



Part 2A of Form ADV: Window Rock Capital Partners LLC - Brochure

Item 1 - Cover Page

March 29, 2018

Window Rock Capital Partners LLC
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Window Rock Capital Partners LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an investment adviser provide you with information about which you determine to hire or retain an investment adviser.

This Brochure provides information about the qualifications and business practices of Window Rock Capital Partners LLC (the “Adviser” or the “firm”). If you have any questions about the contents of this Brochure, please contact us at (480) 336-9730. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Window Rock Capital Partners LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 - Material Changes

The Adviser's initial application to register as an investment adviser with the United States Securities and Exchange Commission (the "SEC") was approved on March 30, 2016. The Adviser is providing this annual update to its Brochure. There no material changes with regard to the Adviser's business practices since the date of its previous annual Brochure update (January 30, 2017).

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Item 4 - Advisory Business

- A. The Adviser is a Delaware limited liability company and has its principal place of business in Gilbert, Arizona. The Adviser provides discretionary investment advisory services to various pooled investment vehicles offered to sophisticated, qualified investors, including: high net worth individuals, retirement plans, trusts, partnerships, corporations, or other businesses (each a “Fund” and, collectively, the “Funds”).

The Adviser was formed in 2013 and is managed by Patrick Cardon and Jeffrey Pettiford (the “Principals”).

- B. The Adviser’s primary investment objective is to generate positive risk-adjusted returns. The Adviser will employ an opportunistic, value-oriented investment strategy supported by an analytical, fundamental research approach to identifying and assessing intrinsic value. The Adviser’s investment advice is limited to certain types of investments as more fully discussed in Item 8 of this Brochure.
- C. While each of its Funds will follow the general strategy stated above, the Adviser may tailor the specific advisory services with respect to each Fund based on the particular investment objectives and strategies described in the applicable Fund’s (i) confidential offering memorandum or separate account agreement (as applicable) and (ii) governing documents (referred to collectively as “Offering Documents”).

All discussion of the Funds in this Brochure, including but not limited to their investments, the strategies used in managing the Funds, and conflicts of interest faced by the Adviser in connection with the management of the Funds are qualified in their entirety by reference to each Fund’s respective Offering Documents.

- D. The Adviser does not participate in wrap fee programs.
- E. As of December 31, 2017, the Adviser manages \$182,508,177 of client assets on a discretionary basis.

Item 5 - Fees and Compensation

- A. Below is a discussion of how the Adviser is generally compensated in connection with providing advisory services to its Funds. However, the Adviser may enter into different fee arrangements on a Fund by Fund basis. A potential investor should read and review any and all Offering Documents in their entirety before making any investment decisions.

Management Fees. The Funds pay a management fee (the “Management Fee”) calculated monthly and paid quarterly in arrears to the Adviser’s affiliate generally equal to 0.1667% of the gross asset value of each investor’s capital account as of the end of each calendar month (a 2.0% annual rate). The Management Fee for each Fund may vary.

Distributions made as of the end of a calendar quarter do not reduce the gross asset value of an investor’s capital account for purposes of calculating the Management Fee due with respect to the last month of such quarter.

The gross asset value of an investor’s capital account reflects only the drawdowns made from such investor’s capital commitments and subsequent performance, not the amount of such capital commitments.

Incentive Allocation. As of the end of each calendar year, the Adviser or its designated affiliate will receive an incentive allocation (if due) (the “Incentive Allocation”) equal to 20% of any New Appreciation then attributable to each investor’s capital account.

“New Appreciation” is equal to the amount by which the gross asset value of each capital account (calculated after reduction for Management Fees, the Administrator’s fees and for all accrued expenses, but not for the Incentive Allocation itself) exceeds the High Water Mark attributable to such capital account.

The “High Water Mark” applicable to each capital account is the highest aggregate net asset value (which is then also the gross asset value) of such capital account as of any preceding calendar year, after reduction for the Incentive Allocation then made (or an investor’s aggregate capital contributions, if no year-end Incentive Allocation has been made from such capital account). The High Water Mark is reduced dollar-for-dollar by the amount of any distributions and proportionately reduced whenever withdrawals or transfers are made from a capital account. The High Water Mark is increased dollar-for-dollar by capital contributions made to such capital account.

The Incentive Allocation is calculated on the basis of the performance of an investor’s overall capital account, not separately with respect to each capital commitment or capital contribution made to such capital account.

Organizational Expenses. A Fund also bears the expenses of the organization of the Fund. The organizational and initial offering costs of the Fund include legal, accounting, printing, marketing and comparable expenses (not including any placement fees). The Fund’s organizational costs are being amortized over a 36-month period — beginning with the date that the first capital commitments are accepted — for purposes of calculating Net Asset Values (although these costs will be expensed in their entirety for financial reporting purposes as of

the initial issuance of interests). The organizational expenses borne by the Fund are described in more detail in the Fund's Offering Documents.

Operating Expenses. Fund investors will pay its operating expenses including:

(i) costs of identifying, acquiring, modifying and reselling loans and property; (ii) executing and originating transactions; (iii) interest charges, financing charges and applicable withholding and other taxes; (iv) the fees for the servicing of loans held by the Fund; (v) legal, accounting, auditing and other professional fees and expenses, including consulting and appraisal fees and expenses; (vi) tax preparation and "Tax Matters Partner" fees and expenses; (vii) any taxes and duties payable in any jurisdiction in connection with the Fund's operations; (viii) fees in connection with the custody of the Fund's assets; (ix) insurance costs; (x) computer services; (xi) administrative costs (including the fees and out-of-pocket expenses of third-party administrators), paying agency, transfer agency, accounting verification (if any) and/or investor registrar services; (xii) computer software licensing, development, purchasing, programming and operating costs; (xiii) any other operating or administrative expenses related to accounting, research, due diligence and reporting; (xiv) travel expenses incurred by the Adviser for due diligence, servicing and improving of the assets; (xv) costs and expenses relating to the Fund's and Adviser's or its affiliates' regulatory compliance, including, without limitation, the costs of compliance programs, examinations, regulatory inquiries and regulatory filings (including Form PF and other regulatory and reporting forms relating to the Fund's and/or the Adviser's or its affiliates' trading and investing); (xvi) the costs of tax-related compliance; (xvii) any indemnification payments; and (xviii) the costs for in-house accountants, originators, mortgage servicers (including the Servicer), operational support and other personnel providing such services to the extent such expenses are generally consistent with the costs customarily charged by third-party professionals (such costs, the "In-House Costs"); provided that with respect to such In-House Costs, over time the aggregate fees paid to the in-house party for such costs will not be greater than the market rate generally charged by third-party professionals for providing such services to other similar investment funds.

Miscellaneous. The Adviser may grant waivers of the Management Fees and Incentive Allocations to principals, affiliates, and employees of the Adviser.

The Adviser manages a number of pooled investment vehicles that are no longer offered to outside investors ("Legacy Portfolio"). The Legacy Portfolio is subject to fee and expense structure that is materially different from the rest of the Funds.

The Adviser may agree with certain investors to a variation of the terms set forth in the Fund's Offering Documents, including different Management Fees, Incentive Allocations, and withdrawal rights.

Lower fees for comparable services may be available from other sources.

- B. Management Fees and Incentive Allocations from the Fund are paid/allocated as indicated in Item 5.A. above.
- C. Funds may incur transaction costs. The direct expenses borne by each Fund are described in more full detail in each Fund's Offering Documents.
- D. The Adviser does not intend to charge any fees due to it in advance.

- E. Other than as described above, neither the Adviser nor any of its supervised persons receive any compensation from the sale of securities or other investment products.

Item 6 - Performance-Based Fees and Side-By-Side Management

As stated in Item 5 above, the Adviser or its affiliates receive performance-based fees or allocations from certain Funds. These payments are subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3, which requires that performance-based fees only be charged to “qualified clients” (as such term is defined in Rule 205-3).

Performance-based fees, in general, may create an incentive for an adviser or its supervised persons to make investments that are riskier and more speculative than would be the case in the absence of a performance-based fee. Such fee arrangements may also create an incentive to favor higher fee paying clients over other clients in the allocation of investment opportunities. To address these conflicts of interest with respect to any future clients, the Adviser will implement policies and procedures to ensure that all clients receive equitable and fair treatment over time with respect to the allocation of investment opportunities.

Item 7 - Types of Clients

As mentioned in Item 4, the Adviser provides investment advisory services to investment funds for sophisticated, qualified investors, including: foundations, endowments, retirement plans, trusts, partnerships, corporations, high net worth individuals, or other businesses.

The minimum investment in a Fund is \$1,000,000, although the Adviser may accept investments in a lesser amount at its sole discretion.

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

A. Investment Objective and Strategies

General. The Adviser's investment program will focus on the U.S. residential housing and credit markets. The Funds will acquire loans as well as property. The Adviser's objective is two-fold: (i) acquiring loans and either holding for yield or rehabilitating and reselling such loans; and (ii) purchasing property and reselling property, in certain cases by facilitating or arranging loans for the buyers.

The Funds may hold the loans and property for a significant period — potentially for a number of years. However, the Adviser expects that the Funds will sell a substantial percentage of their loans as well as the property which it acquires after a much shorter period in order to redeploy capital and profits into other investment opportunities (or to limit losses). Indeed, the Adviser generally expects to resell or provide financing of property which the Funds acquire within a relatively brief period — not more than approximately 90–175 days.

Investment Strategy. The Adviser is a value investor. The Adviser will concentrate on attempting to identify and participate in opportunities created by the 2008 financial crisis by acquiring and modifying existing as well as originating new loans. Using a multi-disciplinary approach, the Adviser offers creative repayment plans to borrowers, often including significant reductions to mortgage principal balances as well as to monthly principal and interest payments. The result is the acquisition of undervalued current or potential cash flows and property that, through repositioning, can become significantly more valuable.

In order to mitigate the individualized risks which the Fund bears, the Adviser will focus (in addition to attempting to work with individual debtors to help enable them to pay their loans) on acquiring a significant number of loans and property (i.e., reducing idiosyncratic individual borrower risk by expanding the number of credits in the portfolio), and also by acquiring loans and property at deep discounts to the Adviser's valuations — attempting to build a significant “margin of safety” into each transaction.

The Adviser believes that the Fund can capitalize on this “credit vacuum” by acting as a “nimble” and flexible provider of capital to this market sector, acquiring both loans and property at well below “fair value” and without undue risk. The Adviser will assess the credit risk of its prospective borrowers by using proprietary algorithmic and process driven systems. The Adviser believes that its systems can be applied across various credit markets to identify loans and property that have risk and return characteristics matching the Adviser's objectives. Furthermore, the Adviser's profit objectives for the Funds assume that a small percentage of the loans and property acquired by the Fund will result in losses if not complete write-offs. This level of failure on individual transactions is not inconsistent with the Fund's long-term profit objectives, and the Fund's ability to sustain such losses while maintaining a successful investment strategy should provide — in addition to the discounts at which the Adviser acquires its loans and property — an attractive margin of safety for the Fund.

Investment Process. The Adviser acquires loans and property through the asset management platform it has developed over time. The Adviser targets loans and property with immediate value-add potential. Loans and property can be mispriced due to a number of factors, including lack of information, challenges in underwriting and valuation and the cost and effort required to

reposition distressed assets. Many traditional mortgage servicers and underwriters have failed to adapt to current market conditions. The high volume of loan defaults, loss mitigation and foreclosure efforts have overwhelmed servicers. The Adviser expects to be able to identify loans that can be both purchased at a discount and quickly repositioned as well as to originate loans to sectors of the residential mortgage market that are not being served by traditional financial institutions.

Origination. The Adviser's affiliate (the "Originator") negotiates to provide financing to borrowers under the loans which need to be refinanced. The Fund will lend the Originator the capital to finance a new loan. The Originator will then refinance a borrower's new loan and immediately assign the loan to the Fund. The Adviser may also engage third-party origination organizations to provide borrowers according to the Adviser's underwriting standards.

Servicing. The Adviser generally uses third-party servicers for the Fund; however, the Adviser has an affiliate that is in a business of servicing operations directly (the "Servicer").

In acting as its own servicer, the Adviser would have greater control over, as well as flexibility in, "working out" non-performing loans and maintaining cost effective high touch servicing for performing loans. The Adviser believes that one of its potential competitive advantages is its willingness and ability to cooperate with working class borrowers to resolve their loans, and that by being directly in charge of servicing operations, the Adviser can ensure that this approach to servicing is maintained.

THERE CAN BE NO ASSURANCE THAT THE FUND WILL ACHIEVE ITS OBJECTIVES OR AVOID SUBSTANTIAL LOSSES.

THE FUND MAY NOT BE SUITABLE FOR MANY INVESTMENT PORTFOLIOS. INVESTORS MUST BE PREPARED TO LOSE ALL OR SUBSTANTIALLY ALL OF THEIR INVESTMENT IN THE FUND.

PROSPECTIVE INVESTORS ARE URGED TO CONSULT WITH THEIR OWN FINANCIAL, LEGAL AND TAX ADVISORS REGARDING THEIR INDIVIDUAL CIRCUMSTANCES AND THE SUITABILITY OF AN INVESTMENT IN THE FUND.

B. Risk Management

The Fund interests are speculative and involve substantial risk of loss; they are suitable for investment only by sophisticated investors for which an investment in the Fund does not represent a complete investment program and which fully understand and are capable of assuming the risks of an investment in the Fund. The following list of summary risk factors does not purport to be complete nor to provide more than a brief reference to the risks which are outlined below. An investment in the Fund should only be made, if at all, after consultation with a prospective investor's professional advisors.

General Risks

Potential Loss of Investment. An investment in the Fund is speculative and involves substantial risks. Investors may lose all or substantially all of their entire investment in the Fund. No investor should have any need for any monies invested in the Fund to meet current needs or ongoing financial requirements.

No or Limited Operating History. The Adviser itself has no or only a limited, operating history. The Adviser team has limited experience with origination and servicing.

The performance of the Adviser's prior investment funds and Mr. Cardon's past performance in trading as part of a family office and as one component of a broadly diversified portfolio are by no means necessarily representative — much less indicative — of how the Fund will perform. Trading for the Fund with a much larger asset base may be qualitatively different from trading smaller accounts or for a family office with its own infrastructure.

Long-Term Commitment. Prospective investors should regard an investment in the Fund as a long-term commitment. Not only does the Adviser believe that the Fund only has a realistic opportunity to realize its investment objectives over a period of at least several years, but also the Adviser has limited the liquidity of the interests in light of the comparatively limited liquidity of the Fund's portfolio. An investor is not assured of being able to withdraw the entire capital account balance attributable to a given capital contribution until approximately 3 years after the date of such capital contribution.

Investors will be committed to the Fund despite potentially materially adverse changes to the Fund, the Adviser, the U.S. affordable housing markets, general economic conditions, tax laws, financial regulation and/or other factors directly affecting the prospects for the Fund.

Reliance on the Adviser. The success of the Fund will depend on the ability of the Adviser to successfully implement its strategy. There can be no assurance that the Adviser will be able to do so. Moreover, if the Adviser is not successful as a business — even if its strategy is successful — it may not be able to continue to manage the Fund, which could force the Fund to dissolve, perhaps under disadvantageous market conditions and potentially incur substantial losses.

Reliance on Key Persons. The Adviser is dependent on the services of the key persons. Were their services to become no longer available to the Adviser, a key person event would be "triggered," and the Fund would likely dissolve, perhaps under disadvantageous market conditions and potentially incurring substantial losses.

Reliance on Third-Party Service Providers. The Adviser — despite its ownership of the Originator and, potentially, the Servicer — relies on a wide range of third-party service providers — including mortgage servicers, real estate brokers, appraisers, lawyers, property managers and bankers — over which the Adviser itself has no control. The misjudgment, malpractice or temporary unavailability of any of these service providers could materially adversely affect the Fund's prospects of profitability.

Leverage. The Adviser may borrow against the fair market value of performing loans held by the Fund (in an amount up to 100% of such value). Losses incurred on leveraged positions in the Fund increase in direct proportion to the degree of leverage employed. The Fund also incurs interest expense on the borrowings used to leverage its positions.

The use of leverage also may result in the forced liquidation of positions (which may otherwise have been profitable) in order to meet debt service payments. The Fund's borrowings will be secured by its assets, and any default on its borrowing could cause material losses as lenders exercise their security interest.

Model Valuations. The Adviser determines whether a loan or loan pool is undervalued based on complex models which incorporate a range of different inputs, each of which is specific to the particular loan or loan pool in question. Inadequate or incorrect factual information, misstated assumptions, as well as unforeseeable changes in economic factors can cause these models to yield materially inaccurate valuations — even if the model is fundamentally sound. Moreover, there can be no assurance that the Adviser’s models are fundamentally sound, or more accurate than its competitors’.

The models used by the Adviser will typically require certain market forecasts — for example, expected home prices, real estate brokerage costs, interest-rate changes or prepayment schedules. There can be no assurance that the Adviser will correctly forecast such factors, and, to the extent that it does not do so, the data incorporated into the Adviser’s models will therefore be incorrect.

Given the number of variables involved in the valuation models (and the subjectivity of certain of such variables), there is a substantial risk of model valuations differing from realizable values.

In the case of the Fund, inaccurate model valuations not only may cause the Fund to acquire unprofitable loans and property, but also will result in potentially substantial economic dilution to investors as the Fund percentages assigned to capital contributions, the withdrawal proceeds payable on withdrawals as well as Management Fees and Incentive Allocations are calculated on the basis of the values determined by inaccurate models.

Competition to Acquire Loans and Property. The Fund’s success will depend on its ability to obtain loans and property on advantageous terms. In purchasing loans and property, the Fund will compete with a broad spectrum of investors and institutions. Increased competition for, or a diminution in the available supply of, attractive loans and property could materially reduce the profit potential of the Fund.

Many of the market participants against which the Fund will be competing already have established substantial origination and/or servicing operations of their own which may give them an advantage both in sourcing loans as well as servicing the loans in their portfolio. Establishing origination and servicing businesses may be particularly difficult in the current economic environment.

Loan “Pools.” As a general matter, the Fund will primarily acquire loans in pools of loans from a bank, servicer, financial institution or other parties involved in the origination chain. Inevitably, a number of the loans in a pool — the aggregate cost of which may range from under \$10 million to in excess of \$50 million, although the individual loans will typically be much smaller — perhaps \$50,000 to \$100,000 in discounted acquisition value — will be undesirable. In fact, the Adviser expects the Fund to have to accept material, if not total, losses on a number of the undesirable loans in order to acquire the desirable loans in pools. Depending upon the level of “bad” loans in a pool, the overall purchase of the pool may be unprofitable.

Interest Rates. The loans originated or modified by the Originator and/or the Adviser will typically bear an interest rate sufficiently above prevailing market rates for “investment-grade” debt instruments of a similar duration that these loans are not subject to the risk of increasing interest rates with anything like the sensitivity of many other investment-grade debt investments.

While the Fund’s exposure to interest-rate fluctuation is qualitatively different from that of investment-grade debt, such exposure is, nevertheless, material. Interest-rate fluctuations can

directly impact the ability of the working class borrowers which are the Fund's primary clients to obtain loans, or having obtained such loans, to pay them as due. Both increases and decreases in interest rates can adversely affect this borrowing base by influencing the demand for employers' services, increasing the cost of employer's operations (potentially leading to lay-offs, reduced pay and factory closings), reducing consumer demand (for example, in the housing sector), etc. While there is no direct mathematical connection between interest-rate fluctuations and the value of the Fund's loans (as there is in the case of investment-grade debt), such fluctuations can materially adversely affect the Fund.

Inflation. The Fund, as a holder and indirect originator of loans, essentially sells the underlying property to the borrower for the debt service payments on such loans.

The Fund's loans are typically fixed-rate and generally with a duration of 20–30 years. Were significant inflation to occur, the value of the underlying property would rise with inflation but the debt service on the loan would not, to the point that the Fund was effectively selling the property to the borrower for well beneath the market value of the property. In addition, the increasing value of the property would incentivize the borrower to do everything in the borrower's power to pay the loan as due. Consequently, while presumably interest rates could be expected to rise materially with inflation, the Fund would be "stuck" holding (or selling at a discount) loans with a fixed interest rate materially below the prevailing interest rates on similar mortgages.

Increased Unemployment. Any factor which could lead to increased unemployment or reduced available income among the lower- to middle-income economic group with which the Fund will deal (for example, reduced government disability or veterans' benefits) could materially adversely affect the Fund — both in terms of its ability to sell property it acquires and the likelihood of the outstanding loans being paid in accordance with their term.

Market Volatility. The loan and property markets have been subject to periods of excessive volatility in the past, and such periods can be expected to recur. Price volatility is influenced by many unpredictable factors, such as market sentiment, inflation rates, interest-rate movements, government regulation and general economic and political conditions.

Price volatility in the Fund's markets increases the risk of the Fund acquiring loans and property at prices which shortly thereafter become well above market, as well as selling loans and property at prices which shortly thereafter become well below market.

Market Illiquidity. While under "normal" market conditions the loan and property markets in which the Fund invests generally have broad liquidity, from time to time the liquidity in these markets can be drastically reduced or virtually eliminated — as was vividly demonstrated by the financial crisis of 2007-2010 (the "Financial Crisis"). Lack of liquidity can make it economically unfeasible for the Fund to recognize profits or limit losses. The fewer the number of transactions that take place, the greater the risk that market values may not reflect "fair value," increasing the already material valuation risk inherent in the Adviser's strategy.

No Hedging. Investing in the Fund involves risks which cannot be economically hedged. The purchase, modification of and/or foreclosure on a loan, as well as the resale of property, involve operational, interest rate, real estate and bankruptcy risks. The success of the Fund will depend on the Adviser's ability to identify loans and property which can be profitably acquired. Loans

and property which the Adviser incorrectly identifies as desirable investment opportunities are likely to produce losses.

Structural Risks

Restrictions on Withdrawals. Investors cannot make any withdrawals from the capital account balance attributable to any given capital contribution until the first withdrawal date falling on or after the expiration of the lock-up period (i.e., 12th month-end after the effective date of such capital contribution). Furthermore, investors will have no control over when they are required to make capital contributions during the 12-month drawdown period applicable to each capital commitment.

Withdrawals when permitted will be subject to the gate limiting aggregate withdrawals to 10% of overall Fund net asset value as of any given withdrawal date.

Even after the 12-month lock-up period applied to the capital account balance attributable to each capital contribution, it can require as long as 8 calendar quarters (plus an initial 60-day withdrawal request notice period) for an investor to withdraw such capital account balance entirely from the Fund (assuming no postponement of withdrawals).

Fluctuating Capital Base. The Fund's capital base will vary with performance, capital contributions and withdrawals — each of which can be unpredictable. Although the Adviser will take steps to manage the variations in its capital base and to protect against their impact, changes in the level of the Fund's capitalization — and, accordingly, the Management Fee and Incentive Allocation revenue available to the Adviser — may impact the operation and management of the Adviser and, accordingly, the Fund.

Investor Concentration Risk. The Fund may have a limited number of investors, especially during the period following its launch, and several of these investors may have contributed a substantial percentage of the Fund's capital. Despite the limitations imposed by the Fund on withdrawals, should one or more of these investors withdraw — which they may do for reasons entirely unrelated to the performance of the Fund — the effect on the Fund could be materially adverse.

Substantial Charges to the Fund. The Fund is obligated to pay substantial fees and expenses, including operating and administrative costs and expenses, irrespective of profitability. The Fund is also subject to the Management Fee and the administrator's fees. There can be no assurance that the Fund will be able to recognize sufficient trading gains to offset these charges, and any gains recognized will be subject to Incentive Allocations.

Inherent Limitations on Disclosure. The descriptions of the Adviser's strategies, the markets in which the Fund trades, the risk factors and conflicts of interest involved in doing so and other aspects of the Fund's operations are subject to material inherent limitations and do not purport to be complete. In investing in the Fund, investors are entrusting their capital to the subjective, discretionary market judgment of the Adviser, investing in the highly specialized loan and property markets. No one should invest in the Fund which unless such person is — entirely independently of the disclosures made herein — capable of understanding and evaluating the risks of such investment.

Regulatory and Tax Risks

Fraudulent Conveyance Considerations. Various laws enacted for the protection of creditors may apply to certain investments that are debt obligations, although the existence and applicability of such laws will vary from jurisdiction to jurisdiction. For example, if a court were to find that the borrower did not receive fair consideration or reasonably equivalent value for incurring indebtedness evidenced by an investment and the grant of any security interest or other lien securing such investment, and, after giving effect to such indebtedness, the borrower (i) was insolvent, (ii) was engaged in a business for which the assets remaining in such borrower constituted unreasonably small capital or (iii) intended to incur or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could invalidate such indebtedness and such security interest or other lien as fraudulent conveyances, subordinate such indebtedness to existing or future creditors of the borrower or recover amounts previously paid by the borrower (including to the Fund) in satisfaction of such indebtedness or proceeds of such security interest or other lien previously applied in satisfaction of such indebtedness. In addition, if the borrower under a loan becomes insolvent, any payment made on such loan may be subject to avoidance as a “preference” if made within a certain period of time (which may be as long as one year) before insolvency.

In general, if payments on a loan are voidable, whether as fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient or from subsequent transferees of such payments. To the extent that any such payments are recaptured from the Fund, the resulting loss will be borne by the investors.

Lender Liability Considerations; Equitable Subordination. In recent years, a number of judicial decisions in the U.S. have upheld the right of borrowers to sue lenders or bondholders on the basis of various evolving legal theories (collectively termed “lender liability”). Generally, lender liability is founded upon the premise that an institutional lender (in this case, the Fund which will “step into the shoes” of the original lenders of the loans acquired by the Fund) has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or issuer or has assumed a degree of control over the borrower or issuer resulting in the creation of a fiduciary duty owed to the borrower or issuer or its other creditors or shareholders. Because of the nature of certain of the loans that may be made by the Fund, the Fund may be subject to allegations of lender liability.

The Fund’s origination activities will take place in a market sector in which “lender liability” is a major consideration (especially dealing with affordable housing and foreclosures on homes).

Risk of Litigation. In the ordinary course of its business, the Fund may be subject to litigation from time to time. Foreclosing on loans and owning/reselling the personal residences of working class borrowers is often a litigious and adversarial process. The Adviser intends to use third-party servicers to implement such procedures, but it may acquire a Servicer to do so. In either case, such servicers will do so on the instructions of the Adviser, and the Fund may be held ultimately liable for the actions of the servicers which it retains (or be required directly to indemnify such servicers). The Fund could be named as a defendant in a lawsuit or regulatory action. The outcome of such proceedings, which may materially adversely affect the value of the Fund, may be impossible to anticipate, and such proceedings may continue without resolution for long periods of time. Any litigation may consume substantial amounts of the Adviser’s time and resources, and such time and the devotion of such resources to litigation may be disproportionate to the amounts at stake in the litigation.

The Adviser's own servicing operation, if acquired, could be subject to material litigation, regulatory scrutiny and adversary proceedings.

Limited Regulatory Oversight. The Fund will not register as an investment company under the Investment Company Act of 1940 or any comparable regulatory requirements. Accordingly, the provisions of such regulations, which among other things generally require investment companies to have a majority of disinterested directors, require securities held in custody to be maintained at all times in segregated accounts and regulate the relationship between the investment company and its asset manager, are not applicable to an investment in the Fund. Therefore, the investors do not have the benefit of the protections afforded, nor is the Fund subject to the restrictions imposed, by such registration and regulation.

Regulatory Proceedings. Certain U.S. regulatory authorities — most notably the SEC — have in the past several years been applying a close degree of scrutiny to the private investment fund industry, and there has been a marked increase in regulatory enforcement actions and comparable proceedings. In a number of cases, these proceedings have been premised on allegations of negligence rather than intentional misconduct.

The distressed credit market sector on which the Fund focuses has also become subject to materially increased regulation, including legislative scrutiny, since the Financial Crisis.

Were the Adviser to become subject to any regulatory proceedings, not only might such proceedings result in a material “drain” on the Adviser's resources, but the fact that such proceedings are ongoing could make it difficult for the Adviser to raise capital for the Fund and/or be accepted as a successful bidder for certain loans or property.

Additional Government or Market Regulation. Since the Financial Crisis, the U.S. federal government has taken unprecedented actions to bolster, restructure and regulate the mortgage markets. These initiatives have helped to restore confidence in the loan markets, but they have also created precedents for further massive and unpredictable government intervention and regulation. The unpredictability of future government programs creates major risks for the Fund. There can be no assurance that the Fund will be able to react or adapt to new regulatory regimes, or that the Fund's strategies will remain profitable in the wake of regulatory changes.

The Federal Reserve's ongoing intervention into the credit markets continues materially to affect the housing market. In addition, federal, state and/or local governments may intervene to prevent widespread foreclosures on residential property. In the wake of the Financial Crisis, legislation has been enacted at the federal level, as well as in various states, to address perceived problems in the mortgage market. In addition, the federal banking agencies, as well as state banking and mortgage banking regulators, have issued supervisory guidance on certain mortgage practices. Government intervention is subject to all the uncertainties not only of prevailing economic conditions but also of the political process.

Federal legislation designed to provide an economic stimulus to the U.S. economy may reduce or eliminate certain mispricings on which the Fund might otherwise have capitalized.

While many of the statutory and regulatory restrictions imposed on the loan markets have become effective, the full consequences of these restrictions may not yet have been processed by the market, and there is a meaningful risk that were another economic downturn to occur

significant incremental restrictions might be imposed — perhaps materially reducing the profit potential of 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 net asset value of the Fund, including reducing the net asset value of the Fund to reflect reserves for income taxes that may be payable by the Fund. This could cause benefits or detriments to certain investors, depending upon the timing of their entry and exit from the Fund.

Taxation of Window Rock REIT. The Fund may invest substantially of its assets in real estate investment trust sponsored by the Adviser or its affiliate (the “Window Rock REIT”). The Window Rock REIT will elect to be taxed as a REIT under the Internal Revenue Code of 1986 (the “Code”), and intends to operate so as to qualify as a REIT under the Code. As long as the Window Rock REIT meets the requirements under the Code for qualification as a REIT each year, the Window Rock REIT can deduct dividends paid to its shareholders (i.e., the Fund) when calculating its U.S. federal taxable income. For the Window Rock REIT to qualify as a REIT, the Window Rock REIT must meet detailed technical requirements, including income, asset and stock ownership tests, under several Code provisions that have not been extensively interpreted by judges or administrative officers. In addition, the Window Rock REIT does not control the determination of all factual matters and circumstances that affect the Window Rock REIT’s ability to qualify as a REIT. New legislation, regulations, administrative interpretations or court decisions might significantly change the tax laws with respect to REIT qualification or the federal income tax consequences of such qualification. However, the Fund cannot guarantee that the Window Rock REIT will qualify as a REIT in any given year because:

- the rules governing REITs are highly complex;
- the Fund does not control all factual circumstances with respect to the Window Rock REIT, and legal determinations by courts or regulatory bodies, that affect REIT status; and
- the Window Rock REIT’s circumstances may change in the future.

For any taxable year that the Window Rock REIT fails to qualify as a REIT, the Window Rock REIT would be subject to U.S. federal income tax at regular corporate rates and would not be entitled to deduct dividends paid from its taxable income. This would also result in the Window Rock REIT potentially being subject to state and local taxes in states and localities in which it does business, owns property, purposefully directs its economic activity in a regular, continuous and substantial manner, or otherwise creates a taxable nexus (including as a result of having a borrower in a jurisdiction or property serving as security for a loan). Consequently, the Window Rock REIT’s net assets and distributions to shareholders would be substantially reduced because of the Window Rock REIT’s increased tax liability.

If the Window Rock REIT made distributions in anticipation of the Window Rock REIT’s qualification as a REIT, the Window Rock REIT might be required to borrow additional funds or to liquidate some of the Window Rock REIT’s investments in order to pay the applicable tax.

If the Window Rock REIT's qualification as a REIT terminates, the Window Rock REIT may not be able to elect to be treated as a REIT for the Window Rock REIT's four taxable years following the year during which the Window Rock REIT lost the qualification.

An entity that qualifies as a REIT under the Code generally will not be subject to federal income tax to the extent that it distributes its net income at least annually to its shareholders. Nevertheless, the Window Rock REIT may be subject to federal tax in certain circumstances. A REIT may be subject to state and local tax in states and localities in which it does business or owns property.

Taxes Greater than Cash Distributions. The Fund intends to be classified as a partnership for U.S. federal income tax purposes and not as an association taxable as a corporation or as a "publicly traded partnership." For any year in which the Fund has income in excess of deductions, investors will be required to report their share of such income on their U.S. federal, state and local tax returns. For U.S. federal income tax purposes, any taxable income and gain of the Fund generally will be allocated among the investors in accordance with their respective interests, regardless of whether corresponding distributions are made to the investors. As a result, an investor's share of the Fund's taxable income for any year may exceed the amount of cash distributed to that investor for that year.

This will be particularly relevant if the Window Rock REIT lacks sufficient cash to distribute an amount equal to its taxable income in order to avoid corporate income taxation and remain a REIT. In that event, the Window Rock REIT will make, and the Fund will agree to accept, "consent dividends" so that the Window Rock REIT may avoid paying a corporate-level tax on its undistributed ordinary income and capital gains and to maintain its status as a REIT. Consent dividends are amounts that the shareholders of a REIT agree to treat as having been distributed to them even though no cash is actually distributed. The shareholders include such amounts in gross income, and the REIT receives a dividends paid deduction for such amounts, which are then treated as if they were recontributed to the REIT immediately after their deemed distribution.

As a result, the investors may have to make an out-of-pocket expenditure from otherwise available sources to cover their tax liability.

Taxable Mortgage Pool. If the Window Rock REIT derives "excess inclusion income" from an interest in certain mortgage loan securitization structures (i.e., from a taxable mortgage pool ("TMP") or a residual interest in a real estate mortgage investment conduit), the Window Rock REIT could be subject to corporate level federal income tax currently at a 35% rate to the extent that such income is allocable to specified types of U.S. tax-exempt investors known as "disqualified organizations" that are not subject to unrelated business tax income.

Taxable REIT Subsidiaries. The Fund intends to conduct activities related to some investments through a taxable REIT subsidiary in order to protect the general status of the Window Rock REIT as a REIT. Any net or taxable income of such a taxable REIT subsidiary will be subject to corporate income taxation. For example, the Window Rock REIT intends to acquire and own, and to conduct any sales or other dispositions of "foreclosure property" through a taxable REIT subsidiary. Accordingly, any income derived from such "foreclosure property" and gain from such sales or other disposition through the taxable REIT subsidiary would be subject to federal income tax at regular corporate rates. Any property the sale or disposition of which could give rise to a "prohibited transaction" tax will likewise be subject to federal income

tax at regular corporate rates. Although the Fund will seek to minimize such taxes imposed on its taxable REIT subsidiary, their amount may be material.

In addition, certain non-arm's length transactions between the Window Rock REIT and such a taxable REIT subsidiary that were intended to reduce the corporate income tax imposed on such a taxable REIT subsidiary could subject the Fund to a 100% tax being imposed on the income derived by the Window Rock REIT from such transactions.

Taxation of Gain on Property. Defaulted loans in which the Fund invests are expected in many cases to be transferred to special-purpose limited liability companies prior to foreclosure in order to minimize taxation. Any such defaulted loans are expected to be transferred to such special-purpose limited liability companies at fair market value. However, any sale of foreclosure property for a gain, to the extent not offset by losses on other foreclosure property owned by the same entity, is likely to result in capital gains taxes being payable by such entity.

Possible Changes in Tax Laws; Including REIT Tax Laws. All statements contained herein concerning the U.S. federal, state and local income tax consequences of an investment in the Fund are based upon existing law and the interpretations thereof. The rules dealing with U.S. federal, state and local income taxation are constantly under review by persons involved in the legislative process and by the Internal Revenue Service (the "IRS"), the U.S. Department of the Treasury, and state and local taxing authorities resulting in revisions of resolutions and revised interpretations of established concepts, as well as statutory changes. Therefore, no assurance can be given that the currently anticipated income tax treatment of an investment in the Fund will not be modified by legislative, judicial or administrative changes, possibly with retroactive effect, to the detriment of the investors. Investors are urged to consult with their own tax advisors with respect to an investment in the Fund and the impact of any possible changes to U.S. federal, state and local income tax laws on such investment.

No Representation of Investors. While the Adviser has consulted with counsel, accountants and other experts regarding the structure and terms of the Fund, such counsel does not represent the investors in their respective capacities as such. The investors have not been represented in negotiating any of the business terms of the Fund. The Fund and the Adviser urge each prospective investor to consult his or her own legal, tax and financial advisors regarding the desirability of their acquiring an interest as well as concerning the specific business terms and suitability of an investment in the Fund.

C. Strategy Risks

Concentration on a Single Strategy. The Fund's investment strategy is to acquire loans and property at discounts, modify/rehabilitate the loans with the objective of holding or reselling the "new" loans and reselling the property, often providing buyer financing to do so. While there are many facets to this strategy, it is a strategy which is dependent upon and concentrated in the "regular way" operations of the U.S. residential housing markets in which the Adviser invests.

There are certain marketing events/conditions (e.g., the Financial Crisis) in which the concentration of the Fund in this market sector and process may expose it to substantial, and largely unavoidable, losses.

Possible Geographic Concentration of Loans. The Adviser intends for the Fund to hold loans and property in a number of different states, however, at any given time — and particularly

during the earlier stages of the Fund's investment program — the Fund's portfolio may be focused in only a few states or regions. The value of loans and property is often highly idiosyncratic by area — e.g., certain market movements would be expected to have a material adverse effect on affordable housing in the Southwest but not in the Northeast. The more concentrated the Fund's portfolio, the more susceptible it is to the idiosyncratic risks relating to the areas in which it is invested, such as adverse economic conditions, adverse events affecting industries located in such areas and localized natural hazards, than would be the case for loans and property from more diverse locations.

Foreclosures. While foreclosure is not the preferred outcome of the loans acquired or originated by the Fund or the Originator, the Adviser will be required, perhaps to a degree substantially greater than it anticipates, to foreclose on loans. The foreclosure process, although designed to be expedited in many jurisdictions, can involve all the uncertainty and potential delays of any legal process as well as the related expense.

It is well documented that some borrowers facing foreclosure, particularly if they have few assets or little or no equity in their homes, will damage or destroy the mortgage loan collateral out of spite or a misplaced sense of injustice. Damage to mortgage loan collateral may significantly delay resale after foreclosure, necessitate expensive repairs and/or impair the resale value of the home, resulting in a lower expected rate of return for the Fund. Although the Adviser will attempt to work with borrowers to prevent such damage or destruction, there can be no assurance that the Adviser will be successful in all or most cases.

Ideally, property will be held by the Fund only as an interim investment, owned briefly between acquisition or foreclosure and resale (including resales for which the Fund provides the financing).

The servicer will be directly involved in the foreclosure process — which can lead to adversary proceedings, regulatory scrutiny and adverse publicity, as well as potential liability.

Risks of Property Ownership. If the Adviser is forced by market conditions to assume ownership of a significant number of properties for a longer holding period or for a higher holding cost than expected, the results could be materially adverse to the Fund and its prospects. The Adviser makes no claim to having any meaningful experience or expertise as a landlord. Once property has been acquired, the Adviser will be subject to all the risks and expense of a property owner. During that period, the Fund will be at risk of the destruction, damage, poor construction, neighborhood deterioration, increases in property taxes, pollution control liabilities, etc.

Inadequate Documentation. The loan file may not contain the related mortgage note or, if modified, the modifications to the mortgage notes or any other underlying documentation. Failure to obtain these missing documents with respect to a loan may cause delays in the ability of the Adviser to foreclose upon and liquidate the related property. This failure could prevent the Adviser from releasing in a timely manner the related mortgage lien on the mortgaged property in the event of a prepayment in full of the related mortgage. Delays in the ability of the Adviser to foreclose upon and liquidate the related mortgaged property may increase the risk of loss on the loan, especially if housing prices continue to deteriorate.

A significant component of the Adviser's due diligence process involves analyses of loan documents. Unexpected provisions resulting from inadequate documentation can cause substantial losses.

Modifications to Loans and Underlying Documents. Certain of the loans may have had the related mortgage note formally modified (with or without documentation) in the past, which may have been a result of the borrower's being unable to meet his or her existing obligations. The final maturity of the mortgage may have been extended or missed payments may have been capitalized or deferred until the maturity of the loan. Undocumented modifications may be more likely to be found unenforceable than modifications reflected in the related mortgage note and, therefore, present a greater risk of loss and may result in unpaid amounts of interest and/or principal at maturity.

"Balloon" Payment Loans. Neither the Fund nor the Originator will originate balloon payment loans, but certain loans acquired by the Fund (generally only as part of a pool of loans which it purchases) will have substantial balloon payments due on their respective maturity dates. Balloon payment loans involve a greater risk to investors such as the Fund than do self-amortizing loans, because the ability of a borrower to make such amount will normally depend on its ability to obtain refinancing of the loan or sell the underlying property at a price sufficient to permit the borrower to make the balloon payment — and the ability of the borrower to refinance — will depend on a number of factors prevailing at the time such refinancing or sale is required, including, without limitation, the strength of the residential real estate markets, tax laws, interest rates, conditions in credit markets and general economic conditions.

Another potentially adverse feature of "balloon" payment loans is that the borrower is more likely to be able to pay the loan until maturity so that the ability of the Fund to refinance the loan prior to maturity — and likely default on the "balloon" payment — may be limited.

Adjustable Rate Loans. Neither the Fund nor the Originator will originate loans that are adjustable rate mortgages ("ARMs") but — as in the case of balloon payment loans — certain ARMs may be acquired by the Fund (also as in the case of balloon payment loans, generally as part of a loan pool). ARMs are designed so that they are more likely to be able to pay the debt service earlier in the life of the loan at the cost of being less likely to do so in the future when the interest rate adjusts upwards. The Fund is at risk, in the case of these loans, of not being able to persuade the borrower to refinance the loan until the interest rate adjusts upward at which time the loan becomes non-performing. The ARMs structure can delay the Adviser being able to use its expertise to add value to the loan by modification for some time (while the interest rate is at its "pre-adjustment" lower level), and then only when the loan has gone into default.

Non-Performing Loans; Delinquencies. The Adviser intends that non-performing loans will not represent a substantial portion of the Fund's portfolio. On the contrary, a significant component of what the Adviser regards as its competitive advantage relates to the Adviser's ability to keep its loans performing. Although borrowers may resume payment on non-performing loans, it is likely that a substantial portion of any non-performing loans acquired by the Fund will not become current in payment, and that certain of the performing loans may become non-performing loans, and therefore a substantial percentage of the loans will have to be liquidated through foreclosure proceedings, sale or other means. It is likely that, in many cases, the amount recovered with respect to such non-performing loans or related property will be less than the amount due and unpaid on such loans.

The amount of liquidation proceeds collected with respect to a defaulted loan will depend in part on the ability of the related servicer to liquidate the related collateral. There can be no assurance as to the extent to which a servicer will be successful in such efforts or as to the timing of such collections. The ability of the related servicer to sell a mortgaged property or other collateral at any particular time will depend upon such servicer's ability to find a willing purchaser at a price acceptable to the Adviser. Bankruptcy proceedings involving the borrowers may limit the ability of the servicer to sell the mortgaged property or other collateral. In addition, withdrawal rights under the laws of certain states may limit the ability of a servicer to sell, or prevent such servicer from selling, a mortgaged property at what would otherwise be an appropriate time.

In connection with the purchase and sale of non-performing loans, the related seller typically will have made, or will make, certain very limited representations, warranties and covenants relating to the mortgage collateral. These representations and warranties are not only extremely limited in scope, but they also are likely to be subject to a "sunset" provision, which means that other than the representation and warranty relating to ownership of the collateral, these representations and warranties will expire and have no further force or effect from and after the date specified in the related purchase and sale agreement. Following the expiration of this "sunset" period, the Fund, as purchaser, will not have the benefit of any representations and warranties of the related seller with respect to the collateral.

Originator Liability. The borrowers to which the Originator will originate loans (funded by the Fund) will typically be unable to qualify for conventional financing. Loans made under such conditions can be subject to scrutiny as imposing aggressive terms leading to claims of lenders' liability and the like. While the Fund will not itself directly originate any loans, it will fund the loans originated by the Originator and will, consequently, be implicated in any claims relating to the terms of such loans.

Servicing of Delinquent Mortgage Loans. Certain of the pools of loans purchased by the Fund may contain mortgage loans that are more than 90 days delinquent and/or are in foreclosure. The yield to the Fund on these loans will be heavily influenced by the ability of the related servicer to liquidate loans and properties in a timely and efficient manner. A substantial percentage of such loans can be expected to be secured by mortgaged property the value of which is less and, in many cases, substantially less, than the principal balance of the related loan. Furthermore, liquidation expenses, such as legal fees, real estate taxes and maintenance and preservation expenses, as well as higher servicing fees that apply to non-performing loans, may reduce the related liquidation proceeds. As a result, in many cases the liquidation proceeds received will be insufficient to avoid a realized loss.

The Adviser's potential ownership of the Servicer will by no means ensure a more effective servicing of the Fund's loans.

Servicer Liability. Legal risks can arise as a result of the procedures followed in servicing which may be subject to various federal and state laws (including, without limitation, predatory lending laws), public policies and principles of equity regulating interest rates and other charges, require certain disclosures, require licensing of originators, prohibit discriminatory lending practices, regulate the use of consumer credit information and debt collection practices and may limit the servicer's ability to collect all or part of the principal of or interest on a residential loan, entitle the borrower to a refund of amounts previously paid by it or subject the servicer to damages and sanctions. Specifically, provisions of federal predatory lending laws, such as the federal Truth-in-Lending Act (as supplemented by the amended Home Ownership and Equity

Protection Act of 2013 (“HOEPA”)) and Regulation Z, and various state predatory lending laws provide that a purchaser or assignee of specified types of loans may be held liable for violations by the originator of such loans. Under such assignee liability provisions, a borrower is generally given the right to assert against a purchaser of its loan any affirmative claims and defenses to payment such borrower could assert against the originator of the loan or, where applicable, the home improvement contractor that arranged the loan. Liability under such assignee liability provisions could, therefore, result in a disruption of cash flows allocated to the Fund. In most but not all cases, the amount recoverable against a purchaser or assignee under such assignee liability provisions is limited to amounts previously paid and still owed by the borrower. Moreover, sellers of loans typically represent that the loans have been originated in accordance with all applicable laws and in the event such representation is breached, the seller typically must repurchase the offending loan. Notwithstanding these protections, a buyer of whole loan loans may be exposed to an unquantifiable amount of potential assignee liability because, first, the amount of potential assignee liability under certain predatory lending laws is unclear, and, second, in the event that a predatory lending law does not prohibit class action lawsuits, it is possible that an assignee of loans could be liable in damages for more than the original principal amount of the offending loans held by it and must then seek contribution from other parties, who may no longer exist or have adequate funds available.

Applicable state laws, public policy and general principles of equity relating to the protection of consumers, unfair and deceptive practices and debt collection practices apply to the origination, servicing and collection of loans. Various federal, state and local laws have been enacted that are designed to discourage predatory lending practices. HOEPA prohibits inclusion of certain provisions in loans that have loan rates or origination costs in excess of prescribed levels, and requires that borrowers be given certain disclosures prior to the origination. Some states have enacted, or may enact, similar laws or regulations, which in some cases impose restrictions and requirements greater than those in HOEPA. Various federal, state and/or local legislative proposals may be enacted that may adversely affect the servicer’s operations or increase its risk of loss in respect of loans and related securities held by the servicer. Therefore, future legislative, regulatory or administrative changes or court decisions may have an adverse effect on the Fund and its investments.

Should the Adviser acquire its own servicer — in addition to retaining third-party servicers — the Fund’s exposure to servicer liability claims may be increased.

Risks Relating to Servicing Rights Transfers. The transfer of servicing rights from other servicers to the Servicer or vice versa may involve the risk of disruption in collections due to data input errors, misapplied or misdirected payments, system incompatibilities, the requirement to notify the mortgagors about the servicing transfer, delays caused by the transfer of the related servicing files and records to the new servicer, and other reasons. As a result of a servicing transfer and any delays associated with the transfer, the rate of delinquencies and defaults on the affected loans could increase at least for a period of time. There can be no assurance that there will not be disruptions associated with the transfer of servicing or that, if there are disruptions, they will not adversely affect an investment in the Fund.

Environmental Risks. Real property — in the case of the Fund, the property it acquires — may be subject to certain environmental risks. Although the Adviser does not intend to hold properties for more than an interim period, this may not always be possible. Furthermore, environmental risks may cause material losses even on properties held only briefly. Under the laws of certain states, contamination of a property may give rise to a lien on the property to

ensure payment of the costs of cleanup. In several states, such a lien has priority over the lien of an existing mortgage against the property. In addition, under the laws of some states and under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, a lender may be liable, as an “owner” or “operator,” for costs of addressing releases or threatened releases of hazardous substances that require remedy at a property, if agents or employees of the lender have become sufficiently involved in the operations of the borrower, regardless of whether or not the environmental damage or threat was caused by a prior owner. The Fund, as lender, also risks such liability upon foreclosure on a loan. Any such lien arising with respect to a mortgaged property would adversely affect the value of the mortgaged property and could make foreclosure impracticable. In addition, certain environmental laws impose liability to third parties on owners or operators of real property for personal injury associated with exposure to asbestos, lead paint, radon or other hazardous substances.

Expedited Transactions. The competition in the loan market is intense, and it will often be necessary for the Adviser to bid on a loan (or more likely a pool of loans) without having had time to conduct thorough due diligence on such loans. In such cases, there is a material risk of unexpected defects in title, legal documentation, environmental/political exposure and any number of other factors which can result in material losses for the Fund.

Uncertain Status of Securitization. Prior to the Financial Crisis, a very common exit strategy for the holders of loans was to have Wall Street pool these loans and sell mortgage-backed securities representing different components of the economics and risk of such pool — on a public or private basis — to investors. The market for such “securitizations” closed entirely during the Financial Crisis due, among other things, to widespread uncertainty regarding the value of the underlying collateral — despite the investment-grade ratings given to many of the securities issued by each pool of loans.

The Adviser regards securitization as one of several exit strategies which it will potentially use in disposing of a substantial portion of the loans which the Fund acquires. While the securitization market has recovered somewhat since the Financial Crisis, it is not nearly as robust as it was before then, and there can be no assurance that securitization (which involves material incremental transaction costs) will be a viable exit strategy for the Fund. Any renewed period of financial uncertainty and concerns over the underwriting standards applied to the loans would, presumably, again effectively “shutter” the securitization market.

Resource-Intensive Strategy. The Adviser’s focus on detailed analysis of idiosyncratic factors affecting the loans is a resource-intensive exercise. Although the Adviser makes use of computer programs to “screen” loans and property for further in-depth analysis, such in-depth analysis must be performed by the Adviser’s limited number of personnel.

The Adviser competes in implementing its resource-intensive strategy with other managers with analytic resources and staff many times greater than those the Adviser has or can reasonably be expected to have at any time in the foreseeable future.

Evolving Strategies. The Adviser strategies for loan investing are evolving on an ongoing basis in response to the Adviser’s broadening market experience, changing economic conditions, regulatory adjustments and numerous other factors. The due diligence methodology and process applied by the Adviser may change materially over time as may other aspects of its strategy — including preferred exit strategies, servicing options, etc.

There can be no assurance that the Adviser's strategic approach in the future will not differ materially from what it is at present or that the changes made to the Adviser's strategies will be successful.

THE FUND INTERESTS ARE SPECULATIVE AND INVOLVE A HIGH DEGREE OF RISK. THEY ARE SUITABLE ONLY FOR PERSONS WHO CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT. THE FOREGOING LIST OF RISK FACTORS NEITHER PURPORTS TO IDENTIFY ALL OF THE RISKS APPLICABLE TO AN INVESTMENT IN THE FUND, NOR PROVIDES A COMPLETE DESCRIPTION OF THE RISKS WHICH ARE, IN FACT, IDENTIFIED.

Item 9 - Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the adviser or the integrity of adviser's management. There are no legal or disciplinary events that are material to an evaluation of the Adviser's advisory services or the integrity of management.

Item 10 - Other Financial Industry Activities and Affiliations

- A. Neither the Adviser nor its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. The Adviser is exempt from registering as a Commodity Pool Operator pursuant to the CFTC Rule 4.13(a)(3).
- C. JWL Master, LLC; RWLS Master, LLC; Window Rock Manager, LLC; and Window Rock Mortgage LLC (collectively, the “Relying Advisers”) serve as managers with respect to one or more of the Funds or Legacy Portfolio. While the Adviser and the Relying Advisers have been organized as separate legal entities, they collectively conduct a single investment advisory business. Accordingly, the Relying Advisers will rely on the Adviser’s investment adviser registration instead of separately registering as an investment adviser with the SEC under the Advisers Act. In addition, the Adviser has affiliates engaged in the business of originating and servicing loans – the Originator and the Servicer.
- D. The Adviser does not select or recommend other investment advisers for its clients.

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

A. The Adviser has adopted and implemented a Code of Ethics (the “Code”), which sets forth standards of conduct that are expected of Adviser’s supervised persons. A copy of the Code will be provided to any client or prospective client upon request. The Code requires the Adviser personnel to (among other things):

- Report their personal securities transactions;
- Pre-clear any proposed purchase of any initial public offering or limited offering; and
- Comply with policies and procedures reasonably designed to prevent the misuse of, or trading upon, material non-public information.

Personal securities transactions by the Adviser’s personnel generally are required to be conducted in a manner that prioritizes the client’s interests in client eligible investments. The Adviser and its affiliated persons may come into possession, from time to time, of material non-public or other confidential information about public companies which, if disclosed, might affect an investor’s decision to buy, sell or hold a security. Under applicable law, the Adviser and its affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of the Adviser. Accordingly, should the Adviser or any of its affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, the Adviser would be prohibited from communicating such information to clients, and the Adviser will have no responsibility or liability for failing to disclose such information to clients as a result of following its policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Funds. The Adviser maintains a restricted list that includes issuers and securities with respect to which supervised persons generally are not permitted to trade without the prior approval of the Chief Compliance Officer. The Adviser has also adopted policies and procedures relating to gifts and entertainment, political contributions and other potential material conflicts of interest.

B. Neither the Adviser nor its related persons recommend to clients or buy or sell for client accounts, securities in which they have a material financial interest.

C. Neither the Adviser nor its related persons directly invest in the same securities that are also recommended for clients.

D. Not applicable.

Item 12 - Brokerage Practices

Generally, the Adviser does not recommend broker-dealer or other counterparties in connection with the investment activities of the Funds. When publicly traded securities are the subject of a trade and there is a broker selection opportunity, the Adviser will endeavor to select a broker or other counterparty on the basis of best execution and in consideration of various factors deemed relevant or appropriate, including, without limitation: (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker; (iv) the broker's risk in positioning a block of securities; and (v) the competitiveness of commission rates in comparison with other brokers satisfying our other selection criteria. The Adviser may cause a Fund to pay higher commissions to brokers believed to offer superior service under the circumstances, including brokers that provide investment research and analysis to their clients, including the Funds. Accordingly, when the Adviser determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the overall services provided to the Fund or Funds, including internally-developed research and other services provided by such broker, the Adviser may cause the Funds to pay commissions to such broker in an amount greater than the amount another broker might charge.

Item 13 - Review of Accounts

- A. The principals of the Adviser are responsible for reviewing Fund investment portfolios on a regular basis relating to, among other factors, position sizes; exposure levels; and investment strategy compliance.
- B. See Item 13.A. above.
- C. The Adviser provides Fund investors with audited annual financial statements, periodic reports and other communications, and all tax information relating to their investments in the Fund necessary for U.S. federal income tax purposes.

Item 14 - Client Referrals and Other Compensation

- A. The Adviser does not receive any economic benefit, including sales awards or prizes, from any third party for providing advisory services to the Fund.
- B. The Adviser may enter into agreements with persons who refer potential investors for the Fund to the Adviser. For their referral services, these persons may receive compensation from the Adviser in the form of a percentage of the Management Fee and/or Performance Allocation that the Adviser receives from the Fund with respect to the referred investors. All solicitation arrangements that the Adviser may enter into will be designed to be in compliance with Rule 206(4)-3 under the Advisers Act and any similar state regulations. The Fund and its underlying investors are not responsible for any of the fees paid to the referring persons.

Item 15 - Custody

The Adviser is deemed, under Rule 206(4)-2 of the Advisers Act, to have custody of the assets of the Fund by virtue of the common control of the Adviser and the managing member of the Fund. All assets and securities of the Fund are held by qualified custodians. As noted in Item 13 above, Fund investors receive annual financial statements audited by an independent public accounting firm. Fund investors are urged to carefully review these statements.

Item 16 - Investment Discretion

The Adviser exercises discretion in managing the investments of the Fund based on the Fund's investment objectives, policies, and strategies disclosed in its offering documents.

The Adviser contractually assumes discretionary authority over the assets of the Fund under an investment management agreement entered into among the Adviser and the Fund.

Item 17 - Voting Client Securities

Due to the nature of Fund investments, the Adviser does not vote on client securities.

Item 18 - Financial Information

- A. The Adviser does not require or solicit prepayment of more than \$500, six months or more in advance.
- B. The Adviser does not believe it has any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to the Fund.
- C. The Adviser has not been the subject of a bankruptcy petition at any time during the past ten years.