

**PART 2A OF FORM ADV**

**FIRM BROCHURE**



**CMR CAPITAL MANAGEMENT, LLC**

800 E. Colorado Blvd., Suite 890

Pasadena, California 91101

(626) 817-9900

[www.cmrcap.com](http://www.cmrcap.com)

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This brochure provides information about the qualifications and business practices of CMR Capital Management, LLC (CRD Number 284054). If you have any questions about the contents of this brochure, please contact F. Scott Shea at (626) 817-9900. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. Registration of an Investment Adviser does not imply any certain or requisite level of skill or training.

Additional information about CMR Capital Management is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 2

### MATERIAL CHANGES

This Firm Brochure (this “Brochure”), dated August 1, 2016, is the disclosure document of CMR Capital Management, LLC (“Adviser”) prepared in an effort to comply with requirements and rules of the Securities and Exchange Commission (the “SEC”).

In the future, this Item 2 will be used by the Adviser to provide Adviser clients (each an “Investment Vehicle”) and/or investors in the Investment Vehicles (each an “Investor”) with a summary of certain new and/or updated information about Adviser that arises in the ordinary course of Adviser’s business operations.

This Brochure may be requested by contacting Adviser at (626) 817-9900 or [dana.ostenson@cmric.com](mailto:dana.ostenson@cmric.com). Clients may receive a copy of our brochure at any time without charge.

### ITEM 3

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## ITEM 4

### ADVISORY BUSINESS

The Adviser is an SEC registered investment adviser with its principal place of business in Southern California. The Adviser began conducting business in 2012. The Adviser is owned and controlled by CMR Capital Group, LLC, as its sole member, which is owned and controlled by Ms. Susan Xu. Additional information regarding the Adviser's operations and management is set forth in this Brochure.

#### *Investment Management.*

The Adviser is a real estate investment and asset management firm that sponsors and serves as a discretionary fund manager to pooled investment vehicles organized as private investment funds and certain other special or single purpose investment vehicles (i.e., the Investment Vehicles). The Adviser provides fund management and investment advisory services relating to the acquisition, ownership, operation and disposition of real estate and interests in real estate. Investment Vehicles are usually private, closed-end investment vehicles.

Generally, Investment Vehicles are exempt from registration, and will not be registered as an investment company, under the Investment Company Act of 1940, as amended (the "Investment Company Act") and securities issued by an Investment Vehicle are not registered under the Securities Act of 1933, as amended (the "Securities Act"), or under state securities laws, in reliance upon exemptions for transactions not involving a public offering. In such, Investment Vehicles require Investors to be both "accredited investors" as defined in Regulation D of the Securities Act and "qualified purchasers" under Section 3(c)(7) of the Investment Advisers Act of 1940, as amended (the "Advisers Act").

Each Investment Vehicle is typically structured as a limited liability company or a limited partnership, with Affiliates<sup>1</sup> of the Adviser serving in the following capacities: (i) as an Investor in the Investment Vehicle (the "Adviser Participant"), through which the Adviser makes capital contributions to the Investment Vehicle (the "Adviser Capital") side-by-side with third party investors (each a "Third Party Investor"); and (ii) the manager (or co-manager), managing member (or co-managing member), or general partner (or co-general partner) of the Investment

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<sup>1</sup> Generally, (x) "Affiliate" means, with respect to any specified Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such specified Person; (y) "control," when used with respect to any specified Person, means the power, direct or indirect, to direct or cause the direction of the management and policies of such specified Person, whether through ownership of voting securities or partnership or other ownership interests, by contract or otherwise; and the terms "controlling" and "controlled" shall have correlative meanings; and (z) "Person", means any natural person, general partnership, limited partnership, limited liability company, limited liability partnership, corporation, trust, estate, real estate investment trust, association, or other entity.

Vehicle, as the case may be (in any case, each a “Vehicle Manager”). Certain executive officers, owners and other employees of the Adviser have direct or indirect investments in the Vehicle Manager or an Adviser Participant. Advisor and/or Affiliates may sponsor one or more Investment Vehicles, which, in turn, invest directly or indirectly into other Investment Vehicles.

Investment Vehicles usually have a “hard-cap” on the aggregate amount of money that a Vehicle Manager can raise for that particular Investment Vehicle (the “Capital Commitment Ceiling”). The Vehicle Manager accepts unfunded capital commitments (“Capital Commitments”) from Third Party Investors on behalf of the Investment Vehicle up to the Capital Commitment Ceiling during one or more fundraising stages (the “Admission Period”), after which the Investment Vehicle is generally closed to new Third Party Investors. In addition to the Admission Period, Investment Vehicles usually have fixed durations for the following: (i) the investment period (the “Investment Period”; the time during which an Investment Vehicle may call capital from its Investors to make project investments (each a “Portfolio Investment”), and (ii) the term (the “Term”; the outside date by which the Investment Vehicle must be liquidated and unwound, with all remaining net operating income and capital proceeds held by the Investment Vehicle distributed to its Investors). The Admission Period, the Investment Period and the Term vary in duration depending upon the size of the Investment Vehicle, the targeted asset class and product type, as well as the targeted geographies.

Generally, Third Party Investors are family offices and high-net worth individuals, both U.S. and internationally based. Third Party Investors also may include U.S. and internationally based pension and profit sharing plans, governmental entities, charitable organizations and other corporations or business entities.

Within an Investment Vehicle, there are usually dollar-denominated minimum investment thresholds for Third Party Investors that vary depending upon the size and structure of the Investment Vehicle, below which a Person will not be accepted as an Investor; however, any such minimum investment threshold may be waived or modified by the Vehicle Manager and any Third Party Investors.

During the Investment Period, the Vehicle Manager will, from time to time, call on the Investors to make capital contributions (each a “Capital Contribution”, and collectively, “Capital Contributions”) of a portion of their respective Capital Commitments to the Investment Vehicle on a *pro rata* basis in proportion to Investors’ respective Capital Commitments to the Investment Vehicle to satisfy one or more obligations or investment needs of the Investment Vehicle (e.g., expenses, fees or Portfolio Investments (each a “Funding Request”). Penalties apply to Investor’s who fail to honor their Capital Commitment obligations (e.g., ownership dilution), and remedies exist in favor of non-defaulting Investors that fund on account of any defaulting Investors (e.g., priority in the return of any such Capital Contribution over defaulting Investor’s(s’) previous Capital Contributions, or an increase in the interest rate to be accrued on any such Capital Contributions over defaulting Investor’s(s’) accrued interest rate on previous Capital Contributions).

The Adviser Participant is also subject to Funding Requests from the Vehicle Manager for the benefit of the Investment Vehicle; however, generally, only for calls for expenses and Portfolio

Investments, but not for management fees (which are often offset against Capital Commitments of Adviser Participant).

Portfolio Investments may be made directly into a targeted asset, or indirectly into a privately-held company (each a “Investment Subsidiary”) that, in turn, invests directly into the targeted asset. Portfolio Investments may include minority investments and control stakes of any such asset or Investment Subsidiary (e.g., Investment Vehicles may be made in Investment Subsidiaries that are other private investment vehicles managed by third party investment and asset managers targeting a variety of asset classes and geographies (each a “Third Party Vehicle”).

#### *Assets Under Management.*

As of the date of this Brochure, discretionary assets under Advisor’s management equal approximately \$77,000,000, in the aggregate. Currently, the Adviser does not manage any assets on a non-discretionary basis.

## ITEM 5

### FEES AND COMPENSATION

The information provided in this Brochure merely summarizes, in a general manner, the detailed information provided in each Investment Vehicle's organizational documents, including any Private Placement Memorandum or Confidential Investment Memorandum (each a "PPM", and with regard to each Investment Vehicle, in the aggregate, such documents are hereinafter referred to as an Investment Vehicle's "Organizational Documents"). Current Third Party Investors and prospective Third Party Investors in any new Investment Vehicle sponsored by the Adviser, and Affiliate, should be aware of the substantial risks associated with investment in any Investment Vehicle as well as the terms applicable to any investment (in particular with regard to compensation and fees (and fee offsets) to the Adviser, or an Affiliate), and are expected to review, in detail, the information provided in the Organizational Documents prior to any investment. This Brochure is qualified, in its entirety, by each Investment Vehicle's Organizational Documents.

Investment Vehicles typically pay asset-based management fees (collectively, "Management Fees") on a quarterly basis, and performance-based compensation upon the distribution of Investment Vehicle proceeds to Investors ("Carried Interests"). Compensation and fee structures for Investment Vehicles vary depending on a number of factors, including, but not limited to, the purpose and scope of the Investment Vehicle's strategy, the size of the Investment Vehicle (e.g., the aggregate amount of Capital Commitments), the Term, and the amount of Adviser Capital contributed by the Adviser Participant. Additionally, certain expenses of the Vehicle Manager and the Investment Vehicle are charged to the Investment Vehicle and are payable from Capital Contributions or an Investment Vehicle's net operating income or net capital proceeds.

#### *Management Fees.*

Management Fees are generally charged to an Investment Vehicle in two distinct stages during the Term. Generally, during the Investment Period, the Management Fee is charged as a percentage of an Investment Vehicle's aggregate Capital Commitments. Following the Investment Period, the basis for the Management Fee calculation changes to be based, generally, on Capital Contributions not yet returned to Investors. Management Fees generally range from one percent (1.00%) to three percent (3.00%) per annum.

#### *Expenses.*

Generally, each Investment Vehicle is responsible for expenses relating to its operations, including, but limited to fees (including Management Fees), costs and expenses of the Investment Vehicle, together with certain overhead allocations of the Vehicle Manager, in connection with potential investments and the evaluation, acquisition, ownership, sale, or financing of any potential Portfolio Investment, taxes, accounting, auditors fees, reporting and

investor servicing, legal counsel, insurance (including errors and omissions and directors and officers insurance), travel, litigation and indemnification expenses, asset management expenses, administrative expenses and any other extraordinary expense. Each Investment Vehicle will also be responsible for the organizational expenses incurred by the Vehicle Manager and any Investment Vehicle related Affiliates, up to a maximum amount as further set forth in an Investment Vehicle's Organizational Documents.

In addition, Adviser, and its Affiliates, may perform advisory services, transaction-related services and other services for, and receive fees from, actual or prospective Investment Subsidiaries, including fees in connection with mergers, acquisitions, add-on acquisitions, refinancings, private placements, public offerings, sales and similar transactions. Although these fees are distinct from and in addition to any Management Fees, they are generally borne by the particular Investment Subsidiary. Additionally, an Investment Subsidiary may reimburse the Adviser, or its Affiliate, for expenses (including without limitation travel expenses incurred by the Adviser, or its Affiliate, in connection with its performance of services for such Investment Subsidiary).

From time to time, Adviser, or an Affiliate thereof, may provide investment advisory services only (and not fund management services) to Third Party Vehicles. In such, investment advisory fees may be paid by the Third Party Vehicle to the Person so providing any such services. Any such fees would be separate and apart from any Management Fees or Carried Interest received by the Adviser, or an Affiliate, from Adviser sponsored Investment Vehicles.



## ITEM 6

### PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Generally, in Investment Vehicles, in addition to the fees and expenses further detailed in Item 5 of this Brochure, the Adviser, either through the Vehicle Manager or the Adviser Participant, or other Affiliate, will receive Carried Interest.

Generally, Carried Interest is calculated based on a share of aggregate realized profits from Investment Vehicles (i.e., net operating income and capital proceeds after return to Investors of all Capital Contributions and any agreed upon interest to be accrued on such Capital Contributions). Carried Interest is generally equal to 20% of such profit.

Under certain circumstances, Adviser, and its Affiliates, has negotiated Carried Interest. In the event that Adviser does not receive Carried Interest from an Investment Vehicle, but does receive Carried Interest from other Investment Vehicles (or receives a greater percentage of Carried Interest from some Investment Vehicles than others), the possibility of receiving such Carried Interest may create an incentive for the Adviser to make more speculative investments on behalf of the Investment Vehicles from which Carried Interest (or greater Carried Interest) will be paid, than it would otherwise make in the absence of such Carried Interest (or greater Carried Interest). Third Party Investors should note that the terms of Organizational Documents (other than the PPM), including but not limited to the percentage of any Carried Interest and the timing of payment of any Carried Interest, are negotiated items among the Investors and the Vehicle Manager. In such, through negotiations, Third Party Investors' interests and the Vehicle Manager's interests in an Investment Vehicle (and in such the Adviser's) become aligned, as deemed appropriate amongst the parties a party thereto, thereby mitigating seemingly inherent risks, including incentive for the Adviser to favor one Investment Vehicle over another, or to cause a Vehicle Manager to make Portfolio Investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement.

Additionally,

- Capital Contributions of the Adviser Participant and the deferment of payment of the Carried Interest until after the return of Capital Contributions, further mitigate risk because the Adviser has at-risk capital in the Investment Vehicle, and Carried Interest is calculated based on realized, not unrealized gains, leading the Vehicle Manager to undertake in-depth examinations of investments and property fundamentals when considering Investment Vehicles.
- Organizational Documents often provide for the following: (i) an Investment Vehicle Advisory Committee (containing certain Third Party Investors) (each an "Advisory Committee") to oversee certain Vehicle Manager and Investment Vehicle activities (such as conflicts of interest), (ii) investment allocation rules, and (iii) investment limitations on the Adviser's activities regarding competing Investment Vehicles and the formation of future Investment Vehicles; and

- Adviser implements the following policies to mitigate risk and potential conflicts:
  - ✓ Adviser discusses with its employees the responsibilities of a fiduciary, including the equitable treatment of all Investment Vehicles and Third Party Investors; and
  - ✓ Adviser's investment committee (the "Portfolio Investment Committee"), which is comprised of senior executives of the Adviser, reviews and approves all potential Investment Vehicles, and any material changes to existing Investment Vehicles.

## **ITEM 7**

### **TYPES OF CLIENTS**

The Adviser provides investment management and investment advisory services to Investment Vehicles as further detailed in this Brochure.

## **ITEM 8**

### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

#### Methods of Analysis

Vehicle Managers consider a number of factors when identifying potential Portfolio Investment, including the following: (i) the asset class, (ii) the product type; (iii) the risk profile; (iv) the geographic location; (v) strengths and weaknesses of any operating sponsor (if not acquired directly); (vi) the overall condition of the property (if a value add, core plus, or core product); (vii) architectural plans (when applicable); (viii) the efficiency with which a property has been operated (if applicable) and the efficiency with which a property could be operated in the future; (ix) the comparative value of cost of funds (debt and equity); (x) the timing of equity contributions and loan proceed distributions; (xi) and the authenticity and validity of a properties trailing (if applicable) and forecasted income and expense assumptions.

#### Investment Strategies

Vehicle Managers seek to identify and acquire, on behalf of a managed Investment Vehicle, real estate investments in accordance with the parameters established by each Investment Vehicle's Organizational Documents. Portfolio Investments acquired by the respective Investment Vehicle may include fee simple interests in real estate assets and equity investments in Investment Subsidiaries and Third Party Vehicles (which subsidiary operating companies, in turn, hold fee simple interests in real estate assets either directly, or indirectly, through subsidiaries), as well as the funding of first priority and subordinated debt instruments.

A Vehicle Manager's investment process is generally intended to maximize an Investment Vehicle's return potential through a combination of cash flow and equity appreciation, while simultaneously mitigating risk of loss.

For Investment Vehicles making investments in other Third Party Vehicles, the Vehicle Manager's selection process involves an in-depth examination of such third-party manager's investment process (key components of which include strong consistent track records, robust deal sourcing, discipline and high quality management teams).

*Material, Significant or Unusual Risks Relating to Portfolio Investment Strategies & Particular Types of Portfolio Investments (i.e., Real Estate)*

**Current Third Party Investors and prospective Third Party Investors in any new Investment Vehicle sponsored by the Adviser (or any other adviser) should be aware of the substantial risks associated with investment in any Investment Vehicle, and are expected to review, in detail, the information provided in Organizational Documents prior to any investment. This Brochure is qualified, in its entirety, by the applicable Investment Vehicle's Organizational Documents.**

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

An investment in an Investment Vehicle entails a high degree of risk and is suitable only for sophisticated institutions and individuals for whom such an investment is not a complete investment program. Generally, each Investment Vehicle differs in its risk profile, investment strategy, targeted yield on investment and timing and amounts of capital and profit distributions. Such an investment is only appropriate for Persons who fully understand and are capable of and willing to bear the risks of any such investment. Generally, risk factors, include, but are not limited to the following:

General Real Estate Portfolio Investment Risks

The real estate industry is highly cyclical by nature, and future market conditions are uncertain. There are many factors that affect real estate investments, and many of these factors are beyond a Vehicle Manager's control, including:

- changes in local and economic conditions;
- changes in the financial condition of tenants, and buyers and sellers of property;
- changes in the availability of debt financing and refinancing;
- changes in the relative popularity of properties and local markets, and in real estate as an investment class;
- changes in interest rates, real estate taxes and operating and other expenses;
- changes in market capitalization rates;
- changes in environmental, zoning and other applicable laws and regulations (and changes in the application and interpretation of such laws and regulations);
- changes in fiscal policies;

- changes in utility rates;
- changes in market rental rates;
- development and improvement of competitive properties;
- competition for tenants and buyers;
- ongoing capital improvement and repair requirements;
- risks and operating problems arising out of the presence or shortage of certain construction materials, or the shortage of labor;
- environmental claims arising in respect of real estate acquired with undisclosed or unknown environmental problems or as to which adequate reserves had not been established;
- the risk of loss from casualty or condemnation;
- physical destruction and depreciation of equipment and property;
- damage to, and destruction of, properties, including uninsurable losses, resulting from wind storms, hurricanes, earthquakes, floods or other natural disasters or acts of nature, or acts of terrorism, and other risks and uncertainties related to any such acts of nature or terrorism;
- changes in availability and cost of insurance, including the inability to obtain insurance against various risks, including, without limitation, those set forth in the previous bullet point;
- increases in the costs of labor and materials; and
- strikes, lockouts, slowdowns and labor disputes.

#### Lack of Liquidity in Real Estate Portfolio Investments

Real estate investments are generally illiquid. Like other companies that invest in real estate, an Investment Vehicle will have a limited ability to vary its portfolio of real estate investments in response to changes in economic and other conditions. In addition, a Vehicle Manager may not be able to timely dispose of Portfolio Investments when desirous or necessary (or complete the disposition of Portfolio Investments under contract to be sold), and any such dispositions may not provide proceeds in excess of the amount of the Investors' investment in the Investment Vehicle or even in excess of the amount of any indebtedness secured by the Portfolio Investment.

### Opportunistic Vehicles

Subject to the limitations on investments described in an Investment Vehicle's Organizational Documentation, there may be no restrictions on the real estate investments that may be made by an Investment Vehicle, which could result in a lack of diversification among the Portfolio Investments in an Investment Vehicle. Accordingly, an Investment Vehicle may be adversely affected by adverse regional or local economic conditions in one or more of the target markets or any other market in which the Investment Vehicle has invested a significant amount of capital. Further, perceived trends and economic factors may not prove to be accurate and Portfolio Investments may not be successful.

### No Opportunity to Evaluate Future Portfolio Investments

At the time of an Investors' investment in an Investment Vehicle, the Vehicle Manager may not have identified any potential Portfolio Investments. Consequently, Investors will not be able to evaluate the merits of Portfolio Investments or the abilities of the Vehicle Manager prior to making a decision to invest in the Investment Vehicle. Accordingly, Investors will be relying on the ability of the Vehicle Manager to select and manage investment opportunities, and, to the extent the Vehicle Manager will select a third party property manager to manage any Portfolio Investment, then Investors will also be relying on the ability of the Vehicle Manager to select and manage third party property managers. Furthermore, with respect to Portfolio Investments involving rental properties, the Vehicle Manager (or manager of the Third Party Vehicle) will have broad discretion in implementing policies regarding tenant creditworthiness, and Investors will not have the opportunity to evaluate potential tenants.

### Conditions in the Real Estate Market

In 2008, the real estate market experienced one of its most severe downturns in United States history. This downturn resulted from, among other things, a decline in consumer confidence, an oversupply of real estate available for sale, a decline in the overall economy, increasing unemployment, fear of unemployment, a decline in the securities and credit markets and a contraction in available financing. In response to the adverse conditions in the real estate market, the government enacted legislative and administrative measures aimed at restoring liquidity to the credit markets and improving conditions in the real estate markets. While conditions in the real estate and credit markets have improved, there is no assurance that conditions will not deteriorate once again. If conditions do not continue to improve or if they deteriorate in the future, an Investment Vehicle's operating results and financial condition may be materially adversely impacted. Further, due to improved market conditions, real estate prices have risen since the trough of the downturn. Such increased prices will have the effect of increasing an Investment Vehicle's acquisition costs, which may limit an Investment Vehicle's ability to diversify its portfolio and increase an Investment Vehicle's vulnerability to deterioration in economic and real estate market conditions. Increased real estate prices may not be sustainable, and the Vehicle Manager may not otherwise be able to dispose of its Portfolio Investments at a profit or in an amount sufficient to return an Investment Vehicle's investment.

### Highly Competitive Market for Portfolio Investment Opportunities

The activity of identifying, completing and realizing real estate investments is highly competitive and involves a high degree of uncertainty. An Investment Vehicle will be competing for investments with many other real estate investment vehicles, such as private individuals, REITs, financial institutions, pension funds and other institutional investors. Competition for investments may have the effect of increasing costs, thereby reducing investment returns to the Investment Vehicle. In addition, over the past several years, an increasing number of investment funds have been formed, and many existing funds have grown in size for the purpose of investing in real estate assets. Further, it is likely that many additional funds with similar investment objectives will be formed in the future. Certain Investment Vehicle competitors will have greater capital resources than some Investment Vehicles and some competitors may be able to accept lesser returns on their investments than Investment Vehicles will seek. There can be no assurance that an Investment Vehicle will be able to compete effectively in the real estate market and identify and complete investments that satisfy its investment objectives.

### Difficulty of Locating Suitable Portfolio Investments

Although the Advisor and its principals, employees, and Affiliates have identified and consummated investments in various real estate assets in the past, a Vehicle Manager may be unable to find a sufficient number of attractive opportunities for an Investment Vehicle to meet an Investment Vehicle's investment objectives or, subject to the limitations on investments described in an Investment Vehicle's Organizational Documents, may have to modify its objectives and criteria for investing due to market forces. Investors should not assume that the performance of the Advisor and its principals, employees and Affiliates, or any investments previously made by any of them, is indicative of how an Investment Vehicle will perform in the future.

### Risks Related to Leasing of Portfolio Investments

From time to time, an Investment Vehicle may acquire Portfolio Investments for rent or lease to third party tenants in order to generate cash flow from operations. However, adverse economic conditions may make it difficult for an Investment Vehicle to achieve projected rental and occupancy rates on such Portfolio Investments, which may adversely impact the net operating income of such Portfolio Investments. Vacant space may take longer to lease than expected, and rental rates may be lower than projected or necessary to operate such Portfolio Investments profitably. In addition, some Portfolio Investments may require significant capital expenditures in order to reposition the asset for new or remaining tenants and cash flow may be limited during a construction or renovation period. Further, Portfolio Investments acquired for rent or lease are subject to the following additional risks, among others, each of which may cause a reduction in the cash flow generated by such Portfolio Investments:

- existing tenants may not renew their leases;

- new tenants may not lease previously occupied space, or the terms of renewal or leasing (including the costs of required renovations or concessions to tenants) may be less favorable to an Investment Vehicle than existing lease terms;
- a tenant may experience a downturn in its business or financial condition, which may cause the loss of the tenant or the tenant's failure to make rental payments when due; and
- a tenant may seek the protection of bankruptcy, insolvency or similar laws, which could result in the rejection or termination of the tenant's lease.

Commercial real estate Portfolio Investments may be supported by anchor tenants (which due to size, reputation or other factors) draw other tenants and shoppers to such Portfolio Investments. As a result, such Portfolio Investments may be subject to the risk that anchor tenants may be unable to make their lease payments, decline to extend a lease upon its expiration or vacate the premises. A lease termination by an anchor tenant or a failure by that anchor tenant to renew its lease or occupy the premises could result in lease terminations or reductions in rent by other tenants in the same Portfolio Investment. Vacated anchor tenant space also tends to adversely affect an entire Portfolio Investment because of the loss of the departed anchor tenant's power to draw customers to the Portfolio Investment. A Portfolio Investment may not be able to quickly re-lease vacant space on favorable terms, or at all. Any of these developments could adversely affect an Investment Vehicle's financial condition and results of operations.

#### Risks Relating to Prospective Purchasers' and Tenants' Ability to Obtain Financing

An Investment Vehicle's results will be dependent, in part, on the ability of prospective purchasers and tenants to secure financing. If prospective purchasers and tenants are unable to secure financing on acceptable terms, or at all, Portfolio Investment sales and long-term rental and occupancy rates may be materially and adversely impacted.

#### Risks Relating to Covenants, Conditions and Restrictions; Impact of Contiguous Properties

Certain properties, most typically retail properties that comprise a part of a shopping center or other integrated development, may be subject to significant covenants, conditions and restrictions. These covenants, conditions and restrictions may negatively affect the value of a property by restricting the use of such property, any improvements thereon and/or the granting of any easements relating thereto. The value of property may also be negatively impacted by the operation and management of the contiguous properties as well as the commercial performance and reputation of the occupants of such contiguous properties.

#### Risks Relating to Portfolio Investments in Condominium Properties and Residential Resort Properties

Portfolio Investments in condominium and residential resort properties involve certain risks. Depending upon the extent of sales in any particular condominium project, an Investment Vehicle may assume successor developer liability and become responsible for construction

defects and other developer liabilities. In addition, a partially-sold condominium project may already have a condominium association in place, and the prior developer may have already turned over control of the association to the unit purchasers. Purchasers of condominium units may be displeased with the prior developer and look to an Investment Vehicle to remedy issues associated with the condominium project. Any of these circumstances may delay or complicate an Investment Vehicle's ability to realize upon its investment or otherwise make an Investment Vehicle's investment strategy costlier. Although a Vehicle Manager will endeavor to minimize the risk associated with condominium investments, there can be no assurance that an Investment Vehicle will be successful in doing so.

### Acquisition, Development and Construction Risks

An Investment Vehicle may engage in renovation and construction activities with respect to one or more of its Portfolio Investments, and an Investment Vehicle may engage in ground up construction. Any such undertakings will entail, among other risks, the risk of unexpected liabilities, the risk that necessary property construction or improvement costs may be greater than estimated when the investment was selected for acquisition and the risk that construction or renovation may not be completed on schedule, thereby resulting in increased debt service and construction costs.

An Investment Vehicle will not directly engage in construction; however, will rely on various service providers and suppliers for the completion of each construction project. The ability of these service providers to complete the construction will be subject to typical construction risks, as well as acts of war, work stoppages, transportation system interruptions and other *force majeure* events. Further, there are various other risks associated with construction, including construction delays, the inability to complete construction at projected costs and to fund any excess construction costs, work strikes or stoppages, adverse weather conditions, the inability to refinance construction financing on favorable terms, or at all, or to meet preconditions for permanent financing, unforeseen site conditions or environmental or engineering problems, natural disasters, and other conditions beyond the control of an Investment Vehicle and its Affiliates. In addition, the construction industry has, from time to time, experienced fluctuating prices, as well as shortages, of labor and construction-related materials, including lumber, insulation, drywall, concrete, carpenters, electricians and plumbers. The occurrence of any of these events could substantially delay and increase the costs of any construction undertaken. In addition, if there are unforeseen events like a bankruptcy of, or an uninsured or under-insured loss claimed against, a general contractor, an Investment Vehicle may become responsible for the losses or other obligations of the general contractor. Should losses in excess of insured limits occur, the losses could materially adversely affect the financial condition and operating results of an Investment Vehicle.

In addition, before an Investment Vehicle can construct, renovate or redevelop any such Portfolio Investment, a Portfolio Investment may require a variety of approvals or entitlements from local governments with respect to such matters as zoning, subdivision, architectural design, environmental and other issues. The Portfolio Investment may also need to obtain a variety of approvals from state and federal governments with respect to environmental issues, issues related to special status species, issues related to the public trust and other matters. A Portfolio



Investment's receipt of necessary approvals will often be subject to factors outside of the control of Vehicle Manager and its Affiliates, including the discretion of the governmental authority or agency from which the approval is sought, and there is no assurance that a Portfolio Investment will receive any such approvals in a timely manner, or at all. Any such delay in receiving, or a failure to receive, necessary approvals or concerns which may be raised by various governmental officials, public interest groups and other interested parties during both the approval and construction process may have a material and adverse impact on a Portfolio Investment's ability to construct, renovate or redevelop properties and realize income from the Portfolio Investment.

While the Vehicle Manager anticipates exercising reasonable diligence, estimates of future income, expenses and the costs of improvements necessary to allow an Investment Vehicle to market an acquired Portfolio Investment as originally intended may prove to be inaccurate.

#### Risks Related to Portfolio Investments in Troubled Assets

Adviser Clients may make investments, directly or indirectly, in non-performing or other troubled assets, which involve a significantly greater degree of financial risk than other potential investments. There can be no assurance that such assets will be able to overcome their financial difficulties. Often, investments in troubled assets have greater illiquidity, and there can be no assurance that a Vehicle Manager will be able to meet performance projections on such investments. To the extent that an Investment Vehicle directly or indirectly invests in troubled assets that require improvement, it will be subject to the risks normally associated with making capital improvements, which could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of capital improvement activities once undertaken.

#### Risks of Loss Related to Site and Project Selection Costs

Investment Vehicles will be responsible for costs related to due diligence and feasibility analysis of potential Portfolio Investments. These costs may include, among others, legal fees, civil engineering fees, architectural fees and expenses, appraisal fees, fees relating to feasibility studies and analyses, travel expenses, costs relating to the preparation of environmental and geological reports, deposits, lender commitment fees and other consultant fees and expenses. The Investment Vehicle will bear the risk of loss for such expenses whether or not an Investment Vehicle ultimately pursues and consummates the investment.

#### Risks Related to Investment in Office Properties

There are a large number of risk factors associated with investments in office properties, including the impact of general economic conditions on the local market and the building's tenants; the quality of an office building's tenants; an economic decline in the business operated by the tenants; the physical attributes of the building in relation to competing buildings (e.g., age, condition, design, appearance, location, access to transportation and ability to offer certain amenities, such as sophisticated building systems and/or business wiring requirements); the physical attributes of the building with respect to the technological needs of the tenants,

including the adaptability of the building to changes in the technological needs of the tenants; the diversity of an office building's tenants (or reliance on a single or dominant tenant); the availability of sublease space; the desirability of the area as a business location; the strength, nature and unemployment rates of the local economy, including labor costs and quality, tax environment and quality of life for employees; and an adverse change in population, patterns of telecommuting or sharing of office space and employment growth (which creates demand for office space).

#### Risks Related to Investment in Land

Acquisition of raw land, either to hold for future resale, or for future development, or for the purpose of re-entitling for a different use than that for which the land is entitled at the time of acquisition are also subject to risks relating to the following non-exhaustive list: the inability or delay in obtaining necessary zoning, land-use, and other required government permits and authorizations due to the discretion of the governmental authority or agency from which the approval is sought (and there is no assurance that a Portfolio Investment will receive any such approvals in a timely manner, or at all); changes in the relative popularity of properties and local markets and in real estate as an investment class; the risk of loss from condemnation or natural disasters; and other risks and uncertainties related to any such acts of nature. Properties acquired for these purposes receive little or no cash flow from the date of acquisition through the date of resale. In addition, market conditions may change during the time of ownership, making any such property less valuable than at the time it was acquired.

#### Risks Related to Investment in Single Family Homes

There are a large number of risk factors associated with investments in single family homes (whether undeveloped or partially developed), including the impact of general economic conditions on the local market; general safety of the local markets, the quality of construction; economic decline in the local market; the physical attributes of the home in relation to competing homes (e.g., age, condition, design, appearance, location, access to transportation, schools, recreation, doctors, fire, police, jobs, and ability to offer certain amenities, such as sophisticated building systems and/or business wiring requirements); the desirability of the area as a residential location; the strength, nature and unemployment rates of the local economy, including labor costs and quality, tax environment and quality of life; adverse changes in population, patterns of telecommuting and employment growth; the inability or delay in obtaining necessary zoning, land-use, and other required government permits and authorizations due to the discretion of the governmental authority or agency from which the approval is sought (and there is no assurance that a Portfolio Investment will receive any such approvals in a timely manner, or at all); changes in the relative popularity of properties and local markets and in real estate as an investment class; the risk of loss from casualty, condemnation or natural disasters; and other risks and uncertainties related to any such casualty, condemnation, terrorism, or acts of nature. Properties acquired for these purposes receive little or no cash flow from the date of acquisition through the date of resale. In addition, market conditions may change during the time of ownership and construction, making any such property less valuable than at the time it was acquired.

## Leverage of Portfolio Investments

It is expected that all or a significant portion of the Portfolio Investments will utilize a leveraged capital structure by borrowing money, in which case a third party would be entitled to cash flow generated by such Portfolio Investments prior to an Investment Vehicle receiving a return. Fluctuations in interest rates may adversely affect the ability of an Investment Vehicle to successfully acquire Portfolio Investments and may also adversely affect the performance of the Portfolio Investments. Use of borrowed funds to leverage acquisitions involves a high degree of financial risk and can exaggerate the effect of any increase or decrease in value of any Portfolio Investment and will increase the exposure of Portfolio Investments to adverse economic factors, such as fluctuations in interest rates, downturns in the local economies in which Portfolio Investments are located or deterioration in the condition of Portfolio Investments.

The use of leverage will increase the amount of funds available to an Investment Vehicle for other Portfolio Investments but will also increase the risk of loss. Vehicle Managers may be unable to secure attractive financing, which could impact Vehicle Managers' ability to deliver current and overall returns targeted by an Investment Vehicle. Market fluctuations may significantly decrease the availability of and increase the cost of leverage. Mortgages requiring balloon payments may involve greater risks than mortgages where the principal amount is fully amortized over the term of the loan because the ability to repay the outstanding principal amount of a balloon loan may be dependent upon the ability to obtain adequate replacement financing, which will, in turn, be dependent upon interest rates and lenders' policies at the time of refinancing, economic conditions in general and the value of the underlying Investment Vehicle Portfolio Investment in particular. There is no assurance that replacement financing will be available to make balloon payments on favorable terms or at all.

Investment Vehicles may engage in portfolio level financing, several investments may be cross-collateralized and subject to increased risk of loss. In addition, recourse debt may be incurred and may subject the assets of an Investment Vehicle to additional risk of loss. Depending on the level of leverage and decline in value, if mortgage payments are not made when due, one or more Portfolio Investments may be lost (and an Investment Vehicle's investment therein rendered valueless) as a result of foreclosure by the mortgagee(s). A foreclosure may also have substantial adverse tax consequences for the Investments. Tax-exempt Investors should note that the use of leverage by a Portfolio Investment or Portfolio Vehicle.

Certain loans may have more risk than others. Although underwriting practices assist in determining the extent of risk, market conditions and the type of asset on which a loan was made also affect risk. For example, loans in construction situations may involve a higher degree of risk than other lending arrangements, to the extent that repayment is dependent upon successful completion of the underlying project, or as a result of the lack of an operating history on the project upon which to base a loan's underwriting or difficulties in estimating construction costs and timing.

Investment Vehicles may enter into a bridge line of credit facility to be utilized in anticipation of receiving Capital Contributions. The Vehicle Manager also may enter into other forms of short-or long-term debt, loan or other financing agreements. To obtain these forms of financing would likely require that an Investment Vehicle pledge the unfunded Capital

Commitments and/or the Portfolio Investments as security. In the event of a default under such a facility, the lender could foreclose on such unfunded Capital Commitments and/or require the sale or liquidation of some or all of the Investment Vehicle's Portfolio Investments.

#### Increases in Interest Rates

Portfolio Investments may borrow money with variable interest rates. Although an Investment Vehicle may enter into transactions, such as hedging agreements, in an attempt to limit its exposure to rising interest rates, increases in interest rates, or the loss of the benefits of hedging agreements, may increase a Portfolio Investments interest expenses, which would adversely affect the Portfolio Investment's cash flow and its ability to service its debt and make distributions. In addition, rising interest rates could adversely affect a Portfolio Investment's ability to acquire or refinance properties and produce targeted returns on investments.

#### Refinancing Risk

There is no assurance that a Portfolio Investment will be able to refinance indebtedness on favorable terms, or at all. A Portfolio Investment's ability to refinance indebtedness will depend on, among other things, its financial condition at the time, then outstanding debt and other factors, including the performance of the Portfolio Investments being refinanced and market and other conditions beyond the control of an Investment Vehicle, Portfolio Investment, and its Affiliates. If an Investment Vehicle or Portfolio Investment is unable to refinance indebtedness when necessary, the Vehicle Manager could be forced to dispose of Portfolio Investments at a time or under circumstances that might not yield a favorable price for such Portfolio Investments or yield sufficient proceeds to repay maturing debt.

#### Joint Ventures; Joint Ownership and Third Party Involvement.

The Investment Vehicle may make Portfolio Investments either directly or indirectly through subsidiaries, and investments may be made with affiliated or unaffiliated third parties through joint ventures or other investment vehicles, although investments with Affiliates are subject to restrictions set forth in an Investment Vehicle's Organizational Documents. Some Portfolio Investments may be made as a co-venturer or partner with the seller of the property, or an Affiliate of the seller. To the extent that an Investment Vehicle, or its subsidiaries, becomes a party to any such joint venture or other strategic relationship with respect to a Portfolio Investment, an Investment Vehicle may be exposed to several potential risks, including:

- restrictions on transfers of ownership of the Investment Subsidiary;
- reduced or no control over property management, investment and disposition decisions with respect to the Portfolio Investment;
- an Investment Vehicle may rely upon the abilities and management expertise of the co-venturer or partner;
- it may be more difficult for an Investment Vehicle to sell its interest in any joint venture, partnership or entity with other owners than to sell its interest in other types of investments;

- The Investment Vehicle may grant co-venturers or partners veto powers with respect to major decisions concerning the management and disposition of the investment, which would increase the risk of deadlocks;
- a deadlock could adversely affect investment return or value, or require an Investment Vehicle to use its assets to purchase the interest of the co-venturer or partner under agreements providing for the forced sale of such interest;
- other joint venturers may breach their obligations under the agreements relating to a Portfolio Investment, which may cause a default under indebtedness relating to the Portfolio Investment, violate applicable laws or have other adverse consequences;
- additional fees (including incentive compensation) may be payable to the general partner, investment manager or other parties;
- other joint venturers could seek to bring an action to partition the Portfolio Investment; and
- other joint venturers could become bankrupt or insolvent.

In addition, other joint venturers may at any time have economic or business interests or goals that may conflict or be inconsistent with an Investment Vehicle's or may be in a position to take action contrary to an Investment Vehicle's investment objectives. The Adviser or the Vehicle Manager may also be liable for the actions of its joint venturers. Further, to the extent the Vehicle Manager or its Affiliates have a relationship with a joint venturer, conflicts of interest may arise with respect to the duties of the Vehicle Manager or its affiliates to an Investment Vehicle, and the Vehicle Manager or its affiliates may owe fiduciary duties to the joint venturers and its members or partners that conflict with its ability to take actions solely in the interests of an Investment Vehicle and its partners.

#### Need for Follow-On Investments

Investment Vehicles may need to make investments (each a "Follow-On Investment") to (i) preserve, protect or enhance the value of any existing Portfolio Investment, and (ii) satisfy any of the obligations of an Investment Vehicle and its subsidiaries. However, there can be no assurance that an Investment Vehicle will have sufficient capital to make any Follow-On Investment, or the Vehicle Manager may determine that it is not advisable to make a Follow-On Investment. Any decision by the Vehicle Manager not to cause an Investment Vehicle to make a Follow-On Investment for any Portfolio Investment could have a substantial negative impact on such Portfolio Investment.

#### Risks Associated with Project Dispositions; Term

In connection with the disposition of a Portfolio Investment, an Investment Vehicle may be required to make representations about the Portfolio Investment typical of those made in connection with the sale of any real estate investment. An Investment Vehicle may also be required to indemnify the purchasers of the Portfolio Investment to the extent that any such representations turn out to be inaccurate. These arrangements may result in contingent liabilities

that might ultimately have to be funded by Investors to the extent of profits previously distributed to them.

In addition, at the end of an Investment Vehicle's Term, the Investment Vehicle will dissolve and commence winding up and liquidating. As a result of the limited duration of an Investment Vehicle, an Investment Vehicle may be required to dispose of Portfolio Investments at a time or under conditions that are not generally favorable to an Investment Vehicle due to market cycles or other factors, many of which may be beyond the control of an Investment Vehicle and its Affiliates.

#### Portfolio Investments in Real Estate Debt and Non-Performing Notes (i.e., Defaulted Loans)

An Investment Vehicle may hold direct or indirect investments in real estate-related debt instruments. In addition to the risks of borrower default (including loss of principal and nonpayment of interest) and the risks associated with real estate investments generally, real-estate related debt investments are subject to a variety of risks, including the risks of illiquidity, lack of control, mismanagement or decline in value of collateral, contested foreclosures, bankruptcy of the debtor, claims for lender liability, violations of usury laws and the imposition of common law or statutory restrictions on the exercise of contractual remedies for defaults of such investments. Debt investments have special inherent risks relative to collateral value. In the event of default, the source of repayment may be limited to the value of the collateral and may be subordinated to the repayment of senior debt (and the collateral value of the property may be less than the outstanding amount of the investment).

An Investment Vehicle's investments in real estate-related debt instruments may include investments in non-performing notes ("NPNs"). The purchase and holding of NPNs inherently involves a high degree of risk. These risks include, among others, those relating to the potential bankruptcy of the borrower, the redemption rights of the borrower (which would restrict an Investment Vehicle's ability to take title to the underlying property), lack of control over the borrower and the costs, which could be substantial, related to ownership of the NPN, taking title to the property underlying the NPN, potential deficiencies, discrepancies or unfavorable terms in the documents governing the NPN and potential adverse tax consequences. In addition, NPNs may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and substantial write-down of the principal of such loan. To the extent that an Investment Vehicle purchases partial interests in NPNs, an Investment Vehicle may not have control over the workout process and the management of the real estate assets. In an effort to reduce the risks relating to the purchase of NPNs, an Investment Vehicle generally expects that it will only purchase (i) NPNs that are in a foreclosure process, and (ii) NPNs directly from lenders.

An Advisor Client may also make, or acquire, real estate loans (including NPNs) that are mezzanine loans. Mezzanine loans typically are subordinate to other debt obligations of the borrower, and therefore have more risk of loss than senior debt. There is no assurance that an Investment Vehicle will have sufficient funds available from time to time to pay-off any senior debt with respect to mezzanine loans that it purchases, nor is there any assurance that an Investment Vehicle, after considering market conditions, loan terms, other potential capital uses

and other factors determined to be appropriate by the Vehicle Manager, will pay-off any such senior debt even if it has sufficient funds available and is otherwise permitted to do so.

### Potential Environmental Liabilities

A Portfolio Investment's operating costs may be affected by the obligation to pay for the cost of complying with existing and future environmental laws, ordinances and regulations. Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in such property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. In addition, the presence of hazardous or toxic substances, or the failure to take proper remedial actions, may adversely affect the owner's ability to sell the property or to borrow by using such property as collateral. Persons who arrange for the transportation, disposal or treatment of hazardous or toxic substances may also be liable for the costs of removal or remediation of such substances at the disposal or treatment facility, whether or not such facility is or ever was owned or operated by such person. Certain environmental laws and common law principles could be used to impose liability for the release of hazardous materials, including asbestos-containing materials ("ACMs") into the environment, and third parties may seek recovery from owners or operators of real property for personal injury associated with exposure to released ACMs or other hazardous materials. Environmental laws may also impose restrictions on the manner in which a property may be used or transferred or in which businesses may be operated, and these restrictions may require expenditures that may be material. In connection with the ownership and operation of Portfolio Investments, an Investment Vehicle may be potentially liable for any such costs. The cost of defending against claims of liability or remediating a contaminated Portfolio Investment, and the cost of complying with such environmental laws, could materially adversely affect an Investment Vehicle's results of operations and financial condition.

### Compliance with Laws

In addition to environmental laws and regulations, an Investment Vehicle will also be subject to various other federal, state and local regulatory requirements relating to the ownership and operation of its Portfolio Investments, including the Americans with Disabilities Act, state and local fire and life-safety requirements and land use restrictions. Failure to comply with applicable legal and other requirements could result in the imposition of fines by governmental authorities or awards of damages to private litigants. In addition, changes in laws after an Investment Vehicle makes a Portfolio Investment could, among other things, establish more stringent requirements with respect to disposition or operation of a Portfolio Investment or otherwise require an Investment Vehicle to make significant unanticipated expenditures.

### Uninsured Losses; Insurance

The Vehicle Manager will attempt to ensure that all Portfolio Investments are adequately insured to cover property and casualty losses as well as any other liabilities to which Portfolio Investments and an Investment Vehicle may reasonably be expected to be subject, including

tenant indemnities under the terms of any rental or lease agreement. However, insurance may be expensive or difficult to obtain, and there are certain types of losses, generally catastrophic in nature, such as losses due to wars, acts of terrorism, earthquakes, floods, hurricanes, pollution or environmental disasters or other matters, which are uninsurable or not economically insurable, or may be insured subject to limitations, such as large deductibles or co-payments. Insurance risks associated with potential terrorist acts could sharply increase the premiums that an Investment Vehicle (and its subsidiaries) or Portfolio Investments pay for coverage against property and casualty claims. Additionally, in some cases, mortgage lenders insist that specific coverage against terrorism be purchased by commercial property owners as a condition for providing mortgage loans. It is uncertain whether appropriate insurance policies will be available, or available at a reasonable cost, which could impair the Vehicle Manager's ability to finance or refinance Portfolio Investments. In such instances, an Investment Vehicle may be required to provide financial support, either through financial assurances or self-insurance, to cover potential losses. There can be no assurance that an Investment Vehicle will be able to obtain have adequate coverage for such losses. In the event that Portfolio Investments incur a casualty loss that is not fully covered by insurance, the value of an Investment Vehicle's assets will be reduced by any such uninsured loss.

#### Vehicle Manager Fees

The fees payable to the Vehicle Manager (or its Affiliate) may not the subject of arm's length negotiations and may not be consistent with market terms. In addition, all fees and commissions will be paid regardless of the profitability of a Portfolio Investment, which may have the effect of reducing the amount of cash distributions that are made by an Investment Vehicle to its Investors.

#### Mechanic's Liens

Any person who supplies services or materials to a Portfolio Investment may have a lien against the Portfolio Investment securing any amounts owed to such person under state law. Therefore, even if a contractor is paid its contract fees, if that contractor fails to pay its subcontractors or the materials supplier, then the subcontractor and materials supplier who were not paid will have mechanic's lien rights against the Portfolio Investment. If a mechanic's lien does appear against a Portfolio Investment, its release must be obtained or the person holding such lien will have the right to bring an action to foreclose on the Portfolio Investment to satisfy amounts due under the lien.

#### Risks of Multi-Step Acquisitions

In the event an Investment Vehicle chooses to affect a transaction by means of a multi-step acquisition, there can be no assurance that the remainder will be successfully acquired. This could result in an Investment Vehicle having only partial control over the investment or partial access to its cash flow to service debt incurred in connection with the acquisition.



## Litigation

In the ordinary course of its business, an Investment Vehicle may be subject to litigation from time to time. The outcome of such proceedings may materially adversely affect the value of an Investment Vehicle and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of the Vehicle Manager's time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

## Risk of Management Deadlock

A Vehicle Manager will manage, control and conduct the day-to-day affairs of an Investment Vehicle, and will have authority to make all decisions on behalf of an Investment Vehicle (other than exercising any of the rights granted to any Advisory Committee).

Vehicle Managers are often indirectly wholly-owned subsidiaries of, and are controlled by, Adviser.

If the Advisor is unable to reach internal agreement on any material decision or action regarding an Investment Vehicle or the Vehicle Manager, then a deadlock will exist and such decision or action shall not be authorized or approved.

## Limited Right to Remove the Vehicle Manager

A Vehicle Manager may generally only be removed for cause by the vote or consent of Investors holding a majority of the outstanding interests in an Investment Vehicle. Generally, "cause" is deemed to exist if a court of competent jurisdiction renders a final, non-appealable decision finding that (i) the Vehicle Manager committed an act of fraud or gross negligence with respect to the affairs of an Investment Vehicle, or (ii) the Vehicle Manager materially breached one or more of its material obligations under the Organizational Documents and failed to cure such material breach within 30 days after first receiving written notice of such. As a result, Investors may not be able to remove a Vehicle Manager in most circumstances, including the poor performance of an Investment Vehicle. In addition, even if "cause" to remove a Vehicle Manager were to exist, it could take a considerable amount of time to obtain a final, non-appealable decision that cause exists, which could make it extremely difficult, if not impossible, for Investors to remove a Vehicle Manager in a timely manner.

## Dependence on Key Personnel

The success of an Investment Vehicle's affairs will depend, in large part, on the efforts and involvement of the Adviser. Generally, principals of Adviser are not required to devote any minimum amount of time or level of attention to an Investment Vehicle or its Portfolio Investments. The loss of services of a principal could have a material adverse impact on an Investment Vehicle's ability to achieve its investment objectives. Further, subject to certain limitations set forth in an Investment Vehicle's Organizational Documents, the principals may participate in other real estate activities, through both existing relationships and future ventures,

and accordingly they may have conflicts of interest allocating time, services and functions between an Investment Vehicle and their other business interests. Additionally, no assurances can be given that any members of the Adviser's support staff will remain employees of and/or advisors to Advisor, an Investment Vehicle, or any Affiliate thereof.

#### Failure to Meet Targeted Returns

Investment Vehicles generally make investments based upon, among other factors, the Vehicle Manager's projections of internal rates of return and multiples, which in turn will be based upon projections of future growth rates and interest rates of Portfolio Investments and the applicable market, development and redevelopment and/or operating costs, rental and lease-up rates of commercial properties and disposition timing and proceeds, all of which are inherently uncertain. The actual performance of Portfolio Investments will differ from the projections of the Vehicle Manager and may differ materially. There can be no assurance that an Investment Vehicle will achieve its targeted total return on its Portfolio Investments.

#### No Guarantee of Profitability or Return of Capital

No assurance can be given that any sale of Portfolio Investments will occur or that sufficient cash proceeds will be generated by the operations of income producing Portfolio Investments to make any cash distributions to Investors. The proposed cash payments to Investors are speculative and are qualified in their entirety by the assumptions, information and risks disclosed in an Investment Vehicle's Organizational Documents. Vehicle Manager assumptions regarding potential future cash distributions to Investors are subject to variations that will arise as future events actually occur, and the variations may be material. Investors are advised to consult with their own tax and financial advisors concerning the validity and reasonableness of the business, accounting and tax assumptions made in an Investment Vehicle's Organizational Documents and its exhibits.

#### Limitation on Distributions

Distributions of the net cash flow from the operations of Portfolio Investments are generally made on a quarterly basis and distributions of the net proceeds from the sale, refinancing or recapitalization of Portfolio Investments are generally made within 90 days after such proceeds have been received by an Investment Vehicle. However, an Investment Vehicle shall have no obligation to distribute any cash that the Vehicle Manager determines is necessary or advisable to be retained by an Investment Vehicle to (i) pay costs and expenses of an Investment Vehicle and its subsidiaries, (ii) reserve for the payment of the obligations and liabilities of an Investment Vehicle and its subsidiaries (whether fixed, liquidated or contingent), (iii) repay any indebtedness of an Investment Vehicle and its subsidiaries, (iv) make any Portfolio Investment during an Investment Period, and (v) make any Follow-On Investment. Accordingly, no assurances can be made if or when distributions will be made to Investors by an Investment Vehicle.

### Failure to Make Capital Contributions

An Investor's failure to make a Capital Contribution when called generally results in significant dilution in that Investor's interest and other penalties to such Investor. If an Investor fails to pay Capital Contributions to an Investment Vehicle when called and the contributions made by non-defaulting Investors and borrowings by an Investment Vehicle are inadequate to cover the defaulted capital contribution, an Investment Vehicle may be unable to pay its obligations when due. As a result, an Investment Vehicle may be subjected to significant penalties that could materially adversely affect the returns to Investors (including non-defaulting Investors). If an Investor defaults, it will be subject to one or more remedies provided in an Investment Vehicle's Organizational Documents, including dilution of its interest in an Investment Vehicle and capital account, indemnification for losses and set-off against or withholding of distributions otherwise payable to such Investor.

In addition, if an Investment Vehicle is unable to raise substantially more than the minimum offering amount or Capital Commitment obligations are not complied with when required, or at all, an Investment Vehicle will be limited in the number of investments it can make, resulting in less diversification in terms of (i) the number of Portfolio Investments, and (ii) the geographic regions in which the Portfolio Investments are located. In this event, the likelihood of an Investment Vehicle's profitability being disproportionately affected by the performance of any one of its Portfolio Investments, or by a deterioration in the local conditions in regions where an Investment Vehicle's investments are concentrated, will increase.

### Liability for Return of Previous Distributions

If an Investment Vehicle is unable to meet its obligations, the Investors may, under applicable law, be obligated to return any cash distributions previously received by them if such distributions are deemed to be a wrongful payment to them. In addition, if an Investment Vehicle becomes insolvent, an Investor may be liable under applicable federal or state bankruptcy laws to return a distribution made during an Investment Vehicle's insolvency.

### Side Letters; Different Terms of Interests.

A Vehicle Manager will have the discretion to waive or modify the application of any provision of an Investment Vehicle's Organization Documents or grant special or more favorable rights with respect to any provision thereof (including the provisions relating to fees, distributions, allocations, withdrawals, transfers, and notices) with respect to any Investor. To effectuate such waivers or modifications or to grant any special or more favorable rights, an Investment Vehicle may enter into letter agreements (each a "Side Letter") with Third Party Investors. Any Side Letters may be entered into without notice to, or the consent of, the other Investors; *provided, however*, generally, no Side Letter will adversely impact the interest in an Investment Vehicle of any Investor that is not a party to the Side Letter.

### Illiquidity of Interests

Interests in Investment Vehicles represent highly illiquid investments and should only be acquired by Investors able to commit their funds for an indefinite period of time.

Interests in Investment Vehicles are not, and are not anticipated to be, registered under federal or state securities laws or the securities laws of non-U.S. jurisdictions, and such interests generally may not be resold unless they are subsequently registered or an exemption from such registration is available.

Transfers of such interests are also subject to the approval of the Vehicle Manager (which may be granted or denied in the sole discretion of the Vehicle Manager and may be withheld without reason or cause in certain instances). In addition, no assignment or transfer of an interest will be permitted if such assignment or transfer would, in the opinion of counsel for an Investment Vehicle or the Vehicle Manager, (i) require registration under the Securities Act or result in a violation of federal or state securities laws, (ii) require an Investment Vehicle to register as an “investment company” under the Investment Company Act, (iii) result in an Investment Vehicle being deemed terminated within the meaning of Section 708 of the Internal Revenue Code of 1986 of the United States (as amended, the “Code”), or being treated as a corporation under the “publicly traded partnership” rules of Section 469 or 7704 of the Code, (iv) create a substantial risk that the limited liability of the Investors would more likely than not be adversely affected, (v) cause all or any portion of the assets of an Investment Vehicle to constitute “plan assets” for purposes of ERISA or (vi) require the Vehicle Manager or any of its affiliates to register as an investment adviser under the Advisers Act, if such Person is not already so registered. In addition, other than in the case of transfers by operation of law, (a) the proposed transferee must meet the minimum suitability standards set forth in an Investment Vehicle’s Organizational Documents, (b) the proposed transferee may not be a minor or incompetent, and (c) the transfer must be made pursuant to documentation satisfactory in both form and substance to the Vehicle Manager, which documentation must be signed by both the transferor and the proposed transferee and, include, among other things, a confirmation by the proposed transferee that he, she or it has been informed of all pertinent facts relating to the liquidity and marketability of such interests, an acceptance by the proposed transferee of, and an agreement by the proposed transferee to be bound by, all of the terms and provisions of an Investment Vehicle’s Organizational Documents and a representation by the transferor that the transfer was made in accordance with all applicable laws and regulations.

In addition, Investors may not be permitted to withdraw capital from an Investment Vehicle. Consequently, the purchase of interest in an Investment Vehicle should be considered only as a long-term and illiquid investment.

#### Absence of Market for Interest

Generally, there is no public market for interests in Investment Vehicles. Therefore, an Investor may be unable to sell or otherwise transfer any of such interests. Moreover, even if an Investor is able to sell or transfer such interests, the Investor might receive less than the amount of its investment in such interests.

### No Prior Operating History

While Adviser may have substantial experience in real estate investment, an Investment Vehicle and its Vehicle Manager, are generally newly organized entities with no operating history upon which Investors may evaluate performance. The performance of the prior investments made by other Investment Vehicles and their Affiliates cannot be relied on as an indicator of future performance or success of any other Investment Vehicle. No assurance can be given that an Investment Vehicle will attain its investment objectives, be profitable or return Investors' capital.

### Price of Interests

There is generally no third party determination of the fair market value of interest in an Investment Vehicle, nor does the offering price represent a capitalized projection of the earnings of an Investment Vehicle or similar criteria. Generally, no Person makes any representation that any such interests may be sold or disposed of at or above the amount of any Investor's Capital Contribution or at any other price.

### Tax Issues Relating to an Investment Vehicle

An investment in an Investment Vehicle raises significant tax issues, and the tax treatment of such investment may vary significantly from investor to investor.

### Exculpation and Indemnification

Exculpation and indemnification provisions contained in an Investment Vehicle's Organizational Documents may limit the rights of action that would otherwise be available to an Investment Vehicle, the Investors and other parties against the Vehicle Manager, the Vehicle Manager or any of their respective officers, directors, employees, agents, stockholders, members and other Affiliates, and any other Person who serves at the request of the Vehicle Manager on behalf of an Investment Vehicle as an officer, director, member, employee, or agent (as well as other "Covered Persons"), absent such a limitation in an Investment Vehicle's Organizational Documents. Other than in connection with very limited circumstances, an Investment Vehicle will indemnify "Covered Persons" for any loss, damage or expense incurred by such Covered Person acting on behalf of the Investment Vehicle or in furtherance of the interest of the Investors or otherwise arising out of or in connection with an Investment Vehicle or the business of an Investment Vehicle. A Vehicle Manager may have an Investment Vehicle purchase, at an Investment Vehicle's expense, insurance to cover the Covered Persons or any other indemnitee against liability for any breach or alleged breach of its fiduciary or similar responsibilities.

### No Review by SEC; Valid Private Placement

Since the sale of interests in an Investment Vehicle is generally intended to be a private offering and is not registered under the Securities Act or any other applicable securities law of the United States, any state or other jurisdiction, an Investment Vehicle PPM may not have the benefit of review by the SEC or any other commission or similar group. Review by the SEC or state commission(s) customarily results in additional disclosures or some disclosures in a

different format or substance than those originally proposed by the issuer. Furthermore, no assurance can be given that exemptions from registration based on private offerings will be available, and any challenge to the availability of any associated exemption may impair the capital of and otherwise adversely impact an Investment Vehicle.

#### Investment Company Act Considerations

No Investment Vehicle will be registered as an investment company under the Investment Company Act, and the Vehicle Manager generally manages an Investment Vehicle in such a way that an Investment Vehicle will be exempt from registration under the Investment Company Act. Accordingly, investors in an Investment Vehicle will not be afforded the protections provided for under such legislation.

#### Advisers Act Considerations

Vehicle Managers and their respective Affiliates may not be registered as an investment adviser under the Advisers Act, and the Vehicle Manager likely plans on managing Investment Vehicles in such a way that Investment Vehicles are not required to register under the Advisers Act. Accordingly, Investors may not be afforded the protections of such law.

#### Minority Portfolio Investments

An Investment Vehicle may make minority equity investments in entities where an Investment Vehicle may not be able to protect its investments or to control or influence effectively the business or affairs of such entities. The Investment Vehicle may be adversely affected by actions taken by the majority equity holder(s) of the portfolio companies in which it invests.

#### Dilution from Subsequent Closings

Each Investor subscribing for interests in an Investment Vehicle at any closing subsequent to the initial closing, if any, will participate in existing Portfolio Investments, diluting the interests of existing Investors therein. Although each such Investor will contribute its pro rata share of previous drawdowns (plus an additional amount thereon), there can be no assurance that such payment will reflect the fair value of an Investment Vehicle's existing Portfolio Investments at the time such additional Investor subscribes for such interests.

#### Dilution From Parallel Investment Vehicles

Advisor may organize one or more parallel investment vehicles to any Investment Vehicle to facilitate investments by certain Investors, including as necessary to meet legal, tax or regulatory requirements. The structure of parallel Investment Vehicles may differ from that of the original Investment Vehicle, but the parallel vehicle and an Investment Vehicle usually invest in transactions on effectively the same terms and conditions as an Investment Vehicle.

### Confidential Information

Investment Vehicle Organizational Documents contain confidentiality provisions intended to protect proprietary and other information relating to an Investment Vehicle and its Portfolio Investments. To the extent that such information is publicly disclosed, competitors of an Investment Vehicle and/or competitors of its Portfolio Investments, and others, may benefit from such information, thereby adversely affecting an Investment Vehicle, its Portfolio Investments, the Vehicle Manager, and the economic interests of the Investors.

### ERISA Considerations

Depending upon the type of Investment Vehicle, Vehicle Managers use commercially reasonable efforts to avoid having the assets of an Investment Vehicle constitute “plan assets” of any plan subject to Title I of ERISA or Section 4975 of the Code and may, in this regard, elect to operate an Investment Vehicle as a “venture capital operating company” (“VCOC”) or a “real estate operating company” (“REOC”), each within the meaning of regulations promulgated under ERISA. Operating an Investment Vehicle as a VCOC would require that an Investment Vehicle obtain rights to substantially participate in or influence the conduct of the management of portfolio companies in which an Investment Vehicle invests. In this regard, an Investment Vehicle may seek to designate directors to serve on the boards of portfolio companies as to which it obtains such rights. The designation of directors and other measures contemplated could expose the assets of an Investment Vehicle to claims by a portfolio company, its security holders, and its creditors.

Because the Vehicle Manager may operate an Investment Vehicle in a manner intended to qualify an Investment Vehicle as a VCOC or a REOC in order to avoid holding “plan assets” within the meaning of ERISA, an Investment Vehicle may be restricted or precluded from making certain investments. In addition, such operation could require the Vehicle Manager to liquidate investments at a disadvantageous time, resulting in lower proceeds to an Investment Vehicle than might have been the case without the need for such compliance.

### Placement Agents

Vehicle Managers may engage placement agents to, among other things, identify potential investors and facilitate the sale of interests in Investment Vehicles. No assurances can be given that a placement agent will comply with all applicable laws in connection with any such sale. Any failure of a placement agent to comply with applicable laws could result in liability for an Investment Vehicle.

### Freedom of Information Act Considerations

To the extent that a Vehicle Manager determines that it is reasonably foreseeable that information regarding an Investment Vehicle could be disclosed by an Investor as a result of any such Investor being subject to laws in the nature of freedom of information acts, including the U.S. Freedom of Information Act, or as a result of it being subject to public disclosure laws, statutes, statutory instruments, regulations or policies, and the disclosure of such information would not be in the best interests of an Investment Vehicle (and/or its affiliates, as applicable),

the Vehicle Manager (and/or its affiliates, as applicable) may, in order to prevent any such potential disclosure, withhold all or any part of the information that such Investor would otherwise be entitled to receive or access.

### Special Considerations for Non-U.S. Investors

*In General.* The tax consequences applicable to prospective Non-U.S. Investors generally will depend on whether an Investment Vehicle is deemed to be engaged in a U.S. trade or business. Depending upon the nature of the investments to be made by the Investment Vehicle and the activities contemplated by the Investment Vehicle, an Investment Vehicle could be deemed to be engaged in a U.S. trade or business. As a result, a Non-U.S. Investor would be subject to U.S. federal income tax each year on its distributive share of the taxable income of the Investment Vehicle that is deemed to be “effectively connected” with the conduct of a U.S. trade or business, as if such person were a U.S. citizen or resident, regardless of whether the Investment Vehicle makes any cash distributions. In addition, the Internal Revenue Service of the United States (the “Service”) takes the position that gain realized on a sale or exchange by a Non-U.S. Investor of its interests can be treated, all or in part, as effectively connected income, generally determined by reference to Investment Vehicle assets that are attributable to the conduct of a trade or business within the United States.

*Branch Profits Tax.* Prospective Non-U.S. Investors that are non-U.S. corporations should also be aware that the 30% U.S. “branch-profits tax” imposed by Section 884 of the Code would apply to an investment in an Investment Vehicle. This tax is imposed on the deemed distributed earnings and profits of a non-U.S. corporation that is attributable to effectively connected income, modified for increases or decreases in the U.S. net equity of the non-U.S. corporation. The tax rate may be reduced or eliminated for Non-U.S. Investors eligible for benefits under certain United States income tax treaties. In certain circumstances, however, the branch profits tax may override income tax treaty benefits.

*Withholding on Effectively Connected Income.* A 35% withholding tax generally will be imposed on a Non-U.S. Investor’s allocable share of any taxable income of an Investment Vehicle that is “effectively connected” with the conduct of a U.S. trade or business (whether or not such income is distributed). An Investment Vehicle is required to make periodic installment payments to the Service of the withholding tax based on the amount of its Non-U.S. Investors’ allocable shares of effectively connected income. Such withholding tax may be claimed as a credit against a Non-U.S. Investor’s substantive U.S. tax liability and can be recovered as a refund in the event of overpayment.

*Taxation of FDAP Income.* To the extent that an Investment Vehicle realizes any fixed, determinable, annual or periodic (“FDAP”) income (such as interest and dividend income) that is not effectively connected with the conduct of a U.S. trade or business, each Non-U.S. Investor’s allocable share of such income generally will be subject to a flat 30% withholding tax. Such withholding tax may be reduced or eliminated with respect to certain types of such income under applicable U.S. income tax treaties or under the “portfolio interest” rules contained in Section 871 or 881 of the Code, provided that the Non-U.S. Investor provides proper certification as to its eligibility for such treatment. Any Non-U.S. Investor that is a governmental entity qualifying under Section 892 of the Code may be exempt from the 30% withholding tax.



*U.S. Real Property Interests.* Any gain or loss realized by a Non-U.S. person from the actual or constructive disposition of a U.S. Real Property Interest (as defined below) (“USRPI”) generally would be treated as gain or loss effectively connected with the conduct of a trade or business engaged in by the taxpayer in the United States and would be subject to U.S. federal income taxation on a net basis at regular graduated rates. Any gain or loss allocable to a Non-U.S. Investor arising from a disposition by an Investment Vehicle of a USRPI would be so taxable (and generally subject to the 35% withholding tax described above and, in the case of corporate Non-U.S. Investors, subject to the 30% branch profits tax, unless the rate is reduced by an applicable income tax treaty).

In addition, to the extent attributable to USRPIs owned by an Investment Vehicle, the amount realized on a sale or exchange by a Non-U.S. Investor of its interest in an Investment Vehicle would be treated as received in exchange for a USRPI. Gain or loss to the extent so attributable would be subject to U.S. federal net income tax and, in the case of corporate Non-U.S. Investors, the branch profits tax. The amount realized from such sale (including such Non-U.S. Investors’ share of Investment Vehicle liabilities) generally would be subject to a 10% withholding tax. If 50% or more of the value of the gross assets of an Investment Vehicle consists of USRPIs and 90% or more of the value of the gross assets of an Investment Vehicle consists of USRPIs plus cash or cash equivalents, then each interests will be treated in its entirety as a USRPI for purposes of such withholding tax. Any amount so withheld could be applied as a credit against the U.S. federal income tax liability of a Non-U.S. Investor and generally could be recovered by the Non-U.S. Investor as a refund claimed by filing a U.S. federal income tax return in the event of overpayment. “U.S. Real Property Interest” generally means an ownership interest in real property located in the United States or the Virgin Islands and equity interests in certain domestic corporations or partnerships that hold real property interests, but would not include a mortgage loan unless it provided for contingent interest payments based upon the income from or value of the real property securing such loan.

#### Conflicts of Interest

Adviser is subject to various actual and potential conflicts of interest arising out of its relationship with each Vehicle Manager, each Advisor Participant, and each Affiliate of the foregoing that could cause Adviser to make different decisions if such conflicts did not exist.

#### Past Performance Not Necessarily Indicative of Future Performance

There is no assurance that the performance of an Investment Vehicle or any Portfolio Investment will equal or exceed the past investment performance.

Additional risks relevant to Portfolio Investments in direct operating companies or private equity funds, including Investment Vehicles, may be described in the such Investment Vehicle’s Organizational Documents.

## **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 a client or prospective client's evaluation of their advisory business or the integrity of their management. Adviser has no such information to disclose.

## **ITEM 10**

### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Adviser, Vehicle Manager, and Investment Vehicle personnel also are employed by, and/or associated with other affiliated companies (e.g., multiple Vehicle Managers and Advisory Participants).

Certain direct and indirect partners, members, officers and employees of Adviser or an Investment Vehicle may serve as directors or hold executive positions with entities in which Portfolio Investments are held and/or invest alongside any one particular Portfolio Investment. Affiliates of Adviser may be retained by any one of the Investment Vehicle(s) and receive fees for brokerage, lending or other services in connection with property management, asset dispositions, financings or re-financings as well as financial advisory, placement, underwriting and other investment banking services. Any such additional fees will be paid at market rates, as determined by mutual agreement of the Vehicle Manager and such Persons. Such Persons may also receive fees for such services from Persons other than an Investment Vehicle in connection with property acquisitions in which an Investment Vehicle is not an investor.

## **ITEM 11**

### **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

#### *Code of Ethics*

Adviser's Code of Ethics (the "Code of Ethics") is designed to meet the applicable requirements of Rule 204A-1 of the Advisers Act. The Code of Ethics shall apply to Adviser's "Access Persons." Access Persons include, generally, any partner, officer or director of Adviser and any employee or other supervised person of Adviser (or an Affiliate) who, in relation to an Investment Vehicle, (1) has access to non-public information regarding any purchase or sale of securities, or nonpublic information regarding securities holdings, or (2) is involved in making

securities recommendations, executing securities recommendations, or has access to such recommendations that are non-public.

The Code of Ethics sets forth a standard of business conduct that takes into account Adviser's status as a fiduciary and requires Access Persons to place the interests of the Investment Vehicles and Third Party Investors above their own interests and the interests of Adviser and its Affiliates. The Code of Ethics requires Access Persons to comply with applicable federal securities laws.

The Code of Ethics provides for oversight and enforcement and seeks to ensure the protection of non-public information about the activities of the Investment Vehicles.

A copy of the Code of Ethics is available to existing and prospective Investors, upon request to the Chief Compliance Officer, at the Adviser's principal address set forth on the cover page of this Brochure.

#### *Participation or Interest in Client Transactions*

As explained in this Brochure, Affiliates of Adviser (e.g., Vehicle Manager) serves as investment manager to Investment Vehicles and recommends interests in the Investment Vehicles to prospective Third Party Investors. Adviser (and its Affiliates) have a material financial interest with respect to fees paid by Investment Vehicles. Management Fees are payable without regard to the overall success or income earned by Investment Vehicles and therefore may create an incentive on the part of Adviser Affiliates to raise or otherwise increase assets under management to a higher level than would be the case if Adviser Affiliates were receiving a lower or no Management Fee. Investment Vehicles and Investors are provided with disclosure as to how fees are charged and the risks associated with such fees prior to making an investment.

Adviser, its employees, employees of Affiliates, or related Persons may also invest directly or indirectly in Investment Vehicles; however, investments in the Investment Vehicles made by such parties are not typically subject to the asset-based management fees described above. The fact that Adviser's principals, Affiliates, and employees have financial ownership interests in Investment Vehicles also creates a potential conflict in that it could cause Adviser to make different investment decisions than if such parties did not have such financial ownership interests.

Adviser and its Affiliates may give advice and recommend the purchase or sale of interests and other financial instruments, or buy or sell such interests, and instruments for their own account or that of other clients, which advice or instruments may differ from advice given to, or instruments recommended or bought or sold for, Investment Vehicles, even though their investment objectives may be the same or similar.

As stated above, in order to address these potential conflicts and in recognition of Adviser's fiduciary obligations to Investment Vehicles and Adviser's desire to maintain its high ethical standards, Adviser has adopted the Code of Ethics.

Affiliates of Adviser serve as general partner and managing member of various affiliated joint ventures, and as such are entitled to receive certain fees. Potential conflicts could arise involving allocation of investment opportunities between Investment Vehicles and these affiliated joint ventures. Such investment allocation decisions are generally determined by the investment objectives of the Investment Vehicles and may be subject to the review of an Advisory Committee.

A potential conflict could also arise in the event an Adviser Affiliate and an Investment Vehicle are members of the same affiliated joint venture and have different strategies relating to operations, financings or disposition. To the extent such conflict arises Adviser will generally seek the advice of the Advisory Committee.

### *Personal Trading*

Adviser Affiliates are investment advisers to Investment Vehicles that invest in real estate and real estate related assets. Due to the nature of the Investment Vehicle's investment programs, Adviser and its Affiliates do not select or recommend publicly-traded securities.

Adviser and its Affiliates do not trade securities on material, non-public information. Adviser shall maintain a "Restricted List" with the names of issuers of securities about which Adviser (or its Access Persons) has learned material, nonpublic information. Access Persons are strictly prohibited from trading securities on the Restricted List (or any other securities to which the material, non-public information relates).

Access Persons are permitted to make securities transactions in their personal accounts. This could present a potential conflict in that an Access Person could make improper use of information such as an Investment Vehicle's holdings or future transactions or research paid for by the Investment Vehicle.

Adviser is committed to acting in the best interest of its Investment Vehicles.

## **ITEM 12**

### **BROKERAGE**

As described in Item 4, above, Adviser Affiliates are investment advisers to Investment Vehicles that invest in real estate and real estate related assets. Due to the nature of the Investment Vehicle's investment programs, Adviser and its Affiliates do not select or recommend publicly-traded securities; as a result, it does not contract with broker-dealers and does not engage in soft dollar practices, directed brokerage or trade aggregation for Investment Vehicle.

## ITEM 13

### REVIEW OF ACCOUNTS

Generally, Adviser's Investment Committee is responsible for (i) the initial evaluation of whether an investment is suitable for a respective Investment Vehicle, (ii) the continuous monitoring of Portfolio Investments, and (iii) any material changes to the business plan applicable to the Portfolio Investments. The Adviser's Investment Committee reviews investments on a regular basis. The Adviser's Investment Committee meets on a weekly basis (via phone and/or in person) to assess and discuss potential investments and modify (as necessary) the asset management strategy for the Investment Vehicle's investments.

The following employees of the Adviser are members of the Adviser's existing Investment Committee:

- Dana Ostenson, Chief Compliance Officer
- Susan Xu, President

Portfolio Investments are typically substantially private, illiquid and long-term in nature, and not directed toward a short-term decision to disposition. However, the Adviser closely monitors the Portfolio Investments and generally maintains an ongoing oversight position in such investments.

Investors typically receive a copy of audited financial statements of the relevant Investment Vehicle or underlying investment within 120 days after the fiscal year end of such Investment Vehicle, as well as quarterly financial reports within 90 days after each fiscal quarter end. The Adviser and the applicable Vehicle Manager may from time to time, in their sole discretion, provide additional information relating to such Investment Vehicle to one or more Investors in such Investment Vehicle as they deem appropriate.

**Third Party Investors should refer to the appropriate Investment Vehicle's Organizational Documents for detailed information regarding all matters concerning an Investment Vehicle, including but not limited to reports and accounting.**

## ITEM 14

### CLIENT REFERRALS AND OTHER COMPENSATION

The Adviser does not receive any additional compensation from third parties for providing investment advice to its managed Investment Vehicles and does not compensate for Third Party Investor referrals; however, the Adviser may engage broker-dealers from time to time to act as a placement agent with respect to its Investment Vehicle's private placement offerings. Generally, such broker-dealers' compensation is based on a percentage of Capital Commitments secured by any such placement agent for an Investment Vehicle. Any such placement agent hired by the Adviser in connection with such offerings will be required to be registered with the SEC as a broker-dealer and will be required to be a member of FINRA. Such agreements would typically

require that the Adviser agree to indemnify the placement agent for certain losses, claims or damages to which the placement agent may be subject in connection with its engagement by the Adviser.

Any such agreements will require the placement agent or solicitor to meet the disclosure and other requirements of Rule 206(4)-3 under the Advisers Act (and relevant SEC guidance, including No-Action Letters). Furthermore, these agreements require the placement agent or solicitor to obtain a fee disclosure statement executed by the prospective investors in Investment Vehicles or client disclosing the existence of the relationship as well as the amount of fees earned by the placement agent or solicitor the terms of the agreements may vary depending upon the circumstances.

## **ITEM 15**

### **CUSTODY**

Generally, the Adviser only has custody of Third Party Investors funds for a short duration (i.e., following a funding request and prior to a Portfolio Investment), and such custody is generally by and through a Vehicle Manager's control over an Investment Vehicle.

Investment Vehicles engage independent public accountants to conduct an annual audit of Investment Vehicle financial statements. Audited financial statements will be distributed to Investors within 120 days after the end of the relevant Investment Vehicle's fiscal year.

## **ITEM 16**

### **INVESTMENT DECISIONS**

Generally, Adviser, through one or more Vehicle Managers, has discretion to make all investment decisions for an Investment Vehicle, subject to any applicable investment criteria or other restrictions and limitations set forth in an Investment Vehicle's Organizational Documentation. In addition, Investors in pooled vehicles must execute a subscription agreement, an information statement, and/or a contribution agreement pursuant to which such Investors make various representations, including representations regarding their suitability to invest in a high risk investment pool.

## **ITEM 17**

### **VOTING CLIENT SECURITIES**

The Adviser does not vote publically-traded Investment Vehicle securities, as the Adviser does not currently invest in publicly-traded securities on behalf of its Investment Vehicles. In the event an Investment Vehicle were to receive a distribution of public securities from an Investment Subsidiary, it would expect to immediately sell such securities for cash and disburse

any such cash pursuant to the terms of the Investment Vehicle's Organizational Documents.)

With respect to Investment Vehicles that are entitled to vote on issues of any Investment Subsidiary or other Investment Vehicle, the Vehicle Manager, or its permissible designee, will exercise voting authority on behalf of the Investment Vehicle.

## **ITEM 18**

### **FINANCIAL INFORMATION**

The Adviser is not aware of any financial condition that is reasonably likely to impair the Adviser's (or any Affiliates) ability to meet contractual commitments to its Investment Vehicles. The Adviser has not been the subject of a bankruptcy petition at any time during the past ten years.

## **ITEM 19**

### **REQUIREMENTS FOR STATE-REGISTERED INVESTMENT ADVISERS**

The Adviser is not registered with any state securities authorities.