

ITEM 1. COVER PAGE

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PART 2A OF FORM ADV: FIRM BROCHURE

**GRASS RIVER CAPITAL PARTNERS LLC**

March 29, 2018

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**This brochure provides information about the qualifications and business practices of GRASS RIVER CAPITAL PARTNERS LLC (“GRCP” or the “Manager”). If you have any questions about the contents of this brochure, please contact us at (305) 901-1000. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

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

**GRASS RIVER CAPITAL PARTNERS LLC is registered with the SEC as an investment adviser. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.**

## **ITEM 2. MATERIAL CHANGES**

As of March 29, 2018, GRCP had approximately \$257,550,000 in regulatory assets under management. A number of other changes have been made to reflect further development of the advisory business, including changes in Item 4, Item 5, Item 8, Item 10 and other conforming changes throughout.

The material changes include:

- This brochure amends the brochure dated September 25, 2017 and includes updates, none of which are deemed to be material, to information regarding the Managers practices.

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#### ITEM 4. ADVISORY BUSINESS

**This brochure has been prepared on the basis of the way GRCP expects to conduct its investment advisory operations once such operations fully commence.**

##### *General Description of GRCP*

Grass River Holdings, LP (“GRH” and, together with its affiliated entities, “Grass River” or the “Firm”) was formed to be an integrated commercial real estate (“CRE”) investment and services firm with activities across CRE debt and equity sectors. GRH is the indirect parent company of GRCP. GRCP is a Delaware limited liability company and a registered investment adviser that was founded in October 2016 and is wholly owned by Toby Cobb, Justin Kennedy and Jonathan Roth, each of whom is also a Managing Partner of GRCP.

The Firm comprises the following businesses, among others: investment and risk management, capital markets, asset management and servicing. Each of these business areas is part of GRCP’s vertically integrated platform (*i.e.*, each business area contributes in a fundamental way to the analysis, origination or management of client investments) and its investment strategy. For more information regarding these businesses, please refer to Item 10 below.

In addition to its main office in Miami, Florida, GRCP provides investment management services from offices in New York, New York and greater Los Angeles, California.

##### *Description of Advisory Services*

GRCP provides (or expects to provide) investment advisory services to (1) a privately offered pooled investment vehicle (the “Fund”) and (2) a joint venture that will invest alongside the Fund (the “JV”) (the Fund and the JV are each a “Client” and are referred to collectively herein as the “Clients”). Grass River RE Credit GP I, L.P. (the “General Partner”) is the general partner of the Fund and the JV. As applicable, references to GRCP herein shall include the General Partner.

The Fund will invest most, if not all, of its assets alongside the JV and other investors in Grass River Real Estate Credit Holdco, L.P., a Delaware limited partnership (“Holdco”), which, in turn, will invest all of its assets in Grass River Real Estate Credit Partners REIT LLC, a Delaware limited liability company (the “GR REIT”) that will conduct its operations in order to qualify as a “real estate investment trust” within the meaning of Section 856(a) of the Code and in which Holdco currently owns all the common equity.

The GR REIT is formed to hold substantially all of the Fund’s and the JV’s investments, principally CRE loans originated or acquired to be held for investment.

GRCP provides advisory services to its Clients principally regarding debt and, on a more limited basis, equity investments, including mortgages, structured finance products and other investment opportunities related to CRE. GRCP also provides CRE-related advisory services to other clients regarding singular, one-off, opportunistic transactions.

GRCP anticipates the formation of additional fund clients and separately managed accounts that invest primarily in various CRE debt strategies as market conditions evolve. All GRCP strategies will emphasize the vertically integrated approach facilitated by the platform infrastructure.

GRCP does not participate in wrap fee programs and does not manage wrap fee accounts.

#### *Co-Investments*

The General Partner or its affiliates may, in their sole discretion, provide co-investment opportunities to one or more strategic and relationship co-investors, as well as certain limited partners in the Fund (the “Limited Partners” and, together with the General Partner, the “Partners”), or others. Strategic and relationship co-investors will be determined by the General Partner in its sole discretion, which may include Limited Partners and/or third parties, and will be persons that provide, or are expected to provide, strategic benefits in connection with sourcing or consummating the investment opportunity or following consummation of the investment, such as operational or similar strategic benefits, committed financing or lending support, certainty or expediency of closing, support in diligence or industry expertise, benefits to the investment in terms of regulatory or tax profile, or otherwise. Co-investment opportunities will be offered on a deal-by-deal basis, to the extent available and appropriate, but the General Partner will be under no obligation to offer any such opportunity to any Limited Partner or other potential strategic and relationship co-investor.

Co-investments may be offered by the General Partner or its affiliates to the extent that (1) the size of a particular investment opportunity exceeds the aggregate desired allocation to the Fund, the JV or the GR REIT and/or (2) there is adequate interest of prospective investors, including strategic and relationship co-investors.

#### *Availability of Tailored Services*

As a general matter, GRCP manages the Fund in accordance with the investment objectives, restrictions and criteria outlined in the Fund’s private placement memorandum and governing documents. Investment advice is provided directly to the Fund and not to individual fund investors.

GRCP manages the JV in accordance with the JV’s governing documents and an investment management agreement that includes negotiated guidelines, restrictions regarding investments and other investment criteria and certain consent requirements as described further below. The JV has been tailored to meet specific investor requirements.

Separately managed accounts can be tailored to meet specific investor preferences including, *e.g.*, (1) investment type (senior secured or mezzanine loans), (2) portfolio diversification (loan size, property type and geographic location), and (3) loan maturity (minimum and maximum terms).

Services regarding singular, one-off, opportunistic transactions also are tailored to meet specific investor preferences.

### *JV Consent Rights*

Pursuant to the governing documents of the JV, the holder of the majority of interests in the JV (the “JV Investor”) has a right to approve (1) any origination, acquisition or financing of any loan or other investment made by the JV (indirectly through Holdco and the GR REIT), (2) the securitization of loans, (3) certain work-out decisions relating to the loan assets, (4) certain dispositions of investments and (5) certain other actions taken by the JV (or taken by Holdco and the GR REIT). Accordingly, the JV, Holdco and the GR REIT will not make any such investment or engage in any such action that has not been approved by the JV Investor.

When determining whether to approve any such contemplated investment or action, the JV Investor will consider its own interest and will not, and will have no obligation or duty to, consider the interests of the Fund, Holdco, the GR REIT or any of the Limited Partners (or any of the other limited partners of Holdco or any members of the GR REIT) and will have no obligation to approve (or disapprove) any such investment or action. Although during the investment period of the JV, the JV will generally be the sole vehicle through which the JV Investor will originate certain forms of CRE loans, the JV Investor (collectively with its underlying investment funds, any entity serving as investment adviser, investment manager, general partner or in a similar capacity in respect of any of such funds, and the affiliates of any of the foregoing (for the avoidance of doubt, the General Partner and the Manager will not be deemed affiliates of the JV Investor)) may otherwise engage in any business, including any business competitive with the investment strategies of the Fund, the GR REIT and GRCP.

### *Advisory Committee to the Fund*

The General Partner will establish an advisory committee for the Fund (the “Advisory Committee”) which will comprise at least three representatives of certain Limited Partners. The Advisory Committee will provide such advice and counsel as is requested by the General Partner in connection with certain potential conflicts of interest and other Fund matters, including the incurrence of certain indebtedness, extension of the term of the Fund, waiver of certain investment restrictions, approval of changes to certain fee arrangements, approval of replacement key persons and resumption of the commitment period under certain circumstances. The General Partner will have the right, in its sole discretion, to appoint non-voting observer seats on the Advisory Committee to certain Limited Partners. The General Partner will retain ultimate legal authority for all decisions relating to the operation and management of the Fund, including, but not limited to, investment decisions.

### *Client Assets Under Management*

As of March 29, 2018, GRCP had approximately \$257,550,000 in regulatory assets under management managed on a non-discretionary basis.

## ITEM 5. FEES AND COMPENSATION

### *Fee Schedule*

GRCP's fee schedule is omitted because this brochure is being delivered only to qualified purchasers, as defined in section 2(a)(51)(A) of the Investment Company Act of 1940 (the "Investment Company Act").

*The Fund.* GRCP will deduct a management and administrative fee (the "Management and Administrative Fee") from the Fund's assets, typically in advance, on a quarterly basis. The GR REIT also will pay a management fee, each quarter in advance (the "GR REIT Investment Management Fee") to the General Partner in its capacity as the manager of the GR REIT (in such capacity, the "GR REIT Investment Manager"). Due to limitations on withdrawals, the Management and Administrative Fee and the GR REIT Investment Management Fee will in almost all cases have been earned at the time of withdrawal. In the unusual situation in which such fees have not been earned at the time of withdrawal, the Management and Administrative Fee and the GR REIT Investment Management Fee will be prorated for any period that is less than a full quarter.

The Management and Administrative Fee payable for any calendar quarter will be reduced on a dollar-for-dollar basis (but not below zero) against the amount of the GR REIT Investment Management Fees received by the GR REIT Investment Manager (or an affiliate thereof) for that portion of the GR REIT Investment Management Fees that relates to the Fund's interest in the GR REIT through its investment in Holdco. To the extent that GR REIT Investment Management Fees received in a calendar quarter are in excess of the Management and Administrative Fee payable in such quarter, the excess will be carried forward and will reduce the Management and Administrative Fee to be paid to GRCP on a dollar-for-dollar basis (but not below zero) payable for the next (and, if applicable, succeeding) calendar quarters, with such reduction to be allocated among Partners based upon their relative percentage interests.

GRCP or the General Partner also may receive performance-based compensation or carried interest ("Incentive Distributions") from the Fund.

Generally, such fees are not negotiable; however, in certain cases, GRCP or the General Partner, as applicable, may waive or reduce Management and Administrative Fees and performance-based compensation or Incentive Distributions for certain investors, including employees and affiliates.

*The JV.* The terms for payment of (1) management fees, which consist of an annual retainer, (2) incentive-based compensation, (3) any offsets and (4) expenses regarding the JV are as set forth in the relevant governing documents.

*Additional Clients.* The terms for payment of fees and expenses regarding any new fund client will be set forth in the relevant offering documents and/or other governing documents of such client. Additionally, the terms for payment of fees and expenses regarding a new separately managed account client and any singular, one-off, opportunistic transaction are negotiated on an

account-by-account basis and set forth in the applicable investment management agreement or other governing documents.

#### *Side Letters Regarding Fund Investors*

The General Partner may enter into one or more side letters or similar written agreements with one or more Limited Partners. Each such agreement may establish rights under, or alter or supplement the terms (including the economic terms) of, the Fund's partnership agreement, but may not impose any additional obligations or liabilities on any other Limited Partner not party to such agreement. Any such terms may be more favorable than those offered to any other Limited Partners. The General Partner may, in its discretion, *e.g.*, agree in such "side letters" or similar agreements to waive or reduce its Management and Administrative Fee or Incentive Distributions, include rights or terms necessary in light of particular legal regulatory or public policy characteristics of a Limited Partner or provide enhanced reporting or transparency. Such "side letters" or similar agreements will not, however, combine preferential information rights with preferential redemption rights to the detriment of other investors. "Side letters" or similar agreements generally are disclosed only to Limited Partners that have separately negotiated with GRCP for the right to review such "side letters" or similar agreements.

#### *Additional Fees and Expenses*

In addition to the Management and Administrative Fees and Incentive Distributions described above, the Fund will pay additional fees and expenses, such as those included in the following non-exhaustive list.

The Fund will bear all legal and other organizational expenses (the "Organizational Expenses") incurred in connection with the formation of the Fund, the General Partner, any parallel funds and feeder funds, Holdco and the GR REIT (but not the JV) and the admission of Partners to the Fund and investors to any parallel funds or feeder funds, including travel, legal, accounting, filing and all other expenses incurred in connection with the offer and sale of interests in the Fund and such parallel funds and feeder funds; provided, that any Organizational Expenses in excess of \$2.5 million shall be paid by the General Partner. Additionally, the JV Investor has agreed to bear certain portions of the Organizational Expenses of the Fund, Holdco and the GR REIT as detailed in the relevant governing documents.

The Fund will pay or, to the extent expenses are paid by the General Partner, the Manager or their respective affiliates, reimburse the General Partner, the Manager or their respective affiliates, as applicable, for all of the expenses attributable to the activities of the Fund and its share of similar expenses of Holdco and the GR REIT, including, without limitation: (1) Organizational Expenses (as described above); (2) all expenses incurred in connection with the investigation, evaluation, sourcing, structuring, organization, acquisition, consummation, ownership, maintenance, monitoring, carrying, management or disposition of the Fund's investment in the GR REIT and other investments made directly by the Fund, if any, and related transactions (whether or not consummated), including, without limitation, the costs and expenses of outside legal counsel, tax advisors, brokers, asset managers, servicers, experts, environmental consultants, work out specialists, travel-related expenses (both private and commercial), any broken deal expenses, due diligence expenses and similar costs of GRCP and its employees and



agents; (3) all broker's commissions, clearance charges and other normal charges, costs and expenses incidental to the purchase, sale or other disposition of the investments; (4) expenses incurred in connection with the preparation and distribution of the Fund's financial statements, tax returns and periodic reports; (5) professional fees and expenses directly related to the fund; (6) placement agent fees in connection with the sale of interests in the Fund as provided for in the Fund's partnership agreement; (7) the Fund's share of expenses related to Holdco, the GR REIT and any other direct or indirect subsidiaries of the GR REIT, which expenses will be paid by Holdco and the GR REIT or any direct or indirect subsidiary of the GR REIT; (8) all expenses of the transfer, receipt, safekeeping, servicing and accounting for the investments, cash and other property, including all charges of depositories, custodians, asset managers, servicers, title companies and other agents, if any; (9) all charges for services and expenses of the Fund's outside legal counsel, outside tax advisors and independent auditors; (10) any and all expenses (including legal fees and expenses of outside counsel) incurred to comply with any law, rule or regulation related to the activities of the Fund (including regulatory and compliance expenses of the Fund and the General Partner, including Form PF filings); (11) such nonrecurring expenses as may arise, including the costs of actions, suits or proceedings to which the Fund is a related party and the expenses that the Fund may incur as a result of its legal obligation to provide indemnification pursuant to the Fund's partnership agreement or the Fund's management and administration agreement or any other contract; (12) taxes and governmental fees payable by the Fund; (13) the Fund's share of insurance (including, but not limited to, general liability and errors or omissions insurance in respect of the General Partner, the Manager or their respective affiliates and related entities); (14) out-of-pocket expenses incurred in connection with direct financings, including subscription secured credit facilities; (15) expenses incurred in connection with warehouse credit facilities and securitization transactions; (16) expenses incurred in connection with the formation and maintenance of any parallel funds, feeder funds or other special purpose or alternative investment vehicles to the extent permitted under the Fund's partnership agreement and/or co-investment vehicles; (17) the Fund's share of expenses incurred in connection with the winding up or liquidation of the Fund, the General Partner, any parallel fund, any feeder fund, any other special purpose or alternative investment vehicle or any co-investment vehicle; (18) expenses relating to defaults by Partners in the payment of any capital contributions; (19) expenses incurred in connection with any restructuring or amendments to the constituent documents of the Fund, the General Partner, any parallel fund, any feeder fund, any other special purpose or alternative investment vehicle and any co-investment vehicle; (20) the Fund's share of expenses incurred in connection with any valuation and appraisal of the assets of the Fund and the GR REIT (including third-party valuation firms and software); (21) expenses incurred in connection with co-investment opportunities made or proposed to be made, if any (including, in the case of co-investment opportunities that are not consummated, any portions of such expenses that are not borne by co-investors); (22) expenses incurred in connection with distributions to the Partners; (23) expenses incurred in connection with compliance with side letters and most favored nations processes; (24) unreimbursed costs and expenses incurred in connection with any transfer by any Limited Partner; (25) costs and expenses associated with any hedging activities relating to investments made directly by the Fund, if any; (26) the Fund's share of expenses incurred in connection with systems and software; and (27) expenses incurred in connection with any meeting with any Partner(s) or with the Advisory Committee, as well as other costs and expenses specified in the Fund's partnership agreement. The foregoing costs and expenses are referred to herein as "Operating Expenses."

To the extent any Operating Expenses are incurred or paid by the Manager or the General Partner or their respective affiliates, such Operating Expenses will be reimbursed by the Fund, and the General Partner will have the right to make capital calls in order to obtain such reimbursements. In addition, the amount of any fees, costs and expenses related to in-house services provided by the General Partner or its affiliates that are incurred, charged or specifically attributed or reasonably allocated to the Fund (including any parallel funds), when taken together with the amount of any such fees, costs and expenses that are incurred, charged or specifically attributed or reasonably allocated to the GR REIT, the JV, other vehicles investing in Holdco and Holdco in connection with the provision of similar in-house services by the General Partner or its affiliates (but without duplication), shall be no greater than, in any fiscal year, \$500,000 in the aggregate; *provided*, that (1) the General Partner reasonably believes that (x) it is in the best interest of the Fund to have in-house personnel perform such activities rather than third-party service providers and (y) the cost of providing such services in-house is less than the amount that would be charged by third-party service providers under arm's-length transactions, and (2) the General Partner shall provide annual notice to the Advisory Committee of the in-house services and the costs of such services provided to the Fund, the GR REIT, the JV, other vehicles investing in Holdco and Holdco.

The General Partner and the Manager will bear their own “overhead” expenses associated with the Fund’s activities (including compensation of officers and employees of the General Partner and the Manager and their respective affiliates and general office overhead), subject to the investment level fees referenced above.

Expenses related to consummated transactions are generally shared *pro rata* by all investors participating in the transaction, including, clients, co-investment vehicles or funds. Potential co-investors who invest alongside the Fund share broken deal expenses only if the particular co-investor has a contractual obligation to co-invest in the particular transaction and/or bear such expenses regarding the specific investment. Therefore, the Fund, and not a potential co-investor, typically bears these expenses.

#### *Other Compensation GRCP’s Affiliates Receive in Connection with the Loans*

GRCP’s strategy involving, *e.g.*, loan origination and loan pool financing activities, requires that certain asset-level processes be performed. GRCP believes that its affiliates perform these processes in a manner that is of higher quality and reliability, as well as more timely, than services generally available from third-party service providers. It is GRCP’s intent to contract with affiliates to perform certain required asset-level processes upon terms similar to those available from third-party providers. From time to time, however, GRCP may conclude that a third party may provide such service in a superior or more efficient manner and contract such with such third-party provider.

As described further below, GRCP’s affiliates receive loan origination fees, transaction fees and fees in connection with the management and servicing of certain portions of the loans that each Client owns.

To the extent that GRCP or its affiliate performs all or a portion of the services listed above, the costs of such services will be reimbursed by the GR REIT. To the extent that a third party

performs such services and GRCP incurs all or a portion of the corresponding expenses listed above, such expenses will be reimbursed by the GR REIT. As noted above under *Additional Fees and Expenses*, the Fund ultimately bears its share of applicable expenses paid by the GR REIT and reimburses the GR REIT accordingly as set forth in the relevant offering documents and/or other governing documents.

For example, the GR REIT (or a direct or indirect subsidiary of the GR REIT) will pay GRCP's affiliated service providers the following fees:

- Direct loan origination fee—regarding any investment sourced by such affiliate and originated by the GR REIT
- Third-party arranged loan origination fee—regarding any investment originated as the result of the relationship between the originator and such affiliate
- Bank arranged loan sourcing fee—a percentage of the loan balance paid to banks for loans sourced through the “arranger bank” process
- Underwriting and due diligence fee—regarding investment due diligence
- Loan processing fee—regarding the processing of any loan
- Permanent Financing (as defined below) preparation fee—regarding loan data collection, verification and formatting, the preparation of scenario modeling tools, the preparation of rating agency loan packages and other loan and portfolio data management processes in connection with the preparation of any Permanent Financing (as defined below)
- Primary loan servicing fee—regarding any investment serviced by such affiliate
- Special servicing loan fee—regarding any investment in default serviced by such affiliate
- Liquidation fee—regarding any investment in default for which such affiliate performs liquidation-related services and paid by the GR REIT to the extent not otherwise paid by the borrower
- Workout fee—regarding any investment in default and paid by the GR REIT to the extent not otherwise paid by the borrower

### *Third-Party Fees/Expenses*

The Fund will pay third parties the following fees and expenses, among others:

- Securitization fees/expenses— a percentage of the pool balance for underwriting, placement, rating agencies, legal and other costs
- Broken deal expenses—third-party loan origination expenses (e.g., appraisal, environmental, property condition, legal, etc.) are generally paid from up-front deposits funded by the borrower; however, in certain instances of broken deals, the Fund may bear some of these costs
- Sub-servicing fees
- Fees for loan administration and cash management

The payment of any of the fees described above will not cause a reduction of the Management and Administrative Fee nor will such fees be taken into account when determining the General Partner's Incentive Distributions.

Detailed information about the types of fees and/or expenses that a client pays in connection with the advisory services that GRCP provides is contained in the relevant offering documents, governing documents and/or investment management agreement or similar agreement, as applicable.

Additionally, please see Item 10 for discussion regarding conflicts of interest related to the GRCP's use of affiliated service providers and Item 12 for discussion of the brokerage and other transaction costs.

## **ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Both the Fund and the JV potentially pay performance-based compensation.

Managing assets for different clients with different fee structures, including the side-by-side management of a client that pays performance-based compensation and one that does not or the side-by-side management of clients that pay different levels of performance-based compensation, can create a conflict of interest for GRCP.

Such an arrangement can create an incentive for GRCP to favor accounts with the most profitable performance-based compensation structure. Additionally, such arrangements give rise to potential conflicts of interest including with respect to:

- The allocation of investment opportunities; and
- Transactions among clients (*i.e.*, cross trades).

Consequently, when trading on behalf of multiple clients with differing performance-based fees, GRCP endeavors to allocate investment opportunities among clients in a fair and equitable manner over time so that no client is systematically disadvantaged.

Currently, only the JV is funded. It is expected, however, that when both Clients are funded, they will invest *pro rata* (based on the respective committed capital contribution of each) side-by-side through Holdco in the GR REIT. Therefore, it is not anticipated that a conflict of interest will arise regarding the allocation of investments between the JV and the Fund due to differences in compensation arrangements.

Please see Item 11 below for further discussion regarding the allocation of investment opportunities and transactions among clients.

## **ITEM 7. TYPES OF CLIENTS**

GRCP offers investment advisory services to funds, separately managed accounts and other types of clients (*e.g.*, institutions, family offices, high net worth individuals, etc.).

With limited exceptions, where permitted by applicable law, GRCP requires that the investors in the funds it advises (and other investors) to be "qualified purchasers" as that term is defined in Section 2(a)(51) of the Investment Company Act (with the exception of certain GRCP personnel who qualify as "knowledgeable employees" under Rule 3(c)-5 of the Investment Company Act).

GRCP also generally requires, with some exceptions that may be granted at the sole discretion of the General Partner, (1) each underlying investor in the Fund to invest a minimum of \$10,000,000 and (2) each separately managed account to invest a minimum of \$25,000,000.

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

### *Methods of Analysis*

As noted in Item 4, the Grass River entities comprise a number of business areas, several of which contribute in a fundamental way to GRCP's investment analysis and vertically integrated CRE strategy. The CRE strategy focuses primarily on CRE mortgage lending and special opportunities in CRE debt and equity securities. Being "vertically integrated" means that Grass River will control all aspects of the life cycle of the CRE loans and other investments, including with respect to sourcing capabilities, the investment process, asset management, relationship servicing, hedging and financing/securitization. For more information regarding these business areas, please refer to Item 10.

Below are brief summaries of certain of the primary elements of the investment analysis and lending process:

- Initial Screening Process. The origination team pre-screens opportunities to determine their suitability based on the Client's credit parameters, investment goals and risk-adjusted return targets.
- Underwriting and Due Diligence. Upon the receipt of the executed term sheet and expense deposit, in-depth underwriting and due diligence will be performed on each potential opportunity.
- Structuring and Negotiation. The deal team will coordinate with the investment team to vet the potential origination opportunity to understand the risks particular to the transaction and determine if those risks can be properly structured and priced to generate attractive risk-adjusted returns consistent with the Client's goals. If the potential borrower accepts the proposed terms, the deal team will then present the transaction to the Firm's Investment Committee (the "IC").
- Investment Committee Process. The IC meets regularly to review potential transactions and provides final funding approval for all loans and major investment decisions. Each potential origination opportunity must be submitted to the IC for formal review and approval.
- Hedging. Simultaneous with the rate lock or the closing (as applicable) of a loan, the structuring team will implement the investment team's interest rate and credit spread hedging strategy with respect to liabilities incurred or to be incurred in order to carry the loan as an asset.
- Financing. The appropriate interim financing is determined for each completed loan. Warehouse lenders are selected strategically and the terms and conditions of each warehouse credit facility are negotiated.

- Asset Management and Servicing. The servicing team monitors and administers the loan on an ongoing basis. The primary goal of the servicing team is to identify emerging risk factors impacting portfolio loans, individual collateral properties or borrower sponsors. If a loan goes into default, the servicing team (with oversight from the investment team) will seek to mitigate losses and protect the investment in the loan. It is expected that certain administrative servicing functions will be performed by a third-party sub-servicer.

### *Investment Strategies*

GRCP's strategies involve (1) accessing the expertise of its affiliates in an integrated investment approach to CRE investing and (2) leveraging the cross-sector capabilities of the Grass River platform to achieve superior risk adjusted long-term returns relative to other CRE strategies (*e.g.*, those based on programmatic concepts and/or outsourcing basic tasks to third-party service providers). This integrated approach includes the sourcing of new CRE investment opportunities in commercial mortgage lending and the management of such investments through their full life cycles.

Within CRE investing, GRCP pursues two distinct strategies:

- CRE Target Loans (as defined below); and
- Special situation opportunities.

Further, as part of its investment strategies and as noted under Item 4, GRCP expects to establish one or more subsidiary real estate investment trusts ("REITs") to hold certain Client portfolio investments, principally mortgage loans originated or acquired to be held for investment. Additionally, the sale of Related REMIC Securities (as defined below) will be made through a taxable REIT subsidiary.

Basic to both strategies is the integrated platform described above that provides for hands-on sourcing, diligence, asset management, loan servicing and resolution/workout processes. Basic to the CRE Target Loans strategy (as defined and described below) is the securitized leverage structure which is expected to enhance the impact of the integrated platform *vis a vis*:

- Asset level control of asset management;
- Workout situations; and
- Flexibility.

### CRE Target Loans

The CRE lending strategy targets origination and acquisition of first-lien, fixed-rate CRE loans with certain parameters (the "Target Loans") secured by stabilized, well-located properties throughout the United States. As an investor, the Client acts as a "spread lender," collecting the interest income on its loan assets less the interest expense of its matched-term secured financing.

The strategy also contemplates using leverage on a secured basis in connection with the origination or acquisition and financing of Target Loans and other investments. Pools of Target

Loans are expected to be refinanced with long-term, secured financing of investments. Such long-term, secured financing will be effected, *e.g.*, through (1) the issuance of indebtedness secured by a pool of assets and incurred through a securitization transaction (“Securitized Liabilities”), (2) the sale of pass-through certificates issued by a “real estate mortgage investment conduit” (“REMIC”) and secured by a pool of CRE loans, 20% or more of the value of which was contributed by the Client or its affiliate to the REMIC (“Related REMIC Securities”), or (3) matched-term secured financing in other formats. (Any such Securitized Liabilities, Related REMIC Securities or other long-term, secured financing is referred to herein as “Permanent Financing.”)

Additionally, GRCP may invest on behalf of its Clients in: (1) CRE loans that vary materially from one or more of the characteristics of Target Loans; (2) B-Notes relative to CRE loans; (3) so-called “B-pieces,” representing the most subordinated interests in securitization transactions relating to CRE loans where (x) the Firm is not a loan contributor or originator or (y) the relevant Client or its affiliate has not contributed 20% or more of the value of the CRE loans in the securitization transaction; and (4) preferred equity interests in, or mezzanine loans related to, pass-through entities owning CRE.

#### Special Situation Opportunities.

This strategy involves the investment, from time to time, in “one-off” or “bespoke” opportunities that may arise in CRE debt markets based on timing, liquidity or other “special situation” factors. These types of transactions may include:

- Opportunistic commercial mortgage-backed securities (“CMBS”) B-Pieces;
- Pre-2008 crisis vintage CMBS and vintage CMBS that became “orphaned assets” post-implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act;
- Distressed debt situations; and
- Mezzanine/Rescue/Preferred equity situations generally in conjunction with first lien debt opportunities.

#### *Risks of Loss*

All investments involve the risk of a partial or full loss of capital that Clients should be prepared to bear.

#### General Risks Related to CRE and CRE-Related Investments.

The value of CRE and CRE-related investments fluctuates depending on many factors, including conditions in the general economy and the CRE business. Below are a number of risk factors that could impact the value of such investments.

General risk factors that affect the value of such investments are many and include, among other things:

- Operating cash flow decline/interruption, which can arise from numerous events including, but not limited to:
  - Failure/insolvency of tenant businesses;
  - Failure to renew tenants at lease expiration based on competitive supply;
  - Failure to renew tenants/declining rents due to inferior/obsolete location, design, etc.;
  - Declining rents due to competition from properties in the local/regional markets;
  - Declining rents due to over-supply of space in local/regional markets;
  - Declining rents/space demand due to contracting local/regional economy;
  - Declining rents/space demand due to secular paradigm shift (*i.e.*, internet retail);
  - Declining rents/space demand due to sponsor failure to optimally invest in capital items;
  - Declining operating margins due to rising operating expenses, taxes and/or declining recoveries; or
  - Changes in government regulations (zoning, environmental, etc.) that restrict uses;
- Property value decline due to (in addition to any of the above listed factors or others):
  - Declining national economic conditions or condition of financial markets;
  - Rising interest rates and/or rising relative investment returns;
  - Rising risk premiums/credit spreads in CRE debt markets;
  - Falling liquidity/availability of financing in CRE debt markets;
  - Negative changes in market rental and occupancy rates;
  - Unfavorable perceptions of prospective tenants of the safety, convenience and attractiveness of the properties; or
  - The inability of the owners to provide adequate management, maintenance and insurance;
- Lack of available financing or refinancing on acceptable terms and liquidity risk at maturity due to (in addition to any of the above listed factors or others):
  - Declining credit quality/poor sales of tenants;
  - Rent roll risks of tenant lease expirations;
  - Decline in marketability of the property due to inferior/obsolete location, design, etc.;
  - High operating costs or capital costs to attract tenants; or
  - Deteriorating borrower/sponsor creditworthiness due to, *e.g.*, declining net worth, liquidity, credit; insolvency; litigation; regulatory action; fraud or felony, etc.;
- Other property risks related to casualty, environmental, government issues or economic obsolescence which include, but are not limited to:
  - Property condition (criminal activity, insect infestation, etc.)
  - Acts of God (*e.g.*, earthquake, hurricane, etc.), terrorist attacks, social unrest and civil disturbances;



- Uninsured casualty risk/business interruption/non-insurability (TRIA);
- Zoning change, land use restrictions (*e.g.*, roadway access, bike lane, etc.);
- Regulatory change;
- Eminent domain;
- Economic obsolescence;
- Energy supply shortages;
- Secular technology change/demand shift (internet retail, driverless car); or
- Sponsor/borrower/tenant fraud;
- National/global CRE market risks which include, but are not limited to:
  - Deterioration in debt market conditions generally (*e.g.*, decreasing broad debt markets liquidity, increasing credit market spreads and decreasing equity market earnings multiples);
  - Deterioration in CRE capital markets generally (*e.g.*, decreasing CRE debt markets liquidity, increasing CRE debt spreads, decreasing REIT equity multiples, increasing cap rates, etc.);
  - Declining cash flow at properties underlying GRCP loans;
  - Declining market value of properties underlying GRCP loans;
  - Declining market value of GRCP loans (“spread-lock” and warehouse assets only);
  - Reduced future availability of CRE debt capital resulting in reduced ability to refinance GRCP loans at maturity;
  - Declining national and/or global economic environment and resulting declines in CRE rental demand and rental rates; or
  - Rising interest rates and/or credit spreads may trigger increasing cap rates and/or market yields for CRE debt instruments;
- Market risks regarding the GRCP strategies and/or financing structures include, but are not limited to:
  - Rising interest rates which lead to:
    - A decline in market value of GRCP loans “rate-locked” and on warehouse line causing need for additional warehouse margin;
    - A decline in market value of GRCP loan assets after CMBS financing;
    - Increased cost of warehouse and/or CMBS financing erodes GRCP yield and return;
    - Rising short-term rates or flattening curve environment that erodes GRCP yield during warehouse period; or
    - Sharp rise in interest rates near maturity causing refinancing risk; or
    - Difficulty in hedging interest rate risk;
- Borrower/Sponsor risks regarding the GRCP strategies include, but are not limited to:
  - Loss of financial ability to invest in the property;
  - Insolvency or bankruptcy of the borrower or the sponsor;

- Deterioration of sponsor financial health that, as noted above, impacts refinancing;
- Incompetence/poor management of sponsor; or
- Fraud, waste or environmental issues;
- Weakened creditor rights;
- U.S. tax risks;
- The cost of complying with the Americans with Disabilities Act; and
- Other factors beyond the control of GRCP.

As noted above, a variety of economic and other factors may adversely affect a tenant's ability to meet its obligations which may impact the borrower's ability to meet its obligations. In the event of a default by a tenant, a Client may incur substantial costs associated in protecting its investments.

Some particular risk factors and risk factors related to REITs are described below in greater detail.

#### General Credit Risks of Loan Origination on CRE Properties.

Loans on CRE properties generally lack standardized terms, which may complicate their structure and increase due diligence costs. CRE properties tend to be unique and are more difficult to value than residential properties. CRE loans also tend to have shorter maturities than residential mortgage loans and are generally not fully amortizing, which means that they may have a significant principal balance or "balloon" payment due on maturity. Loans with a balloon payment involve a greater risk to a lender than fully amortizing loans because the ability of a borrower to make a balloon payment typically will depend upon its ability either to fully refinance the loan or to sell the collateral property at a price sufficient to permit the borrower to make the balloon payment. The ability of a borrower to effect a refinancing or sale will be affected by a number of factors, including the value of the property, the level of available mortgage rates at the time of sale or refinancing, the borrower's equity in the property, the financial condition and operating history of the property and the borrower, tax laws, prevailing economic conditions and the availability of credit for loans secured by the specific type of property.

While CRE loans originated or acquired by a Client are intended to be over-collateralized, the Client may be exposed to losses resulting from default and foreclosure. Therefore, the value of the underlying collateral, the creditworthiness of the borrower and the priority of the lien are each of great importance. GRCP cannot guarantee the adequacy of the protection of the Client's interests, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, GRCP cannot assure that claims may not be asserted that might interfere with enforcement of the Client's rights. In the event of a foreclosure, the Client may assume direct ownership of the underlying asset. The liquidation proceeds upon a sale of such asset may not satisfy the entire outstanding balance of principal and interest on the loan, resulting in a loss to the Client. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying collateral will further reduce the proceeds and thus increase the loss.

### Cyclicalities.

Investing in CRE-related instruments is subject to cyclicalities and other uncertainties. The cyclicalities and leverage associated with CRE-related investments have historically resulted in periods, including significant periods, of adverse performance, including performance that may be materially more adverse than the performance associated with other investments.

### Risks Associated with CMBS.

Investing in CMBS involves the general risks typically associated with investing in traditional fixed-income securities (including interest rate and credit risk) and certain additional risks and special considerations, including the risk of principal prepayment and defaults, as well as the risks of investing in commercial real estate as described above. CMBS generally are not guaranteed or insured by any governmental agency or instrumentality or any other person.

*CMBS and Prepayment Risk.* CMBS generally provide for the payment of interest and principal on a monthly basis, and it is possible that principal may be prepaid at any time due to, among other reasons, prepayments on the underlying mortgage loans or other assets. The rate of prepayments on underlying mortgages affects the price and volatility of CMBS and may have the effect of shortening or extending the effective maturity beyond what was anticipated. Further, different types of CMBS are subject to varying degrees of prepayment risk. Prepayment risk is mitigated regarding the 10-year fixed rate strategy because it involves loans that are defeasance loans. Regarding the opportunistic strategy, prepayment risk also is mitigated because of pre-negotiated yield maintenance provisions designed to secure a minimum yield on the loan.

*Risks Associated with Mezzanine Loans, B-Notes and Preferred Equity Interests.* GRCP may invest on behalf of a Client in mezzanine loans, B-Notes and preferred equity interests, each of which is subordinated or otherwise junior in an issuer's capital structure and involves privately negotiated structures. To the extent a Client invests in subordinated debt or mezzanine tranches of an entity's capital structure or preferred equity interests, such investments and the remedies with respect thereto, including the ability to foreclose on any collateral securing such investments, will be subject to the rights of holders of more senior tranches in the issuer's capital structure and, to the extent applicable, contractual intercreditor and/or participation agreement provisions, which will expose the Client to greater risk of loss.

As the terms of such loans and investments are subject to contractual relationships among lenders, co-lending agents and others, they can vary significantly in their structural characteristics and other risks. For example, the rights of holders of B-Notes to control the process following a borrower default may vary from transaction to transaction. Further, B-Notes typically are secured by a single property and accordingly reflect the risks associated with significant concentration. Like B-Notes, mezzanine loans are by their nature structurally subordinated to more senior property-level financings. If a borrower defaults on a mezzanine loan or on debt senior to such loan, or if the borrower is in bankruptcy, the mezzanine loan will be satisfied only after the property-level debt and other senior debt is paid in full. As a result, a partial loss in the value of the underlying collateral can result in a total loss of the value of the mezzanine loan. In addition, even if a Client is able to foreclose on the underlying collateral following a default on a mezzanine loan, it would be substituted for the defaulting borrower and,

to the extent income generated on the underlying property is insufficient to meet outstanding debt obligations on the property, a Client may need to commit substantial additional capital and/or deliver a replacement guarantee by a creditworthy entity, which could include the Client, to stabilize the property and prevent additional defaults to lenders with existing liens on the property.

*Risks Associated With “B-pieces.”* GRCP may invest on behalf of a Client in, or, in the event a Client finances its assets through securitizations, the Client may retain, so-called “B-pieces,” representing the most subordinated tranches issued by a CMBS or other securitization. Although CMBS generally have the benefit of first ranking security (or other exclusive priority rights) over any collateral, the timing and manner of the disposition of such collateral will be controlled by the related servicers and, in certain cases, may be controlled by or subject to consultation rights of holders of more senior classes of securities outstanding or by an operating advisor appointed to protect the interests of such senior classes. Proceeds of any sale of collateral or other realization on collateral may not be adequate to repay the Client’s investment in full, or at all. In addition, “B-pieces” generally receive principal distributions only after more senior classes of CMBS have been paid in full, and receive interest distributions only after the interest distributions then due to more senior classes have been paid. As a result, investors in “B-pieces” will generally bear the effects of losses and shortfalls on the underlying CRE loans and unreimbursed expenses of the CMBS issuer before the holders of other classes of CMBS with a higher payment priority, with the concomitant potential for a higher risk of loss for such “B-pieces.” In addition, the prioritization of payments of principal to senior classes may cause the repayment of principal of such “B-pieces” to be delayed and/or reduced. Generally, all principal payments received on the mortgage loans will be first allocated to more senior classes of CMBS, in each case, until their respective principal balances are reduced to zero, before principal is allocated to the “B-pieces” of CMBS. Therefore, “B-pieces” may not receive any principal for a substantial period of time. In addition, generally “B-pieces” will be subject to the allocation of “appraisal reductions” which will restrict their ability to receive any advances of interest that might otherwise be made by the related servicer.

Generally, a shortfall in payment to investors in “B-pieces” of CMBS will not result in a default being declared or the restructuring or unwinding of the transaction. To the extent that “B-pieces” represent a small percentage of the CMBS issued in relation to the underlying collateral, a small loss in the value of such collateral may result in a substantial loss for the holders of such “B-pieces” and may impact the performance of a Client.

#### Risks Related to the Real Estate Sectors in Which a Client May Invest.

The Manager anticipates that Clients will originate and acquire CRE loans and other CRE debt investments secured by properties primarily in the office, retail, industrial, multifamily, self-storage, mobile-home park and hospitality real estate sectors. In addition to the general real estate risks described herein, these sectors are subject to the following additional risks, which may impair a borrower’s ability to make payments on a CRE loan:

*Office Properties.* Office properties may require their owners to invest significant cash to pay for general capital improvements, tenant improvements and costs of re-leasing space. Office properties may become obsolete and non-competitive if they are not equipped to accommodate

the current needs of businesses. In addition, a number of factors may adversely affect the value of office properties, including: (1) the quality of tenants; (2) the physical attributes of the building in relation to its competition (including with respect to technological needs of tenants); (3) location; (4) presence of competing properties; and (5) the strength and nature of the local economy (including labor costs and quality of labor, the tax environment and the quality of life for employees). Also, the cost of refitting office space for a new tenant is often higher than the cost of refitting other types of properties for new tenants.

*Retail Properties.* Retail properties are affected by the health of the retail industry. A particular retail property may be adversely affected by the bankruptcy or decline in popularity of an anchor, shadow anchor (*i.e.*, an anchor at a nearby shopping center that attracts customers to another retail property) or major tenant, a shift in customer demand due to demographic changes (including, for example, population changes, changes in average age or changes in income) and/or changes in customer preference. The failure of an anchor, shadow anchor or major tenant to renew its lease, the termination of an anchor, shadow anchor or major tenant's lease, the economic decline of an anchor, shadow anchor or major tenant, or the end of the business of an anchor, shadow anchor or major tenant at a particular location or all locations, notwithstanding that such tenant may continue paying rent, may have a particularly negative impact on the performance of a shopping center given the importance of anchors, shadow anchors and other major tenants in attracting traffic to the shopping center as a whole. Also, depending on the applicable leases, the failure of one or more major tenants to continue operating from the retail property may entitle other tenants to rent reductions or to terminate their leases. In addition, replacing anchor tenants may require significant time and capital expenditures in order to re-develop or re-configure space.

*Industrial Properties.* Significant factors determining the value of industrial properties include: (1) the quality of tenants; (2) building design and adaptability; and (3) location (*e.g.*, proximity to supply sources and customers and accessibility to distribution channels). The concern about the quality of tenants is magnified as a result of the fact that industrial properties may often be dependent on a single tenant. Properties used for industrial purposes may also create more environmental risks than other types of properties. Many industrial properties may require special construction accommodations, as a result of which the property may not be easily adapted to other uses.

*Multifamily Properties.* The multifamily market is, in general, characterized by low barriers to entry. Thus, a particular apartment or condominium/townhome market with historically low vacancies could experience substantial new construction and a resultant oversupply of units in a relatively short period of time. Since multifamily units are typically leased on a short-term basis, tenants can easily move to properties with more desirable amenities or locations. A large number of factors may adversely affect the value and successful operation of a multifamily property, including: (1) physical attributes of the building; (2) the location of the property (for example, a change in the neighborhood over time); (3) the provision of adequate maintenance and insurance; (4) the types of services and amenities the property provides; (5) the property's reputation; (6) mortgage interest rates (which, if relatively low, may encourage tenants to purchase rather than lease); (7) the tenant mix, such as the tenant population being predominantly students or being heavily dependent on workers from a particular business; (8) the generally short terms of residential leases and the need for continued re-letting; (9) rent

concessions and month-to-month leases, which may impact cash flow at the property; (10) restrictions on the age of tenants who may reside at the property, thereby limiting the pool of potential tenants; (11) dependence on governmental programs that provide rent subsidies or tax credits to developers to provide certain types of development; (12) the existence of competing properties; (13) state and local regulations; and (14) local or national economic conditions.

In addition, multifamily properties may be subject to various tax credit, city, state and U.S. federal housing subsidies, rent stabilization, use restrictions or similar programs. The limitations and restrictions imposed by these programs could result in losses on commercial mortgage loans. In the event the program is cancelled, it could result in less income for the multifamily property. These programs may include rent limitations that could adversely affect the ability of borrowers to increase rents and tenant income restrictions that may reduce the number of eligible tenants (with a resultant reduction in occupancy rates).

*Self-Storage Facilities.* Self-storage facilities typically enter into short-term leases (generally one year or less) with tenants and, as a result, may experience more volatile cash flows than commercial properties with medium- to long-term leases. Given their primarily short-term revenue sources, these facilities generally are more management intensive than properties leased to tenants under long-term leases. In addition, a decline in the real estate market will tend to have a more immediate effect on the net operating income of self-storage facilities as a result of their short-term revenue sources. Moreover, self-storage facilities may have limited alternative uses, and substantial renovation may be required in order to convert such properties to an alternative use. Any of the foregoing factors may lead to higher rates of delinquency or defaults on the mortgage loans secured by those properties.

The self-storage industry is large and highly fragmented. Typically, the principal competitive factors in this industry are convenience of storage rental locations, cleanliness, security and price. Competition tends to be significant and affects the occupancy levels, rental rates and operating expenses of self-storage facilities. Competition might cause a self-storage facility to experience a decrease in occupancy levels, limit its ability to raise rental rates or require it to offer discounted rates that could have a material effect on its results of operations and financial condition. The self-storage industry has in the past experienced overbuilding in response to perceived increases in demand.

*Mobile-Home Parks.* The successful operation of a mobile-home park will generally depend upon the number of competing parks in the local market, as well as upon other factors, such as the age, appearance, reputation and management of the mobile-home park and the types of facilities and services the mobile-home park provides. Mobile-home parks also compete against alternative forms of residential housing, including multifamily rental properties, cooperatively-owned apartment buildings, condominium complexes and single-family residential developments.

Mobile-home parks are “special purpose” properties that could not be readily converted to general residential, retail or office use. Thus, if the operation of a mobile-home park becomes unprofitable due to competition, age of the improvements or other factors such that the borrower becomes unable to meet its obligations on the related CRE loan, the liquidation value of that

property may be substantially less, relative to the amount owing on the CRE loan, than would be the case if the property were readily adaptable to other uses.

*Hospitality Properties.* Hotel properties are affected by a number of factors, including the location of the property, its quality, management ability, amenities, continuing expenditures for modernizing, refurbishing and maintaining the facilities, changes in travel patterns, adverse economic conditions and competing properties. Hotel properties tend to be affected quickly by adverse economic conditions and competition (as a result of the fact that they are generally rented for very short periods of time). The performance of a hotel property affiliated with a franchise depends on the continued existence and financial strength of the franchisor, the franchise's reputation and the duration of the franchise licensing or management agreements. In addition, a hotel's ability to attract customers may depend in large part on its having a liquor license (which may not be transferable). The hotel industry is also generally seasonal, depending in large part on the type and location of a specific property. This seasonality can be expected to cause periodic fluctuations in room and restaurant revenues, occupancy rates, room rates and operating expenses.

#### Investments in Distressed Assets.

While the Manager expects that Clients will focus primarily on performing investments, a Client may also make distressed investments or certain of the Client's investments may become non-performing following the origination or acquisition thereof. Certain investments may include indebtedness related to properties that are highly leveraged, with significant burdens on cash flow and, therefore, involve a high degree of financial risk. During an economic downturn or recession, loans or other debt interests of financially or operationally troubled borrowers or issuers are more likely to go into default than loans or other debt interests of other borrowers or issuers. Loans or other debt interests of financially or operationally troubled issuers are less liquid and more volatile than loans or other debt interests of borrowers or issuers not experiencing such difficulties. Investment in the loans or other debt interests of financially or operationally troubled borrowers or issuers involves a high degree of credit and market risk.

These financial difficulties may never be overcome and may cause borrowers to become subject to bankruptcy or other similar administrative proceedings. There is a possibility that the Client may incur substantial or total losses on its investments and, in certain circumstances, become subject to certain additional potential liabilities that may exceed the value of its original investment therein. For example, under certain circumstances, a lender that has inappropriately exercised control over the management and policies of a debtor may have its claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. In any reorganization or liquidation proceeding, the Client may lose its entire investment, may be required to accept cash or securities with a value less than its original investment and/or may be required to accept different terms, including payment over an extended period of time. In addition, under certain circumstances, payments to the Client may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment, or similar transaction under applicable bankruptcy and insolvency laws. Furthermore, bankruptcy laws and similar laws applicable to administrative proceedings may delay the Client's ability to realize on collateral for loan positions held by the Client, may adversely affect the economic terms and priority of such loans through doctrines such as equitable subordination

or may result in a restructuring of the debt through principles such as the “cramdown” provisions of the bankruptcy laws.

#### Use of Leverage.

It is expected that the Clients will utilize significant leverage, which increases the risk of loss. There is no limit on the amount of leverage that may be utilized in connection with any Permanent Financing, and such Permanent Financing is excluded from the leverage limitations applicable to Clients. The Manager intends to cause the Clients to use leverage on a secured basis in connection with the origination or acquisition and financing of Target Loans and other investments, in the form and manner determined by the Manager. While leverage presents opportunities for increasing the Clients’ total return, it has the effect of potentially increasing losses as well. Accordingly, any event that adversely affects the value of an investment by a Client would be magnified to the extent such Client is leveraged. The cumulative effect of the use of leverage by a Client in a market that moves adversely to such Client’s investments could result in a substantial loss to such Client, which would be greater than if such Client was not leveraged. Leverage will increase the exposure of the Clients to adverse economic factors, such as significantly rising interest rates, severe economic downturns or deterioration in the condition of the Clients’ investments or their corresponding markets.

The Clients may incur indebtedness under facilities that bear interest at a fixed or floating rate. Economic conditions could result in higher interest rates, which could increase debt service requirements on variable rate debt and could reduce the amount of cash available for various Client purposes.

The value of a Client may be negatively impacted in the event there is a breach under indebtedness of such Client or its investments. As a result of any such breach, or in the event a Client is not able to refinance indebtedness upon its maturity, such Client may be forced to sell its investments at times that the Manager would not otherwise elect.

#### Uncertain Exit Strategies.

While loans purchased or originated by the GR REIT have a stated maturity and/or duration, if GRCP takes possession of the property securing any such loan, GRCP is unable to predict with confidence the timing that an exit strategy for a given property will ultimately be available for a Client. Exit strategies that appear to be viable at certain times during the life cycle of an investment may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors.



### Investments in REITs Generally.

As noted above under Item 4, certain investments made on behalf of Clients may be held by vehicles that qualify as REITs for federal tax purposes. In addition to general risks related to real estate investments and economic and market conditions, investments in the debt or equity securities of a REIT involve other risks, including the failure of a REIT to maintain its qualification as a REIT.

REITs are dependent upon specialized management skills. In order to qualify as a REIT under the Code, REITs are required to pay out at least 90% of their income in the form of dividends and 100% in order to avoid taxation on such income. To the extent that a REIT does not distribute all of its net capital gain or distributes at least 90%, but less than 100%, of its "REIT taxable income," as adjusted, it will be subject to tax on the undistributed amount at regular corporate tax rates. These distribution requirements make REITs particularly reliant on the proper functioning of capital markets.

Qualification as a REIT involves the application of highly technical and complex provisions in the Code for which only limited judicial and administrative authorities exist. Even a technical or inadvertent violation could jeopardize REIT qualification. A REIT that fails to remain qualified as a REIT is subject to regular U.S. federal corporate income tax (including any applicable alternative minimum tax) on its taxable income at the corporate tax rates, and dividends it pays would not be deductible by it. Net earnings available for distribution or reinvestment would be significantly reduced for each taxable year in which it does not qualify as a REIT under the Code. Such a REIT also may be subject to additional state and local taxes. The results of failure to qualify as a REIT could reduce substantially the amount of cash available for investment or distribution to the shareholders and have other negative consequences, including the assessment of tax penalties.

### Leverage through Securitizations.

Under current market conditions, the Manager intends to cause the Clients to utilize warehouse credit facilities to finance a portion of the origination and acquisition of Target Loans until a sufficient quantity of Target Loans has been accumulated. Once a pool of Target Loans of sufficient size and diversity is accumulated, the Manager expects to refinance with Permanent Financing. The Clients expect to issue Securitized Liabilities, which is different from the typical CMBS structure. There can be no assurance that the Clients will be able to complete the issuance of Securitized Liabilities or other Permanent Financing and the Clients reserve the right to utilize other types of Permanent Financing, including typical CMBS in which the GR REIT would acquire Related REMIC Securities.

It is expected that the Clients' issuance of Securitized Liabilities will involve creating a special purpose vehicle, contributing the applicable pool of Target Loans to the entity, and selling bonds issued by the entity on a non-recourse basis to purchasers (whom the Manager would expect to be willing to accept a lower interest rate to invest in investment-grade loan pools). The Clients expect to retain the equity in the entity owning the securitized pool of portfolio investments (and, pursuant to certain risk retention requirements, the Clients will be required to retain at least 5.0% of the fair market value of the securities issued in the transactions). In connection with this

strategy, the Clients will be subject to the risk that it will not be able to originate or acquire, during the period that its warehouse credit facilities are available, a sufficient amount of Target Loans to maximize the efficiency of a Permanent Financing. The Clients also will be subject to the risk that it will not be able to obtain warehouse credit facilities or will not be able to renew any warehouse credit facilities after they expire should the Clients find it necessary to extend the warehouse credit facilities to allow more time to accumulate the necessary Target Loans for a Permanent Financing.

In the event that the Clients complete Permanent Financing in the form of Related REMIC Securities, it is expected that the Clients will contribute the applicable pool of Target Loans to a taxable REIT subsidiary, which will contribute the Target Loans to the REMIC and receive Related REMIC Securities in consideration for such contribution and pay a corporate income tax on any gains resulting from such transaction. Any Related REMIC Securities retained by the taxable REIT subsidiary in the sale will be distributed, and held by, the Clients. Any CRE loans held in a REMIC in which a Client holds Related REMIC Securities that were contributed to the REMIC by a third party, will not be subject to Grass River's complete investment process. If a Client is considering the acquisition of Related REMIC Securities in connection with a Permanent Financing, Grass River expects to utilize many of the same processes it would employ in connection with the origination of a Target Loan on all or substantially all of the CRE loans contributed to the REMIC by third parties and not by the Client. As a result, certain processes (such as communication with the borrower) will not be performed on these loans, and Grass River may not perform these processes on all of the loans contributed by third parties.

The Clients may not be able to complete securitization financings on attractive terms or at all, and the inability to consummate securitizations of a Client's portfolio to finance its investments on a long-term basis could require such Client to seek other forms of potentially less attractive financing or to liquidate assets at an inopportune time or price, which could adversely affect such Client's performance. Additionally, the securitization of a Client's portfolio might magnify its exposure to losses because the equity interest such Client retains in the issuing entity will be subordinate to the bonds issued to investors and such Client will, therefore, absorb all of the losses sustained with respect to a securitized pool of assets before the owners of the bonds experience any losses. The inability to securitize a Client's investments may hurt such Client's performance. At the same time, the securitization of a Client's investments might expose the Client to losses, as the residual investments in which the Client does not sell interests will tend to be riskier and more likely to generate losses.

### Availability of Insurance.

There are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes, terrorism or acts of war that may be uninsurable or not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations and other factors, including terrorism or acts of war, also might make the insurance proceeds insufficient to repair or replace a property if it is damaged or destroyed. Under these circumstances, the insurance proceeds received might not be adequate. Any uninsured loss could result in the loss of cash flow from, and the asset value of, the affected property.

### Investments with Co-Investors.

GRCP may co-invest on behalf of a Client in one or more investments with certain strategic investors, lenders, Limited Partners (or affiliates thereof) and/or other third parties through partnerships, joint ventures or other entities, which parties in certain cases may have different interests to those of the Client. Therefore, the Client's investments will be subject to typical risks in connection with third-party involvement, including the possibility that a third party may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals that are inconsistent with those of the Client, or may be in a position to block action in a manner contrary to the Client's investment objectives. The Client may also in certain circumstances be liable for the actions of its third-party partners or co-investors. Investments made with third parties in partnerships, joint ventures or other entities may involve carried interest or fees payable to such third-party partners or co-investors, thereby reducing the distributions to the Client. In addition, such co-investments may or may not be on substantially the same terms and conditions as the Client, and such different terms may be disadvantageous to the Client or to any investor participating directly or indirectly therein.

### Real Estate Valuation is Inherently Subjective and Uncertain.

The valuation of the commercial real estate that will secure or otherwise support a Client's investments is inherently subjective and uncertain due to, among other factors, the individual nature of each property, its location, the expected future rental revenues from that particular property and the valuation methodology adopted. As a result, the valuations of the commercial real estate that will secure or otherwise support the Client's investments will be made on the basis of assumptions and methodologies that may not prove to be accurate, particularly in periods of volatility, low transaction flow or restricted debt availability in the commercial real estate markets.

### Reliance on Servicers.

It is anticipated that an affiliate of the Manager and the General Partner will act as the primary servicer and special servicer for the CRE loans held by the Clients. The quality of servicing, which will include collection of payments, monitoring of property financial condition and loan compliance and, following a default, modifying underlying mortgage loans, foreclosing on the underlying collateral and selling foreclosed properties and/or defaulted mortgage loans, can materially affect the returns due on the Client's portfolio. In addition, servicers are required to comply with various laws, including in certain cases, requirements to be licensed in various

jurisdictions. The failure of such affiliate to perform its servicing obligations, or to maintain any necessary licenses or meet various requirements relating to such licenses, will have a material adverse effect upon the amount and timing of collections with respect to a Client's CRE loans.

If a Client retains a servicer other than such affiliate to service one or more CRE loans, the foregoing risk will be applicable to such relationship as well.

#### Risks Associated with Foreclosure.

A Client may find it necessary to foreclose on certain of its CRE loans and the foreclosure process may be lengthy and expensive. Whether or not the Client has participated in the negotiation of the terms of any such loans, there can be no assurance as to the adequacy of the protection of the terms of the applicable loan, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, claims may be asserted by lenders or borrowers that might interfere with enforcement of the Client's rights. Borrowers may resist foreclosure actions by asserting numerous claims, counterclaims and defenses against the Client, including, without limitation, lender liability claims and defenses, even when the assertions may have no basis in fact, in an effort to prolong the foreclosure action and seek to force the lender into a modification of the loan or a favorable buy-out of the borrower's position in the loan. In some states, foreclosure actions can take several years or more to litigate. At any time prior to or during the foreclosure proceedings, the borrower may file for bankruptcy, which would have the effect of staying the foreclosure actions and further delaying the foreclosure process and potentially resulting in a reduction or discharge of a borrower's debt. Foreclosure may create a negative public perception of the related property, resulting in a diminution of its value. Even if the Client is successful in foreclosing on a loan, the liquidation proceeds upon sale of the underlying real estate may not be sufficient to recover its cost basis in the loan, resulting in a loss. Furthermore, any costs or delays involved in the foreclosure of the loan or a liquidation of the underlying property will further reduce the net proceeds and, thus, increase the loss.

#### Environmental Risks.

To the extent a Client forecloses on properties underlying the investments, the Client may be subject to environmental liabilities arising from such foreclosed properties. Under various U.S. federal, state and local environmental laws, ordinances and regulations, a current or previous owner of real estate may become liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, under or in its property. Those laws typically impose cleanup responsibility and liability without regard to whether the owner or control party knew of or was responsible for the release or presence of such hazardous or toxic substances. The costs of investigation, remediation or removal of those substances may be substantial. The owner or control party of a site may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from a site. Certain environmental laws also impose liability in connection with the handling of, or exposure to, asbestos containing materials, pursuant to which third parties may seek recovery from owners of real properties for personal injuries associated with asbestos containing materials.

### Lender Liability Considerations; Equitable Subordination.

In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lenders on the basis of various evolving legal theories (collectively termed, “lender liability”). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or issuer or has assumed a degree of control over the borrower or issuer resulting in the creation of a fiduciary duty owed to the borrower or issuer or its other creditors or shareholders. Loans originated by a Client will be limited in certain respects by anti-deficiency and “one form of action” laws that can, in certain circumstances, reduce or eliminate a lender’s right to collect a deficiency judgment if the lender’s collateral is insufficient to repay a loan.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lender: (1) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower; (2) engages in other inequitable conduct to the detriment of such other creditors; (3) engages in fraud with respect to, or makes misrepresentations to, such other creditors; or (4) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lender to the claims of the disadvantaged creditor or creditors, a remedy called “equitable subordination.”

### Compliance of Loans with Applicable Laws.

Loans that a Client originates or acquires may be directly or indirectly subject to U.S. federal, state or local governmental laws. Real estate lenders and borrowers may be responsible for compliance with a wide range of laws intended to protect the public interest, including, without limitation, the Truth in Lending, Equal Credit Opportunity, Fair Housing and Americans with Disabilities Acts and local zoning laws (including, but not limited to, zoning laws that allow permitted non-conforming uses). If the Client or any other person fails to comply with such laws in relation to a loan that the Client has originated or acquired, legal penalties may be imposed, which could materially and adversely affect the Client. Additionally, jurisdictions with “one action,” “security first” and/or “antideficiency rules” may limit the Client’s ability to foreclose on a real property or to realize on obligations secured by a real property. In the future, new laws may be enacted or imposed by U.S. federal, state or local governmental entities, and such laws could have a material adverse effect on a Client.

### Expedited Transactions.

GRCP may be required to undertake investment analyses and decisions on an expedited basis to take advantage of investment opportunities. In such cases, the information available to GRCP at the time of making an investment decision may be limited, and GRCP may not have access to detailed information regarding the borrowers underlying a debt investment and the property underlying the investment, such as physical characteristics, environmental matters, zoning regulations or other local conditions affecting such property. Therefore, GRCP may not have knowledge of all circumstances that may adversely affect an investment. In addition, GRCP may rely upon independent consultants in connection with the evaluation of proposed investments,

and GRCP cannot assure the accuracy or completeness of the information provided by such independent consultants.

### Cybersecurity.

The information and technology systems used by GRCP and key service providers to GRCP and the Clients to carry out routine business operations may be vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons, security breaches and usage errors by their respective professionals. Each Client and GRCP is subject to risks associated with a breach in its cybersecurity. Although GRCP has implemented various protections designed to manage risks relating to these types of events, if a cybersecurity breach occurs, a Client may incur substantial costs, including those associated with: forensic analysis of the origin and scope of the breach; increased and upgraded cybersecurity; investment losses from sabotaged systems; identity theft; unauthorized use of proprietary information; litigation; adverse investor reaction; the dissemination of confidential and proprietary information; and reputational damage. Any such breach could expose the General Partner, GRCP and the relevant Client to civil liability, as well as regulatory inquiry and/or action. Further, any such breach could cause substantial withdrawals from the Fund. In addition, Clients and/or investors could be exposed to additional losses as a result of unauthorized use of their personal information. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of GRCP or the Clients and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information. Similar types of operational and technology risks are also present for many portfolio companies, which could have material adverse consequences for the Clients' investments.

### Additional Investment-Related Risks.

A complete description of the risks associated with each particular investment strategy is included in the offering documents. Investors should review the relevant documents carefully prior to investing.

In addition, GRCP may invest in various derivatives, including, without limitation, options, futures, commodities, swaps and swaptions, for hedging and independent investment opportunities. Investments may be made in U.S. and non-U.S. securities or instruments that trade on exchanges or over-the-counter or that are acquired in private placements or otherwise. Investments may be made either directly or indirectly, including through private funds which make any or all of the types of investments described above. Both long and short positions may be taken. GRCP may also utilize leverage for hedging or other strategies.

All of these investment types are highly speculative in nature, and there can be no assurance that the investment objectives will be achieved. Investors must be prepared to bear the risk of a total loss of their investment.

More detailed information about the types of investments that GRCP may make on behalf of Clients, and the corresponding risks, is provided in the offering documents and/or investment management agreement.

## **ITEM 9. DISCIPLINARY INFORMATION**

Not applicable.

## **ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### *Broker-Dealer Registration*

GRCP is not a registered broker-dealer nor does it intend to register as a broker-dealer.

### *Commodity Pool Operator*

The Manager and the General Partner intend to operate pursuant to an exemption to registration provided by Commodity Futures Trading Commission.

### *Certain Affiliates*

GRCP is affiliated with the General Partner, which is a registered investment adviser in reliance on the SEC registration of GRCP.

Further, GRCP is affiliated with the following entities:

- Grass River Capital, LLC (“GRC”)
- Grass River Property, LLC (“GRP”)

GRP actively invests (primarily in fee simple) in CRE and engages in ground up development and value-add real estate repositioning projects in South Florida. Projects are executed in joint venture partnerships whose members range from family funds to large institutions. In addition to development and construction services, GRP CRE services capabilities include marketing and leasing and property management.

Regarding the loans in which the Clients invest, GRCP’s affiliated entities house certain business units that provide service functions as follows: Investment & Risk Management (“IRM”) assists with risk management; Capital Markets (“CM”) assists with originating loans designed to meet the criteria for Client investment, the trading, structuring and securitization of the loans; and Asset Management & Servicing (“AMS”) assists with underwriting and due diligence, asset and relationship management, loan servicing and surveillance, resolution and workout and data and document maintenance. Each of these business units housed within GRCP’s affiliated entities receives a fee from the Clients for these services, which creates a conflict of interest for GRCP.

In connection with a Client investment, GRCP engages its affiliates or third parties to provide the services of property managers, asset managers, paying agents or other services as necessary at market rates and terms, the costs of which are borne by the Client. Payment of any such fees will not cause a reduction of the Management and Administrative Fee or similar fees.

As noted under Item 5 above, GRCP believes that the nature and quality of the services provided by its affiliate to its Clients are superior to or at least as good as, and competitively priced against, comparable services provided by unrelated third-party service providers. GRCP regularly reviews the market for such services to ensure, in GRCP's judgment that a Client continues to receive comparable services at competitive prices.

All fees charged by affiliates of GRCP will be consistent with those charged to other funds or separately managed accounts or at rates for similar services charged by third parties to perform these services for other funds or separately managed accounts. For any fee contract/arrangement between a Client or the GR REIT and an affiliate of GRCP that differs materially from the terms outlined above, GRCP shall seek approval of the relevant investor(s) or investor advisory board or, with respect to the JV, approval in accordance with the JV's consent rights as set forth in its governing documents.

In addition to their roles as Managing Partners of GRCP, Messrs. Cobb, Kennedy and Roth serve in various capacities with the CM and IRM business units described above and will perform certain services. These activities may reduce the amount of time they are able to spend directly on GRCP's activities.

#### *Conflicts of Interest Related to Affiliated Service Providers*

Because GRCP and its affiliates are under common control, retention of an affiliate to provide services to a Client creates conflicts of interest regarding both fees and services. For example, GRCP has an incentive to favor the engagement of its affiliates over third-party service providers because such engagement would generate fees for these affiliates, which would benefit these affiliates. Theoretically, a Client could utilize these affiliates even if they demonstrated poor performance or an inability to provide the services for which they had been retained. Also, GRCP has an incentive to pursue unsuitable or unnecessary investments on behalf of a Client in order to generate these origination and servicing fees for its affiliates. In addition, conflicts could arise if an affiliate breaches its servicing agreement, or otherwise fails to perform its responsibilities adequately, resulting in harm or damages to the Client. In such circumstances with third-party servicers, the Client would be free to seek such recourse as is appropriate, up to and including litigation. Because of the affiliation, however, GRCP would have a potential conflict in determining what action to take against its affiliate. The General Partner and the Manager will seek to resolve all such conflicts using their best judgment considering all factors they deem relevant, including their obligation to act in the best interests of the Clients.

GRCP seeks to mitigate the conflicts and potential conflicts described above by conducting a number of activities to address, monitor and manage such conflicts. First, GRCP reviews each potential loan before the loan documents are distributed and the due diligence commences. Once the loan documents and due diligence is complete, GRCP determines whether to accept the loan on behalf of a Client as an investment. Additionally, the General Counsel and Head of



Administration, Legal & Compliance (the “General Counsel”) is involved in oversight, review and approval processes regarding these arrangements and fees. Service arrangements between a Client and a GRCP affiliate must be pursuant to terms documented in written agreements that describe the services to be provided and the fees to be assessed. The General Counsel conducts due diligence periodically among other service providers to ensure that these fee amounts represent an amount less than or equal to fees charged at arm’s length. Additionally, GRCP has established committees, including the Fund’s Advisory Board, which is designed, among other things, to consider and accept or reject such conflicts of interest as to any terms of engagement that differ materially from the terms for services outlined in the relevant offering documents. As previously noted, the JV also retains certain consent rights regarding affiliated service providers.

## **ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### *Code of Ethics*

GRCP has adopted a Code of Ethics (the “Code”) which includes, among other policies, a Personal Trading Policy and an Insider Trading Policy, to establish principles of conduct and to assist in detecting, managing and to the extent possible avoiding conflicts of interest, which may arise between employees and Clients as a result of personal investing activities. The Code is designed with the goal of ensuring, among other things, that employees conduct their investing activities (both for their personal accounts and for Clients) in accordance with applicable law, including the federal securities laws and the rules promulgated thereunder, and in a manner where Clients’ interests are placed first and foremost. All employees are responsible for upholding GRCP’s fundamental principles of openness, integrity, honesty and trust and must conduct their activities with due skill, care, diligence, prudence and fairness.

To facilitate the personal trading reporting requirements of the Code, GRCP will automate the reporting requirements and approval process through an electronic compliance system. These reporting requirements apply to all “access persons” of GRCP (as defined in Rule 204A-1 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”)), as well as their spouses, certain members of their immediate families and other persons, as further described in the Code. Furthermore, the reporting requirements apply to any account in which an access person or other person covered by the requirements has a direct or indirect beneficial, economic or financial interest or over which an access person or other person covered by the reporting requirements has investment discretion or direct or indirect influence or control.

GRCP’s Code also imposes prohibitions on employee trades/investing including: (1) trades/investing based on inside information; (2) trades/investing intended to manipulate the market; (3) trades/investing in securities on GRCP’s restricted list; (4) trades/investing in securities that would be appropriate investments for a Client; (5) trades in new issues and limited offerings.

As part of the Code, GRCP has established an Insider Trading Policy. GRCP’s Insider Trading Policy includes specific requirements regarding the possession of material non-public

information (“MNPI”) in order to avoid situations that may violate applicable regulatory statutes or create an appearance of impropriety.

GRCP’s Insider Trading Policy strictly forbids any employee from conducting trades, either personally or on behalf of others, including Clients, while in possession of MNPI that may affect the security to be traded and from improperly communicating MNPI to others.

**A copy of the Code will be provided to any Client or investor or prospective client or investor upon request.**

#### *Recommendations of Securities in which GRCP or a Related Person has Some Financial Interest*

GRCP does not anticipate recommending securities to Clients in which GRCP or a related person has a material financial interest.

#### *Trading by GRCP or Its Employees or Affiliates*

GRCP, its employees and affiliates may engage in a broad spectrum of activities, including direct (or principal) investment activities for their own accounts and investment advisory activities that, with respect to any particular client, are independent from, and may from time to time conflict with, overlap with or compete with, the investment activities of other clients. GRCP does not anticipate, however, that there will be any overlap in the investment opportunities that are appropriate for a Client and the investment opportunities that are appropriate for GRCPs employees or affiliates. All investment opportunities appropriate for the Clients’ strategies will be allocated 100% to the Clients. Any excess capacity, however, may be allocated to co-investors, as described above.

#### *Cross Trades and Principal Trades*

Currently, both Clients invest (or are expected to invest) *pro rata* side-by-side through Holdco in the GR REIT, so it is not anticipated that GRCP will direct one Client account to sell securities or loans to another Client account (*i.e.*, effect “cross trades” between the Clients). If, in the future, GRCP has the opportunity to effect cross trades between or among its clients, GRCP may, to the extent permitted under applicable law, effect cross trades between client accounts, including client accounts in which GRCP or its personnel may have a proprietary investment. GRCP will undertake cross trades only when it deems the trade to be in the best interest of each participating client (*e.g.*, for rebalancing or tax purposes, liquidity purposes or to reduce transaction costs that may arise in an open market transaction). Further, any such cross trades will generally be valued and priced at fair value and will be conducted on terms no less favorable to each client involved in the transaction than would be the case in a transaction with an independent third party and in accordance with any fiduciary obligation under applicable law. Such trades may be made with or without the services of a broker-dealer. When effecting such trades GRCP may have conflicting loyalties and responsibilities.

Although GRCP does not expect to engage in principal transactions, to the extent any transaction qualifies as a “principal transaction” under the Advisers Act (*i.e.*, where GRCP or an affiliate is acting as principal for its own account in a securities transaction with a Client), GRCP will

implement policies and procedures designed to comply with the provisions of Section 206(3) of the Advisers Act.

*Allocating Investment Opportunities among Clients and Related Conflicts of Interest*

As noted under Item 6 above, both Clients invest (or are expected to invest) *pro rata* (based on the respective committed capital contribution of each) side-by-side through Holdco in the GR REIT regarding investments that the JV approves. Certain investment opportunities, however, that the JV declines to approve or are outside the scope of the JV's investment guidelines could be appropriate for the Fund. Under these circumstances, GRCP may allocate an investment opportunity to the Fund that it does not allocate to the JV. Based on these circumstances, it is not anticipated that a conflict of interest will arise regarding the allocation of investments between the Clients. Allocations may be made to a successor fund only in accordance with relevant offering documents and/or other governing documents.

In the future, however, it is possible that the investment objectives and programs of one client may be similar to, or overlap with, the investment objectives and proposed investment programs of other clients, and, therefore, certain clients could compete for investment opportunities with each other. For example, if an investment opportunity is available in limited quantities, GRCP may have an incentive to allocate such investment opportunity to one client rather than other clients. Such an incentive may arise if the economic interests of GRCP and its employees in certain of these clients, when combined with their rights to management fees and/or incentive-based compensation or other fees, are significantly larger than their direct and indirect economic interests in other clients. Such an instance may lead to fewer, and less attractive, investment opportunities being made available to clients than would have been the case had GRCP and its employees been restricted from pursuing investment programs on behalf of other clients.

If such circumstances were to arise, each of the General Partner, the Manager and their respective affiliates intend to allocate investment opportunities among such clients in a manner that, in their judgment, they believe to be appropriate and equitable in light of the investment objectives, liquidity, diversification and other similar factors applicable to each client. In general, the General Partner, the Manager and their respective affiliates will allocate investment opportunities *pro rata* among such clients (assuming the investment satisfies the objectives of each) based on the amount of capital each has available for investment. In certain cases, however, investment opportunities may be made available other than on a *pro rata* basis.

In making such allocation decisions, the General Partner, the Manager and their respective affiliates generally will take into account the following factors: (1) the investment objectives of the relevant clients; (2) the source of the investment opportunity; (3) any exclusive rights to investment opportunities that may have been granted to particular clients; (4) the expected duration of the investment, in light of each clients' investment objectives and policies (including diversification policies); (5) the amount of available capital; (6) the size of the investment opportunity; (7) regulatory and tax considerations; (8) the degree of risk arising from an investment; (9) the expected investment return; (10) relative liquidity; (11) likelihood of current income; and (12) such other factors as the General Partner, the Manager and their respective affiliates deem to be appropriate.

These factors provide substantial discretion to GRCP in allocating investment opportunities. Further, two or more clients may hold an investment for which there is extremely limited, or no, liquidity or that is subject to legal or other restrictions on transfer. In a situation where GRCP is limited in its ability to dispose of an investment, GRCP may consider the factors described above in allocating the sale of such an investment.

In an attempt to resolve such conflicts, GRCP would develop a set of Loan Allocation Procedures to be administered by two of the Managing Partners. These Loan Allocation Procedures will take into account many of the above-enumerated factors, as well as other considerations, in determining how loan investment opportunities will be allocated among various clients to whom such opportunities might be offered or with whom such opportunities may be participated in in the future. GRCP will endeavor to address the conflicts so that over time all clients are treated fairly and equitably, and no GRCP client is systematically disadvantaged.

Please see Item 12 (under the heading “*Trade Allocation and Aggregation*”) for further information related to allocating investment opportunities.

#### *Potential Conflicts Due to Overlapping Client Investments or Other Conflicts of Interest*

Where clients hold the same investment, the differing investment objectives of such clients, as well as other factors applicable to the specific situation, may result in a determination to dispose of, or retain, all or a portion of such investment on behalf of a client at different times as such investment or portion thereof is being disposed of, or retained, by other clients. In addition, particularly with respect to illiquid or private investments, conflicts of interest can arise when disposing of a particular investment that would be beneficial for one client while retaining such investment would be beneficial for another client. GRCP may also invest in securities on behalf of one client that may differ from investments made on behalf of other clients, even though the investment objectives of other clients may be similar. Moreover, GRCP, its clients, or its employees may make investments or engage in other activities that express inconsistent views with respect to an investment, a particular security or relevant market conditions.

Also, certain actual and potential conflicts of interest may arise from the fact that: (1) clients may acquire investments representing different parts of the capital structure of issuers and, in connection therewith, may take actions that have an adverse effect on another client's investments; (2) GRCP and its affiliates and their respective directors, officers, agents and affiliates and their employees may serve on creditor or equity committees or advise companies subject to bankruptcy or insolvency proceedings or otherwise be engaged in financial restructuring activities in a variety of capacities; and (3) the General Partner may provide co-investment opportunities to any persons, including some or all of the investors in the Fund, strategic relationships, lenders, the General Partner and related persons.

In addition, GRCP expects to make other business decisions on behalf of certain clients relating to investments independently of the manner in which it approaches a similar or even the same investment held by other clients. Consequently, GRCP, on behalf of certain clients, may choose not to hedge certain risks that other client's hedge, or certain clients may be exposed to risks of financing on an investment when other clients are not. Further, in some instances, GRCP may

choose to coordinate its clients' activities (such as timing dispositions in an orderly way in order to avoid affecting the share price of an investment in an unduly volatile manner) with respect to investments held by more than one client, when it would theoretically be possible for GRCP to act unilaterally with respect to a particular client's holdings in such investment. Such coordination could have the effect of lowering returns for a particular client with respect to an investment relative to what might have been achieved absent such coordination.

Should a particular client invest in entities or assets in which other clients hold an investment, the investment by such client could be viewed, especially in hindsight, to have been made on a non-arm's-length basis and could have an effect (either positive or negative) on the market price of the initial investment.

#### *Restrictions on Client Trading Activities Resulting from the Acquisition of Material Non-Public Information*

GRCP employees regularly acquire confidential information and GRCP may enter into confidentiality and/or "standstill agreements" when assessing investment opportunities. GRCP may acquire MNPI in the ordinary course of its investment activities, which acquisition may result in restrictions on a Client's ability to sell a Client investment at a time when it might otherwise have done so. Any of these activities could prevent Clients from buying or selling securities or other interests in an issuer, potentially for an extended period.

GRCP has adopted certain policies and procedures concerning the handling of MNPI. These policies and procedures are designed to prevent insider trading and violations of applicable securities laws by each employee, Clients and GRCP itself. As such, in the event that an employee of GRCP obtains MNPI with respect to any company or otherwise becomes restricted from trading the securities of such company for any reason, GRCP may be prohibited for a period of time from engaging in transactions on behalf of some or all its Clients with respect to the securities of such company, which prohibitions may have an adverse effect on such Clients.

Furthermore, certain Clients of GRCP may, from time to time, engage in transactions that are initiated in such a way that objectives related to tax may limit GRCP's discretion over the ongoing management of the transaction.

See Item 10 above for additional information regarding conflicts of interest.

## **ITEM 12. BROKERAGE PRACTICES**

Due to the nature of GRCP's advisory business, GRCP does not typically use brokers to effect securities transactions on behalf of its Clients. However, to the extent any such transaction is effected, GRCP seeks the best execution of orders, as described below.

#### *Selection of Broker-Dealers*

Each Client pays its own brokerage commissions and other transaction costs. Neither GRCP nor any of its affiliates will receive any commissions generated by a Client's trading activities.

In selecting an appropriate broker-dealer to effect a Client trade, GRCP seeks to obtain best execution, taking into consideration a broker-dealer's execution capabilities and expertise to execute transactions for Client accounts, in addition to the price of the security offered by the broker-dealer. Considerations include: (1) the broker-dealer's full range and quality of services, including, among other things, its facilities, reliability and financial responsibility, reputation, execution capabilities, ability to execute difficult trades (possible market impact, size of the order and market liquidity); (2) special execution and block positioning capabilities; (3) commitment of capital; (4) access to new issues; (5) nature and frequency of sales coverage; (6) depth of services provided, including economic or political coverage, arbitrage and option operations; (7) access to markets; (8) confidentiality; (9) commission rates; (10) responsiveness to GRCP; (11) back office and processing; (12) custodial services; (13) the value of brokerage and research products and services provided to GRCP (*e.g.*, research ideas, analysis and investment strategies); and (14) the success of prior research ideas.

GRCP will not adhere to any rigid formulas in selecting broker-dealers, but weighs a combination of the preceding factors. GRCP will in its sole discretion select broker-dealers to execute Client transactions based on a totality of the circumstances, including any or all of the factors outlined above. This means that a broker-dealer offering the most favorable commission or spread may not be selected to execute a particular transaction. The commissions and other transaction costs (which may include dealer markups or markdowns) charged to a Client by a broker-dealer in the foregoing circumstances may be higher than those charged by other broker-dealers that may not offer such products or services. In selecting broker-dealers to execute transactions, GRCP need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It will not be GRCP's practice to negotiate "execution only" commission rates; thus Clients may be deemed to be paying for other services, including research products and services, provided by the broker which are included in the commission rate.

If GRCP decides, based on the factors set forth above, to execute over-the-counter transactions on an agency basis through Electronic Communications Networks ("ECNs"), it will also consider the following factors when choosing to use one ECN over another: the ease of use, the flexibility of the ECN compared to other ECNs, and the level of care and attention that will be given to smaller orders.

Clients do not direct brokerage.

#### Soft Dollar Usage

GRCP does not currently have any soft dollar arrangements and, given the nature of its advisory business, does not expect to make frequent use of broker-dealers.

To the extent GRCP uses broker-dealers, however, it may use full-service broker-dealers that may provide, from time to time (without being requested to do so), research or other products or services to most or all of their customers. GRCP may take advantage of the research or other products or services provided rather than producing or paying for them from another provider. In these situations, GRCP receives a benefit because it does not have to pay for the research or other products or services. Even in the absence of soft dollar arrangements, GRCP may have an

incentive to utilize broker-dealers based on benefits that it receives from the broker-dealers, rather than the interests of a Client in receiving the most favorable execution. However, since the research or other products or services provided are not material in nature and quantity and may be provided, from time to time, by several broker-dealers, GRCP's receipt of such research or other products or services does not have a material effect on its selection of broker-dealers. Furthermore, GRCP addresses any potential conflicts of interest through its best execution policies and procedures.

In the future, GRCP may, in recognition of the value of the brokerage and research services provided by the broker-dealer, enter into a soft dollar arrangement and pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transactions) for effecting Client account transactions which may be in excess of that which another broker-dealer might have charged for effecting the transaction. GRCP will effect such transactions, and receive such brokerage and research services, only to the extent that, based on GRCP's good faith determination, the amount of commission is reasonable in relation to the value of the research and brokerage products or services received, viewed in terms of either the specific transaction or GRCP's overall responsibility to its Clients. GRCP will enter into such soft dollar arrangements only to the extent that they fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)").

#### *Trade Allocation and Aggregation*

As noted above, GRCP does not typically use brokers to effect securities transactions. To the extent GRCP engages in such trading, if GRCP determines that the purchase or sale of the same security is in the best interest of more than one Client account, GRCP may, but is not obligated to, aggregate orders in order to reduce transaction costs to the extent permitted by applicable law. When an aggregated order is filled through multiple trades at different prices on the same day, each participating Client account will typically receive the average price with transaction costs allocated *pro rata* based on the size of each Client account's participation in the order (or allocation in the event of a partial fill) as determined by GRCP. In the event of a partial fill, allocations generally will be made *pro rata* based on the initial order, but may be modified on a basis that GRCP deems to be appropriate, including, for example, in order to avoid odd lots or *de minimis* allocations.

#### *Trade Errors*

As noted above, GRCP does not typically use brokers to effect securities transactions. To the extent GRCP engages in such trading, on occasion, trades may be executed on behalf of Clients that are inconsistent with the trading instructions of a Client portfolio manager or are the result of some other error in the trading process. Such trades are known as "Trade Errors" and are deemed to have occurred when, as a result of such inconsistency or other error in process: (1) the wrong instrument is purchased or sold; (2) the wrong quantity of an instrument is purchased or sold; (3) a purchase is made instead of a sale or a sale is made instead of a purchase; or (4) an instrument is purchased or sold in violation of regulatory or contractual obligations. Trade Errors do not include scenarios that do not result in a trade. Trade Errors frequently result in losses but may, occasionally, result in gains. GRCP will endeavor to detect Trade Errors before settlement and correct and/or mitigate them in an expeditious manner. To

the extent a Trade Error is caused by a third party, such as a broker, GRCP may seek to recover any losses associated with the Trade Error from such third party, but may choose not to do so in its discretion, and GRCP will not be liable for such losses. Unless a Trade Error has resulted from the gross negligence, fraud, bad faith or willful misconduct of GRCP or its employees, any losses will be borne by the Client. Any gains resulting from a Trade Error will be for the benefit of the Client. GRCP will determine in its sole discretion whether any Trade Error has resulted from the gross negligence, fraud, bad faith or willful misconduct on its part. Investors should be aware that, in making such determinations, GRCP will have a conflict of interest.

### **ITEM 13. REVIEW OF ACCOUNTS**

GRCP performs quarterly reviews of each of its Client's respective accounts. Such reviews are conducted by GRCP's Managing Partners and Chief Credit Officer.

GRCP prepares periodic reports/letters to provide to its Clients and/or Clients' underlying investors, detailing the performance and composition of such Client's investments. As a general matter, such reports/letters are prepared and issued quarterly.

Generally, on an annual basis, each fund will prepare and mail to each investor, together with the report prepared by the fund's accountants, a financial report setting forth a balance sheet of each fund and a statement of its net profit or net loss, a statement of each investor's capital account and the manner of its calculation. After the end of each fiscal year, each investor in a fund will be furnished certain tax information for tax return preparation purposes.

Separately managed accounts will receive monthly, quarterly and/or annual performance reports, the frequency and content of which are determined pursuant to each such Client's investment management agreement with GRCP.

For additional information related to the types and frequency of reports provided to Clients, please see the relevant offering documents or investment management agreement, to the extent applicable.

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

GRCP does not accept an economic benefit from third parties for providing investment advisory services to Clients.

GRCP has a solicitation arrangement with Wells Fargo Securities regarding potential non-U.S. clients. The arrangements are made in writing pursuant to Rule 206(4)-3 of the Advisers Act (the "Cash Solicitation Rule"). The Cash Solicitation Rule specifies certain standards that must be met by an adviser prior to the payment of a fee, directly or indirectly, for client solicitation or referral.



Further, GRCP has, or expects to have, an agreement with one or more placement agents to introduce the firm to potential investors.

#### **ITEM 15. CUSTODY**

GRCP has “custody” within the meaning of Rule 206(4)-2 under the Advisers Act (the “Custody Rule”) with respect to the assets of the Fund and the JV. Regarding these Clients, GRCP generally complies with the Custody Rule by preparing and delivering audited financial statements to the investors in such vehicles in accordance with what is commonly referenced as the Custody Rule’s “Audit Exemption.”

GRCP may or may not accept custody with respect to separately managed accounts as is set forth in the relevant governing documents.

#### **ITEM 16. INVESTMENT DISCRETION**

GRCP has discretionary authority to manage the Fund and non-discretionary authority to manage the JV.

The basis for GRCP’s authority regarding an investor or a client and limitations to that authority are found in the subscription documents, investment management agreement and/or other governing documents, as applicable to each investor or client.

#### **ITEM 17. VOTING CLIENT SECURITIES**

GRCP accepts the authority to vote client securities on behalf of the Fund and the JV, although the JV retains consent rights regarding certain decisions as more fully described in the relevant governing documents and the Fund’s offering document. GRCP’s authority to vote client securities on behalf of separately managed accounts is as set forth in the relevant governing documents.

In addition to proxy solicitation in connection with equity securities of traditional operating companies, “voting client securities” is deemed to include any consent requested in matters such as bankruptcy or insolvency, covenant waivers in connection with debt, approvals regarding the restructuring of debt and other rights and remedies with respect to securities. GRCP has adopted policies and procedures related to voting client securities on behalf of its Clients. When GRCP accepts authority to vote client securities, GRCP’s general policy is to vote proposals, as well as amendments, consents or resolutions relating to client securities (including interests in private investment funds, if any) in a manner that serves the best interests of its Client. In determining how to vote such securities, GRCP may take into account factors such as: (1) the impact on the value of the investments; (2) the anticipated associated costs and benefits; (3) the continued or increased availability of Client information; and (4) industry and business practices. In some

circumstances, GRCP will refrain from voting client securities where GRCP believes, among other potential reasons, that voting would be inappropriate, taking into consideration the cost of voting the securities, the anticipated benefit to the Client, whether the Client continues to hold the securities on the voting date, or where GRCP believes that resolution is not relevant to the value of the investment.

It is possible for conflicts of interest to arise in the context of GRCP's voting of client securities. However, if an actual conflict of interest with respect to voting arises, the General Counsel, together with external legal counsel, if necessary, would be involved in the process for the particular vote to help manage and mitigate any such conflicts of interest.

A copy of GRCP's policies and procedures regarding the voting of client securities and information as to how GRCP votes client securities can be obtained upon request.

## **ITEM 18. FINANCIAL INFORMATION**

GRCP is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to Clients and has not been the subject of a bankruptcy petition at any time during the past 10 years.