sole discretion, provide additional information relating to the Fund to one or more investors in the Fund as they deem appropriate.

### **Separately Managed Accounts**

SIA's managing partners are responsible for reviewing the Client's strategic investment plan, overall financial situation and the performance of the Client's portfolio.

SIA reviews each Client's account when it is opened, and continuously monitors and periodically rebalances each Client's portfolio to seek to maintain a Client's targeted risk tolerance and optimal return for the Client's risk level. SIA also conducts reviews when material changes may have occurred to a Client's portfolio or investment objectives. SIA considers the tax implications and the volatility associated with each of its chosen asset classes when deciding when and how to rebalance the Client's portfolio.

On a semi-annual basis, SIA contacts each Client to remind them to review and update the profile information they previously provided. SIA also requests that Clients reconfirm the same information on an annual basis. These notifications and confirmations include a link to the Client's current information and contact information for the SIA support team. Currently the SIA team

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members whose tasks include supervising, arranging and responding to these notifications, confirmations and reviews are: the Chief Compliance Officer with help from various personnel.

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### **Item 14 Client Referrals and Other Compensation**

SIA may enter into agreements with independent marketers. The agreements shall provide for the representative to receive a fee from SIA that is based upon a portion of SIA's investment management fees if the representative is responsible for introducing the client to SIA. The fee paid to a representative varies depending on the agreement but in no instance does the fee arrangement increase the fee that the Client pays. These agreements contain provisions to ensure compliance with applicable provisions of the Advisers Act and specifically Rule 206(4)-3 thereunder. Such agreements provide for full disclosure to the Client of any fee-sharing arrangements.

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### **Item 15 Custody**

SIA does not maintain custody over Client funds or securities. Clients should receive statements at least quarterly from the broker dealer, bank or other qualified custodian that holds and maintains the client's investment assets. SIA urges its Clients to carefully review such statements and compare such official custodial records to its own records.

A Client's Organizational Documents, SIA's agreement and/or a separate agreement with the financial institution(s) serving as a qualified custodian may authorize SIA, through the financial institution(s), to debit the client's account for the amount of SIA's management fee and to directly remit that management fee to SIA in accordance with applicable custody rules. In such instances, the financial institution(s) will be required to send a statement to the Client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to SIA. Clients should carefully review these statements.

SIA may in its discretion, cause its administrator to send account statements to SIA's Clients. Clients are urged to compare such statements against the qualified custodian's account statements. Please note that the information provided from the administrator will likely be based on trades entered as of the trade date and information provided from the custodian will likely be based on trades entered as of the settlement date. This could cause for some discrepancies between the two statements, for example, if a trade was placed on the last day of the month in which the statement was created, it will appear on the administrator's statement, but will likely not appear on the custodian's statement.



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### Item 16 Investment Discretion

SIA maintains authority to manage the Fund on a discretionary basis, subject to the overall supervision of the General Partner, in accordance with the investment guidelines, limitations, other provisions and terms set forth in the Fund's Organizational Documents. Consent from the investors or a committee of representatives of investors is required for the Fund to invest in securities or interests outside of its investment objectives. Investment advice is provided directly to the Fund, and not individually to the investors in the Fund, unless such investor has entered into a separate agreement with SIA for investment advisory services and fees that are separate and distinct from those SIA provides and charges to the Fund.

SIA may provide investment advisory services to Non-Funds through a separately managed account on a discretionary basis pursuant to, and subject to the strategy and restrictions set forth in the Client's applicable Organizational Documents.

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### **Item 17 Voting Client Securities**

SIA and its affiliated General Partner invest on behalf of the Fund solely in real estate debt instruments. It is not anticipated that SIA will be required to vote the Fund's securities by proxy. If SIA is required to vote proxies in the Fund, it will do so consistent with the best economic interests of the Fund and pursuant to its proxy voting policies.

SIA maintains written policies and procedures as to the handling, research, voting and reporting of proxy voting, monitoring corporate actions, and disclosing any potential conflicts of interest as well as making information available to Clients about the voting of proxies for their portfolio securities and maintaining relevant and required records. Clients retain the right to direct the vote on any security or issue held in its account. A Client who wishes to exercise the right to vote a proxy related to any security in its account, must contact SIA in writing.

Copies of relevant proxy logs identifying how proxies were voted in connection with a Client and copies of SIA's voting policies and procedures are available to any Client or prospective Client upon written request to the Chief Compliance Officer, Sabal Investment Advisors, LLC, 4675 MacArthur Court, 15<sup>th</sup> Floor, Newport Beach, CA 92660 or via facsimile at 888-947-3232.

## Item 18 Financial Information

Form ADV, Part 2 requires an investment adviser such as SIA to disclose any financial condition reasonably likely to impair its ability to meet its contractual commitments to clients. SIA has not been the subject of a bankruptcy petition at any time since its formation. At this time, SIA does not believe there are any financial conditions that are reasonable likely to impair its ability to meet contractual commitments to its Clients.

Item 19 Requirements for State-Registered Advisers

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

**-- End of ADV Part 2A**