

# DIGITAL COLONY MANAGEMENT, LLC

Form ADV, Part 2A

## FIRM BROCHURE

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This brochure (“Brochure”) provides information about the qualifications and business practices of the private investment fund and co-investment vehicles business line of Digital Colony Management, LLC (“Digital Colony”), DCP Fund I Adviser, LLC and Digital Colony Liquid Opportunities Advisor, LLC (collectively, the “Digital Colony Advisers”). If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer (the “CCO”) at the above contact information.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Each Digital Colony Adviser is an investment adviser registered with the SEC. Registration with the SEC does not imply a certain level of skill or training. Additional information about Digital Colony and the Digital Colony Advisers is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2: Material Changes**

Digital Colony's last annual updating amendment to Part 2A on Form ADV was filed on March 30, 2020. This other-than-annual amendment reflects the change of executive management of Colony Capital since the last update.

We encourage all recipients of this Brochure to read it carefully in its entirety.

## IMPORTANT NOTE ABOUT THIS BROCHURE

**This Brochure is not:**

- an offer or agreement to provide advisory services to any person
- an offer to sell interests (or a solicitation of an offer to purchase interests) in any investment vehicle advised or sponsored by Digital Colony or an affiliate (each a “Digital Colony Fund”)
- a complete discussion of the features, risks or conflicts associated with any advisory relationship or Digital Colony Fund

As required by the US Investment Advisers Act of 1940, as amended (“Advisers Act”), Digital Colony provides this Brochure to current and prospective clients and may also, in its discretion, provide this Brochure to current or prospective investors in a Digital Colony Fund, together with the Fund’s offering documents, SEC filings (as applicable), organizational documents, management contracts or other related documents (the “Governing Documents”), prior to, or in connection with, such persons’ investment in the Digital Colony Fund. Additionally, this Brochure is available through the SEC’s Investment Adviser Public Disclosure website.

Although this publicly available Brochure describes investment advisory services and products of Digital Colony and the Digital Colony Advisers, persons who receive this Brochure (whether or not from Digital Colony) should be aware that it is designed solely to provide information about Digital Colony as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure may differ from information provided in relevant Governing Documents. More complete information about each Digital Colony Fund is included in relevant Governing Documents, certain of which may be provided to current and eligible prospective investors only by the Digital Colony Funds or by another authorized party.

In no event should this Brochure be relied upon in determining whether to invest in a Digital Colony Fund or to engage Digital Colony or any of the Digital Colony Advisers as an investment adviser. To the extent that there is any conflict between discussions herein and similar or related discussions in any Governing Documents, the relevant Governing Documents shall govern and control.

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## **Item 4: Advisory Business**

### **Digital Colony**

Digital Colony Management, LLC (“Digital Colony”) is a Delaware limited liability company and an indirect subsidiary of Colony Capital, Inc. (NYSE: CLNY) (“CLNY” and together with its wholly-owned subsidiaries, “Colony Capital” or “Colony”). Prior to July 25, 2019, Digital Colony was jointly owned by Colony Capital and Digital Bridge Holdings, LLC (“Digital Bridge”). On July 25, 2019, Colony Capital indirectly acquired Digital Bridge. Digital Colony serves as investment adviser to private equity style investment funds and co-investment vehicles (“Closed-End Funds”) and a securities fund which invests primarily in publicly traded securities (the “Open-End Fund”, and together with the Closed-End Funds, the “Digital Colony Funds”, “Fund(s)” or “Clients”).

The Digital Colony Closed-End Funds invest in mobile and internet infrastructure, including data centers, macro cell towers, fiber networks and small cell networks (collectively, “Digital Infrastructure”) primarily via privately negotiated investments.

The Digital Colony Open-End Fund invests in Digital Infrastructure and related commercial real estate via publicly traded securities.

### **Colony Capital**

Colony Capital is a global investment management firm publicly traded on the New York Stock Exchange. Thomas J. Barrack, Jr. is the Executive Chairman, President, and Chief Executive Officer of Colony Capital. Marc C. Ganzi will become Chief Executive Officer of Colony Capital on July 1, 2020 and at such time, Mr. Barrack will continue as Executive Chairman of Colony Capital.

### **Digital Bridge**

Digital Bridge is a Digital Infrastructure investor and operator whose principals have over 20 years of experience in operating businesses and assets in the Digital Infrastructure sector. Marc C. Ganzi is the Co-Founder and CEO of Digital Bridge. Benjamin J. Jenkins is the Co-Founder and Chairman of Digital Bridge. Jeffrey E. Ginsberg is the Managing Director and COO of Digital Bridge.

### **Digital Colony and the Relying Advisers**

The advisory business of Digital Colony (which includes the Relying Advisers described below) primarily consists of advising the Digital Colony Funds. The investment strategies of the Digital Colony Funds are generally focused on making direct and indirect investments in Digital Infrastructure and, in the case of the Open-End Fund, Digital Infrastructure and commercial real estate-related securities.

DCP Fund I Adviser, LLC and Digital Colony Liquid Opportunities Advisor, LLC (the “Relying Advisers”), each of which is a wholly-owned subsidiary of Digital Colony, provide investment advisory and related services as part of Digital Colony’s advisory business. The Relying Advisers may also engage Digital Colony affiliates and third parties for the provision of services. Digital Colony and the Relying Advisers generally have common policies and procedures with respect to their clients, share senior management teams and key personnel, and are collectively referred to herein as the “Digital Colony Advisers,” or “Digital Colony,” as the context requires. The Digital Colony Advisers have implemented specified policies and procedures to mitigate potential conflicts of interests and to ensure that its personnel operate on a “need to know” basis within the constraint of applicable policies, procedures and regulations.

Each Digital Colony Adviser is a separate and distinct company that may have differing investment capabilities and functions, but the Digital Colony Advisers work collaboratively to provide advice and services to Clients. As of

December 31, 2019, the Digital Colony Advisers managed \$6,404,135,939 in client assets on a discretionary basis and \$100,100,000 in client assets on a non-discretionary basis. Assets under management are calculated and presented in this Brochure according to the requirements of the Advisers Act and may differ from the calculation and presentation of assets for purposes of other disclosures made by Colony Capital, Digital Bridge, or its Clients.

### **Digital Colony Advisers**

The Digital Colony Advisers provide investment management services to the Digital Colony Funds, which primarily consists of private investment funds and co-investment vehicles, whose investment strategies are focused on making direct and indirect investments in Digital Infrastructure and, in the case of the Open-End Fund, Digital Infrastructure and commercial real estate-related securities, and other companies, funds and accounts that may be sponsored or co-sponsored by Colony Capital, Digital Bridge, Digital Colony or otherwise advised by Digital Colony in the future, both in the United States and internationally.

### **Other Affiliates**

Certain other affiliates of Digital Bridge and Colony Capital provide investment advisory and related services under separate registrations with the SEC and are not covered by this Brochure. Some of these other registered affiliates do not have common policies and procedures but may share certain management teams or personnel with Digital Colony, Colony Capital, Digital Bridge, and the Relying Advisers but are treated as separate and distinct companies and SEC registrants. These separate registered investment adviser affiliates may offer a variety of investment strategies and services to a number of different clients, including, without limitation, (i) private investment funds and co-investment vehicles, (ii) public REITs that are either traded on a national securities exchange or non-listed and sold through independent broker dealer channels, (iii) closed-end management investment companies registered under the Investment Company Act of 1940, as amended (“Investment Company Act”), (iv) a public statutory trust that intends to be treated as a liquidating trust for purposes of U.S. treasury regulations and any analogous provision of state or local law and/or (v) provide active management services to special purpose vehicles (“SPVs”) and direct accounts. The registered investment adviser affiliates not covered under this Brochure include, but are not limited to: Colony Capital Investment Advisors, LLC (Delaware), Digital Bridge Advisors, LLC (Delaware), Col Invest Italy S.R.L. (Italy), Colony Capital Advisors, LLC (Delaware), Colony Realty Partners, LLC (Delaware), CDCF IV Investment Advisor, LLC (Delaware), Colony Industrial Investment Advisor, LLC (Delaware), CLNC Manager, LLC (Delaware), CLNC Advisors, LLC (Delaware), CNI NSI Advisors, LLC (Delaware), CNI NSHC Advisors, LLC (Delaware), CNI FCVP Advisors, LLC (Delaware), Colony Capital – N Luxembourg S.à.r.l. (Luxembourg), Colony Capital Luxembourg S.à.r.l. (Luxembourg), Colony Capital UK, Ltd. (United Kingdom), Colony Capital SAS (France), CNI One Cal Plaza Investment Advisor, LLC (Delaware), CNI Century Plaza Advisor, LLC (Delaware), CNI RECF Advisors, LLC (Delaware), CDCF V Investment Advisor, LLC (Delaware), Colony LatAm Holdings, LLC (Delaware), and CIB Bulk 2018 Investment Advisor, LLC (Delaware). Further information about the advisory businesses of these affiliates can be found in the public disclosures on Form ADV for those firms.

### **About the Digital Colony Funds**

The business line of Digital Colony primarily consists of advising private investment funds and co-investment vehicles (each a “Client” and collectively “Clients”), whose investment strategies are focused on making direct and indirect investments in Digital Infrastructure and commercial real estate relating to Digital Infrastructure.

As a general matter, each Digital Colony Fund is managed in accordance with its investment objectives, strategies and guidelines and is not tailored to the individual needs of any particular investor and an investment in a Digital Colony Fund does not, in and of itself, create an advisory relationship between the investor and Digital Colony. Therefore, investors must consider whether the Digital Colony Fund meets their investment objectives and risk tolerance prior to investing in a Digital Colony Fund.

### **Services to the Digital Colony Funds**

The Digital Colony Advisers generally advise and manage the day-to-day investment affairs of the Digital Colony Funds, and may act in one or more capacities, including as a general partner. Subject to the terms of the Digital Colony Fund's Governing Documents, the services provided to the Digital Colony Funds include investment management and advisory services concerning investments in (i) data centers; (ii) macro cell towers; (iii) fiber networks; (iv) small cell networks, and (v) digital infrastructure and commercial real estate securities - primarily in common equities and equity options and, where such securities have equity-like characteristics, preferred equity and corporate debt.

In connection with the consummation of certain investments on behalf of Clients, the Digital Colony Advisers may, but are not required to, employ hedging techniques designed to protect the Client against adverse movements in currency or interest rates.

The Digital Colony Advisers will invest Clients' funds in liquid, short-term investments, such as bank and certificates of deposit or deposit such funds in a money market fund. The Digital Colony Advisers estimate that the portion of its activities related to such advisory services will not be significant.

Except as specifically disclosed in the relevant documents (e.g. limited partnership agreements, investment advisory agreements), Digital Colony manages each Digital Colony Fund on a discretionary basis (subject to any limitations set forth by the relevant Governing Documents, investment board, general partner, or similar governing body, as applicable).

### **Other Services to the Digital Colony Funds**

Certain Digital Colony Funds may retain Digital Colony or its affiliates to provide and/or reimburse Digital Colony or an affiliate for provision of additional services, in which case such services will be provided on terms comparable to those generally available in arms-length transactions. For example, one of our affiliates receives administrative service fees which is offset against management fees from a portfolio company pursuant to a preexisting arrangement with the portfolio company for services provided by the affiliate, as discussed in detail in Item 5. Another affiliate, Colony Luxembourg S.à.r.l., a Luxembourg holding company, provides management and administrative services for various investments. The Digital Colony Fund will reimburse, upon receipt of invoice, the holding company for an allocation of actual costs and all direct expenses incurred for each investment. The amount of such reimbursement is not offset against management fees.

Digital Colony may enter into "side letters" with investors in the Digital Colony Funds, which allow for certain additional rights in the event of tax, regulatory or legal circumstances applicable to such investors.

Digital Colony does not currently engage in wrap fee programs.

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

Fees are separately determined for each Client. As a general matter, Digital Colony and its affiliates receive management and incentive fees pursuant to advisory contracts and other agreements with Clients and certain other fees as described in more detail below. Client fee structures can vary significantly between the Digital Colony Funds.

#### **Management and Incentive Fees**

For its investment advisory services, the Digital Colony Advisers may be compensated by one or more of the following investment management fees:

- an investment management fee that is equal to a percentage of the Client's committed capital, invested equity, or net asset value;
- performance-based fees (either as an incentive fee or carried interest) subject to the Client account or individual investments within the Client account achieving certain specified returns.

Management fees for the Open-End Fund are billed monthly, in advance. If for any reason an investor wishes to terminate an investment advisory contract, the investor must provide prior written notice in accordance with the terms of the partnership agreement and any fees paid in advance will be returned (and will be subject to a pro-rated management fee reflecting the time remaining during the quarter).

Digital Colony Fund fees are deducted from Digital Colony Fund assets. More complete information about fees is contained in each Digital Colony Fund's Governing Documents.

To the extent fees are based on capital gains or capital appreciation, the Digital Colony Advisers comply with Rule 205-3 under the Advisers Act, which permits the payment of performance fees by clients that meet certain requirements. See Item 6 for a discussion of certain conflicts related to performance-based fees.

The types and amounts of, and the related limitations and restrictions on, fees charged by the Digital Colony Advisers are not uniform among Clients and may be affected by the extent of services to be provided or the size of the account. Therefore, the Digital Colony Advisers do not maintain a fee schedule. The fees and expenses related to Clients offered pursuant to private securities offerings are fully specified in the Governing Documents for each Client. These materials are available from the Digital Colony Advisers upon request.

While fees related to Clients are generally not negotiable, such fees may include discounts based on the amount invested or timing of commitment. In addition, prior to accepting subscriptions from certain types of investors (e.g., high net worth persons, feeder funds and retail investors), Digital Colony, or its affiliate, as general partner, may require such investors to agree to additional fees or priority profit allocations to the general partner or its affiliates (including the same fees in higher amounts than described in the Governing Documents for each client).

The Closed-End Funds typically utilize a subscription line of credit which is used primarily for interim financing in respect of investments and partnership expenses and payment of management fees incurred in advance of capital contributions from investors.

In many cases, the Digital Colony Advisers' fees are based on the value and performance of the assets held in the Client account. The Digital Colony Advisers may be charged with the responsibility to, or have a role in, determining such values. To the extent the Digital Colony Advisers' fees are based on the value or performance of Client accounts, the Digital Colony Advisers may benefit by receiving a fee based on the increased value of assets in an account. When valuing an asset, Digital Colony attempts, in good faith, to determine the fair value of the asset in question in a manner consistent with the Digital Colony Advisers' then current valuation policies (unless otherwise specified by the Client). The Digital Colony Advisers may also rely on valuations provided by third-party appraisals or on market quotations (when market quotations are available and deemed reliable) for the valuation of certain investments.

The limited partnership agreements, limited liability company operating agreements or applicable operating agreements of the Clients generally provide that payment of management fees are paid solely from (i) capital contributions from investors in the Client, (ii) distributable proceeds from investments, or (iii) borrowings under credit facilities.



Any fees or other revenues of the Clients, including all acquisition, financing, break-up and other fees payable to the Clients, the general partners, or any affiliates of the general partners will be for the benefit of the Clients and may be applied by the general partners to pay or reserve for the payment of expenses of the Digital Colony Funds or to repay any credit facility drawdowns used to pay the same, with any balance distributed in accordance with the distribution waterfall or offset against management fees other than as described in the below section, Other Fees.

As described further in the Fund Governing Documents, fund expenses encompass a broad range of expenses and include all expenses of operating the Fund and its related entities, including, for example, organizational expenses of the Digital Colony Funds and any entities used directly or indirectly to acquire, hold, or dispose of any one or more investment(s) or otherwise facilitating the Fund's investment activities. Clients bear all costs and expenses in maintaining their operations and investments, including: (i) fees, costs and expenses of any administrators, custodians, depositaries, attorneys, accountants (including for certain Clients in-house counsel, and in-house accountants to the extent performing functions customarily performed by outside attorneys and accountants), tax advisers, consultants, brokers including brokerage commissions and spreads, agents, valuation experts and pricing services, senior advisors, operating partners and other advisers and professionals, (ii) all out-of-pocket fees, costs and expenses related to the sourcing, bidding, evaluating, purchasing, trading, settling, maintaining custody, holding, monitoring and sale of investments, (including, without limitation, any brokerage, custody, or hedging costs and travel and related expenses (which may include travel for chartered or private air travel if it does not exceed the cost of first-class commercial airfare) in connection with a Client's investment activities and any costs and expenses arising from any foreign exchange or other currency transactions), (iii) any out-of-pocket expenses incurred in connection with a Client's legal, tax and regulatory compliance with U.S. federal, state, local, non-U.S. or other law and regulation (including, without limitation, regulatory filings of Digital Colony and its affiliates relating to a Client and its activities), including reporting on and compliance with Form PF, FATCA and any comparable legislation or regulations published by any other relevant jurisdiction, (iv) expenses for transactions not completed, including any travel, entertainment and accommodation expenses, all fees (including commitment fees), costs and expenses of lenders, investment banks and other financing sources in connection with arranging financing for transactions which are not consummated, reverse break-up, termination and other similar fees payable by a Client (the Digital Colony Funds may bear certain costs relating to co-investment vehicles in accordance with the Governing Documents of each Digital Colony Fund), any alternative investment vehicles or any acquisition vehicle thereof for transactions which are not consummated, any deposits or down payments which are forfeited in connection with unconsummated transactions to the extent not reimbursed by an entity in which a Client has invested or proposes to invest or other third parties, (v) brokerage commissions, prime brokerage fees, custodial expenses, agent bank and other bank service fees, travel and related expenses and other investment costs, fees and expenses actually incurred in connection with actual investments, (vi) the costs and expenses of any lenders, investment banks and other financing sources (including principal and interest and fees and other expenses arising out of borrowings made by a Client), (vii) the costs of any insurance and indemnification or extraordinary expense or liability relating to the affairs of a Client, (viii) the out-of-pocket expenses incurred in connection with complying with provisions in side letter agreements, including "most favored nations" provisions, (ix) expenses of winding up and liquidating a Client, (x) subject to certain exceptions, any taxes, fees or other governmental charges levied against or payable by a Client and all expenses incurred in connection with any tax audit, investigation, settlement or review of a Client, and (xi) the out-of-pocket expenses of a Client's investor advisory committee and expenses associated with any meeting or conference with one or more limited partners.

Neither the Digital Colony Advisers nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

### **Other Fees**

The Digital Colony Funds bear third-party acquisition costs for proposed investments and for co-investment vehicles that are not completed, including reverse termination fees ("Broken Deal Costs"), however, Digital

Colony may, on a transaction-by-transaction basis, require all or certain co-investors to bear their pro-rata portions of all or certain Broken Deal Costs. Digital Colony will allocate Broken Deal Costs to the Digital Colony Fund that would have acquired or originated the investment according to Digital Colony's allocation policy. In addition, co-investors may pay other separately negotiated fees set forth in side letter agreements that will not be offset against management or performance-based fees.

Please see Item 12 for a discussion of Digital Colony's allocation policy and a discussion of factors that may affect the costs of executing portfolio transactions.

## **Item 6: Performance-Based Fees and Side-By-Side Management**

As noted in Item 5, the Digital Colony Funds are subject to performance-based fees. Performance-based compensation arrangements, are negotiated with each Client on an individualized basis and will in all cases be in compliance with Section 205(3) of, or Rule 205-3 under, the Advisers Act. The payment of performance-based compensation is subject to a specified "hurdle" rate.

Certain affiliates of Digital Colony that serve as general partner to a Client may be entitled to receive from the relevant Client a carried interest distribution representing a percentage of the profits of such Client with respect to each portfolio investment. Fee arrangements with certain Clients include clawbacks on carried interest.

The existence of the carried interest with respect to Clients may create an incentive for Digital Colony to make more speculative investments on behalf of the Clients than it might otherwise make in the absence of such performance-based compensation. The carried interest may also incentivize Digital Colony to dedicate increased resources and allocate more profitable investment opportunities to Clients who are charged a carried interest, as Digital Colony and its affiliates have the opportunity to receive carried interest distributions based on the success of portfolio investments. Further, Digital Colony is also incentivized to allocate investment opportunities to Clients who either pay higher carried interest percentages to their general partners or to Clients whose current performance does not require them to reimburse limited partners for losses attributable to prior unprofitable investments before distributing carried interest to their general partners.

The carried interest creates a potential conflict of interest for Digital Colony and/or its affiliates in valuing investments. For example, because carried interest distributions in Digital Colony Closed-End Funds are calculated in a "deal-by-deal" waterfall, Digital Colony will not receive a carried interest until the partners of the applicable fund receive distributions equal to their share of writedowns not taken into account in prior distributions. This creates an incentive for Digital Colony and/or its affiliates to avoid writing down the value of assets that are not readily marketable or difficult to value, because Digital Colony and/or its affiliate, as applicable, will be in a position to receive a higher carried interest.

The terms of the carried interest could also give Digital Colony an incentive to make decisions regarding the timing and structure of realization transactions that may not be in the best interests of investors. For example, Digital Colony would be in a position to receive carried interest distributions earlier if profitable investments are liquidated prior to investments that are not profitable because, at the time proceeds from such profitable investments are liquidated, Digital Colony would not be required to first distribute capital to limited partners to make up for prior losses associated with unprofitable investments. The above conflicts are mitigated by the fact that Clients are entitled to clawback any after-tax distributions paid to their respective general partners to ensure that distributions to partners over the term of the Client are consistent with the distribution waterfall. However, the return of such distributions to the limited partners may be delayed until the end of the fund's term. Digital Colony has also agreed to limitations in the operating documents of certain Digital Colony Funds relating to the allocation of Client funds to investments (including restrictions on forming and directing capital to new co-investment or successor Digital Colony Funds), in each case, to seek to mitigate certain of the incentives described above.

With certain limited exceptions, valuations of current income and disposition proceeds with respect to investments will be determined by the general partner of the Client (which is generally a special purpose vehicle created and controlled by Digital Colony) and will be final and conclusive to all partners. If distributions are made in assets other than cash, the amount of any such distribution will be accounted for at the fair value of such assets, with certain limited exceptions, as determined by the general partner in accordance with procedures set forth in the Client's limited partnership agreement.

Digital Colony seeks to treat all Digital Colony Funds in a fair and equitable manner over time and will act in a manner that it believes to be in the best interests of the Digital Colony Funds. To that end, Digital Colony has established a variety of policies and other controls regarding, among other things, the allocation of investment opportunities, including those seeking to manage the conflicts of interest identified above. Please see ***“Item 12: Brokerage Practices”*** below for more information.

## **Item 7: Types of Clients**

Digital Colony generally provides investment advice to pooled investment vehicles and co-investment vehicles, generally in the form of corporations, limited partnerships or limited liability companies and therefore does not have requirements for opening or maintaining accounts. However, there may be conditions for investing in the Digital Colony Funds, including minimum investment amounts, which are stated in their respective Governing Documents for each Digital Colony Fund. For the Digital Colony Funds with minimum investment amounts, the Governing Documents generally note that the general partner or company, as applicable, has the discretion to reduce or waive the minimum investment amount.

The Digital Colony Funds are not “investment companies” subject to registration under the Investment Company Act.

### **Private Funds**

The Digital Colony Funds are generally private investment funds that qualify for an exclusion from the definition of an “investment company” under Section 3(c)(1) or 3(c)(7) of the Investment Company Act. Except as mentioned in Item 4 above, Digital Colony has full discretionary authority with respect to investment decisions made on behalf of each Digital Colony Fund and it makes and manages each investment in accordance with the purposes, terms, restrictions and limitations set forth in the relevant Governing Documents of each Digital Colony Fund. Each Digital Colony Fund that makes multiple investments is generally subject to certain diversification and geographic limitations, as well as restrictions on incurring indebtedness, making passive investments in pooled investment vehicles, and entering into certain affiliated transactions.

Each U.S. investor participating in the Digital Colony Funds is required to meet certain suitability and net worth qualification, such as (i) “accredited investor” within the meaning of Rule 501(a) of Regulation D promulgated under Section 4(2) of the Securities Act of 1933, as amended, (ii) “qualified purchaser” within the meaning of Section 2(a)(51) of the Investment Company Act, (iii) “qualified client” pursuant to Rule 205-3 of the Advisers Act, and/or (iv) “knowledgeable employee” within the meaning of Rule 3c-5 of the Investment Company Act.

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

### **Methods of Analysis and Investment Strategies**

#### **Closed-End Funds**

#### **Investment Objective**

The Closed-End Funds' investment objective is to generate attractive risk-adjusted returns primarily through privately negotiated equity or other investments in any assets or businesses related to the Digital Infrastructure sector on a global basis. Digital Colony may also invest directly or indirectly in debt or preferred equity instruments secured by assets or businesses related to Digital Infrastructure.

#### Investment Focus

The principals of Digital Colony have been actively engaged in the operation of Digital Infrastructure businesses for over 20 years, including through companies operated by Digital Bridge, which own and operate macro cell towers, hyperscale data centers, enterprise data centers, fiber networks and small cell businesses. Digital Colony plans to focus its investment efforts in these areas and diversify across the Digital Infrastructure sub-sectors.

### **Open-End Fund**

#### Investment Objective

The Open-End Fund's investment objective is to generate attractive absolute returns over the long-term, with an emphasis on the preservation of capital, primarily through investments focusing on Digital Infrastructure and commercial real estate-related securities.

#### Investment Focus

To fulfill this objective, the Open-End Fund seeks favorable investment opportunities focusing primarily on Digital Infrastructure and commercial real estate-related securities trading at deep discounts to intrinsic value with predictable catalysts and downside protection. This strategy is a specific niche investment strategy in which the lead portfolio manager has considerable expertise. The Open-End Fund focuses on investment opportunities in undervalued securities that are expected to have a catalyst to value within 12 to 36 months of the Open-End Fund's investment, such as recapitalizations, spin-offs, sales of assets, acquisitions, refinancings or similar events; as well as Digital Infrastructure and commercial real estate-related securities that the lead portfolio manager views to be generally undervalued. The Open-End Fund intends to invest primarily in common equities and equity options and, where such securities have equity-like characteristics, preferred equity and corporate debt. The Open-End Fund invests in the securities of companies located predominantly in the United States, Canada and Western Europe, although investments in other geographies may be made where Digital Colony deems appropriate. These underlying companies may be traded on U.S. and non-U.S. exchanges.

### **Digital Infrastructure Overview**




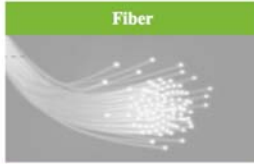
Digital Colony will focus on Digital Infrastructure. By focusing on Digital Infrastructure, Digital Colony seeks to capitalize on growth trends around five core areas of the digital economy:

1. *Increasing mobile data and over-the-top video consumption;*
2. *Cloud computing;*
3. *Big data analysis;*
4. *Information technology outsourcing by global enterprises; and*
5. *An increasingly connected world including the build-out of 4G and the roll-out of 5G.*

As these areas grow and develop new service models, Digital Colony believes these four major Digital Infrastructure asset classes may benefit:

1. *Data Centers;*
2. *Macro Cell Towers;*
3. *Small Cell Networks; and*
4. *Fiber Networks.*

These four major areas of Digital Infrastructure are summarized below.

	Macro Cell Towers	Small Cells	Data Centers	Fiber
				
<b>Description</b>	Steel structures typically ranging from 30-120 meters that hold communications equipment	Fiber-fed antenna systems used for both outdoor urban deployments and indoor locations	Specialized buildings equipped with power and cooling infrastructure to house computer servers	Fiber optic cables consist of bundled glass strands that data can be transmitted over via equipment that transfers data signals into optical light
<b>Primary Usage</b>	Core mobile network coverage for wireless carriers. Besides wireless cell towers, macro towers also include TV and radio broadcast towers and mobile sites located on billboards	Provides outdoor and indoor network densification for wireless carriers and cable operators. Utilizes metro fiber networks	Hyperscale – Large critical IT loads of >1MW Enterprise – Provides colocation, fiber connectivity and managed services for <1MW critical IT loads	Provides dedicated high-bandwidth fixed network capacity via dark fiber or lit services
<b>Revenue Drivers and Cost Structure</b>	Revenue via rent from wireless or broadcasting customers. Rental leases typically have annual escalators. Cost of operating tower is generally fixed, which tends to drive operating leverage with equipment additions and new tenants	Revenue via leasing of network infrastructure. Majority of costs often related to building out fiber infrastructure for the initial tenant, which generally drives high operating leverage	Revenue via leasing of space / power to customers. Large portion of costs may be fixed, except for utility expenses which are often either passed through or marked up to customers	Revenue via leasing of individual fiber strands (dark fiber) or bandwidth (lit services – ranges from MBs of capacity to 100 GBs of capacity)
<b>Customers</b>	Wireless Operators TV / Radio Broadcasters Public Safety	Wireless Operators Cable Operators (Wi-Fi)	Technology (Cloud, E-Commerce, Gaming) Government / Healthcare Enterprise (SMBs)	Telecom Providers Government / Healthcare Enterprise (SMBs)

## **Material Risks**

### **Risk of Loss**

An investment in a Digital Colony Fund involves risk. There is no certainty of return with respect to any such investment. There is no guarantee that a Digital Colony Fund will achieve its goals, objectives or targeted returns (as applicable). Investors may lose all or a portion of the value of their investment and, as such, should not invest unless they can readily bear the consequences of such loss.

Below is a summary of certain risks associated with an investment in a Digital Colony Fund. Investors should refer to the risk factors in each Digital Colony Fund's Governing Documents, or other documents (as applicable) provided to, or made available to, prospective investors for a more complete description of the risks associated with the investment in such Digital Colony Fund. The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in a Digital Colony Fund. These risk factors include certain risks Digital Colony believes to be material, significant or unusual and relate to particularly significant investment strategies or methods of analysis employed by Digital Colony.

## **General Risks**

*General Economic and Market Conditions.* The success of the Digital Colony Funds' activities will be affected by general economic and market conditions, as well as a number of other economic factors that are outside of Digital Colony's control. These factors include, but are not limited to, changes in applicable laws and regulations (including laws and rates relating to taxation of the Digital Colony Funds' investments), trade barriers, fluctuations in currency exchange rates and interest rates, availability of credit, credit defaults, changes in the relative prices of commodities or securities, inflation rates, economic uncertainty, trade barriers, currency exchange controls, general economic and market conditions and activity, and national and international political, environmental and socioeconomic circumstances, and foreign ownership restrictions. There is no assurance that any key trends or economic and market conditions for infrastructure investing will improve or not deteriorate. General fluctuations in the market prices of securities and interest rates may affect the Digital Colony Funds' investment opportunities and the value of the Funds' investments. Digital Colony's financial condition may be adversely affected by a significant general economic downturn and it may be subject to legal, regulatory, reputational, and other unforeseen risks that could have a material adverse effect on Digital Colony's business and operations and thereby could impact the Funds. Any recession, slowdown, and/or a sustained downturn in the U.S. or global economy (or any particular segment thereof), a weakening of credit markets (including a perceived increase in counterparty default risk), or an adverse development in prevailing market trends could adversely affect the Digital Colony Funds' profitability and/or impair the Funds' ability to effectively consummate and exit investments on favorable terms and may have an adverse impact on the availability of credit to businesses generally, which in turn may have an adverse impact on the business and operations of the Digital Colony Funds. Digital Colony could also be affected by difficult conditions in the capital markets and any overall weakening of the financial services industry. It is possible that a weakening of credit markets could adversely affect Digital Colony's funding obligations to the Digital Colony Funds and the Funds could suffer other adverse consequences, any of which could adversely affect the business of the Funds, restrict the Funds' investment activities, and impede the Funds' ability to effectively achieve its investment objective. In addition, economic problems in a single country are increasingly affecting other markets and economies. A continuation of this trend could adversely affect global economic conditions and world markets and, in turn, could adversely affect the Digital Colony Funds' performance.

*Lack of Operating History.* The Digital Colony Funds, the Digital Colony Advisers, and their respective general partner are newly formed entities with limited operating history upon which prospective investors may evaluate their performance. There can be no assurance that the Digital Colony Funds will be able to implement their investment strategy and investment approach or achieve their investment objective or that Investors will receive a return of their capital. The past performance of Digital Bridge and Colony Capital, may not be indicative of the future performance of the Digital Colony Funds. Accordingly, investors should draw no conclusions from the performance of any Digital Bridge or Colony Capital entities and should not expect to achieve similar results.

*Leverage.* Use of borrowed funds to leverage acquisitions involves a high degree of financial risk and can exaggerate the effect of any increase or decrease in value of an investment and will increase the exposure of the investments to adverse economic factors, such as fluctuations in interest rates, downturns in the local economies in which the investments are located or deterioration in the condition of the investments. Accordingly, the use of leverage may cause a Digital Colony Fund's value to be more volatile than it would be in the absence of such leverage. In addition, to the extent a strategy employed on behalf of a Digital Colony Fund is dependent on leverage, the availability (or lack thereof) and cost of financing may significantly affect the ability of the Digital Colony Fund to execute its investment strategy.

*Litigation.* In the ordinary course of business, Digital Colony Fund may be subject to litigation from time to time. The outcome of such proceedings may adversely affect the value of an investment and may continue without resolution for long periods of time.

In connection with such actions, the applicable Digital Colony Fund may be obligated to bear defense, settlement, and other costs (which may be in excess of insurance coverage therefor provided by the Digital Colony Fund at such

Fund's expense for such purposes), and the investment adviser of such Fund and others may be entitled to indemnification under, and subject to the terms of, such Fund's investment agreement and/or other agreements entered into by such Fund.

*Risky and Illiquid Investments.* Digital Infrastructure investments are generally risky and illiquid and involve a longer holding period than traditional private equity investments. Therefore, no assurance can be given that, if a Digital Colony Fund is determined to dispose of a particular investment held by a Digital Colony Fund, it can dispose of such investment at a prevailing market price and there is a risk that the disposition of such investments may require a lengthy time period. Illiquidity may result from the absence of an established market for the investments, as well as legal or contractual restrictions on the investment's resale by the applicable Digital Colony Fund.

Additionally, investments in private equity funds may be particularly illiquid, as there is often no secondary market in private equity securities and private equity investments often have "lock-up periods" during which an investor may not sell its interests.

*Operational Risks.* Many investments are subject to operational risks – risks that the internal processes and systems designed to operate a business, property or other entity safely and efficiently are in some fashion inadequate or that the individuals tasked with managing such processes and systems fail to properly carry out their functions.

*Foreign Investments.* The Digital Colony Funds invest in digital infrastructure assets located in foreign countries. Accordingly, the business and financial results of the Digital Colony Funds could be adversely affected due to currency fluctuations, social or judicial instability, acts or threats of terrorism, changes in governmental policies or policies of central banks, expropriation, nationalization and/or confiscation of assets, price controls, fund transfer restrictions, capital controls, exchange rate controls, taxes, inadequate intellectual property protection, unfavorable political and diplomatic developments, changes in legislation or regulations and other additional international developments or restrictive actions. These risks are especially acute in emerging markets. As in the United States, many non-U.S. jurisdictions in which Digital Colony Funds may do business have been negatively impacted by recessionary conditions. Non-U.S. investments may also be subject to extensive regulation by various non-U.S. regulators, including governments, central banks and other regulatory bodies, in the jurisdictions in which those businesses operate. Non-U.S. investments may impact performance of Digital Colony Funds and distributions to investors.

*Undeveloped Infrastructure.* In certain countries where the Digital Colony Funds may invest, capital and advanced technology are significantly limited. Delays in local postal, transport, banking or communications systems could cause investing Digital Colony Funds to lose rights, opportunities, entitlements or funds and expose such Digital Colony Funds to currency fluctuations

*Ability to Enforce Legal Rights.* Because of the effectiveness of the judicial systems in the countries in which the Digital Colony Funds may invest varies, the Digital Colony Funds may have difficulty in successfully pursuing claims in the courts of such countries, as compared to those of the U.S. or other developed countries. Further, to the extent that a Digital Colony Fund may obtain a judgment but is required to seek its enforcement in the courts of one of these countries, there can be no assurance that such a court will enforce such a judgment.

*Currency Rates.* Fluctuations in currency rates may adversely affect the ability of the Digital Colony Funds to successfully acquire non-U.S. assets and may also adversely affect the performance of the Digital Colony Funds' investments in such assets. Because non-U.S. securities or other non-U.S. assets may be purchased with and payable in currencies of countries other than the U.S., the value of these assets measured in U.S. dollars may be affected favorably or unfavorably by changes in currency rates and exchange control regulations. In addition to currency and exchange risks, these investments may be subject to additional risks relating to foreign political and regulatory risks, which may affect the liquidity of such investments. Additional risks include possibilities of instability of the local country's political and economic structures and less predictable means of dispute resolution and enforcement of local rights regarding investments.

Some countries in which certain Digital Colony Funds invest may employ managed exchange rate regimes which, in addition to other policies, may distort the results of, and returns on, the investments in such countries. Several countries, however, have been unable to sustain their exchange rates and have devalued their currency or shifted to floating exchange rate regimes. It is not possible over the life of any Digital Colony Funds making such investments to assess the degree to which individual currencies will be permanently affected, but significant depreciation of any particular currency may adversely impact the investments in the applicable country and/or such Digital Colony Fund's returns from such investments.

*Manager Risk.* The Digital Colony Funds are subject to the risk that Digital Colony's purchases, sales, and/or management of investments on behalf of the Digital Colony Funds may not produce the desired results and may have an adverse impact on the Digital Colony Fund. The Digital Colony Funds are also subject to the risk that Digital Colony's internal business structure, reputation or strategic initiatives will limit Digital Colony from competing successfully for investment opportunities on behalf of the Digital Colony Funds or be disruptive to the services provided to the Digital Colony Funds.

*Cyber Security Risk.* As the use of technologies, such as the internet, has become more common in conducting business, Digital Colony Funds may be more susceptible to operational, information security, and related risks in connection with breaches in cyber security. Generally, a cybersecurity failure may result from either intentional attacks or unintentional events and include, but are not limited to, gaining unauthorized access to digital systems, misappropriating assets or sensitive information, causing a Digital Colony Fund to lose proprietary information, corrupting data, or causing operational disruption, including denial-of-service attacks on websites. A cyber security failure could cause a Digital Colony Fund and/or Digital Colony to become subject to regulatory penalties, reputational damage, additional compliance costs associated with corrective measures, and/or financial losses. Cyber security failures may involve third party service providers, joint venture partners, and investments made by, or counterparties in transactions with, Digital Colony or the Digital Colony Funds. Digital Colony has established policies and procedures reasonably designed to reduce the risks associated with cyber security failures; however, there can be no assurance that these policies and procedures will prevent or mitigate the impact of cyber security failures.

*Key Personnel Risk.* The Digital Colony Funds are subject to the risk that they will lose the services of key personnel. It may be difficult or disruptive for Digital Colony to replace the experience of these key personnel and the relationships they have developed with Digital Infrastructure professionals and financial institutions. *Membership on Investee Boards of Directors.* The Digital Colony Funds may invest in companies for which one or more Digital Colony professionals then serves as a director. Members of Digital Colony may also become directors of companies in which a Digital Colony Fund invests. Although Digital Colony believes that these positions are consistent with a Digital Colony Fund's investment strategy and are generally beneficial to it, a director's fiduciary duty to all shareholders of the company may conflict with the interests of a Digital Colony Fund. Such positions may also cause a Digital Colony Fund's trading activity to be restricted by insider trading laws or by policies of portfolio companies.

*Material, Nonpublic Information.* From time to time, certain personnel of Digital Colony and/or their respective affiliates may come into possession of material, nonpublic information that would limit the ability of a Digital Colony Fund to buy and sell investments. It is also possible that certain personnel of Digital Colony and/or their respective affiliates may receive material non-public information as a result of their association with members of the board of advisors of the Digital Colony Fund. A Digital Colony Fund's investment flexibility may be constrained as a consequence of the general partner's inability to take certain actions because of such information. A Digital Colony Fund may experience losses if it is unable to sell an investment that it holds because certain personnel of Digital Colony or their affiliates have obtained material, nonpublic information about such investment.

*Public Health Risk.* Actual or threatened public health epidemics or outbreaks, such as the Coronavirus, could have a material adverse effect on our business and results of operations. In December 2019, a novel strain of Coronavirus emerged in Wuhan, Hubei Province, China. While initially the outbreak was largely concentrated in China and caused significant disruptions to its economy, it has now spread to several other countries and



infections have been reported globally. The extent to which the Coronavirus impacts our operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information that may emerge concerning the severity of the Coronavirus and the actions taken to contain the Coronavirus or treat its impact, among others. In particular, the actual and threatened spread of the Coronavirus globally and in the United States could have a material adverse effect on the global and domestic economies in which we operate, could continue to negatively impact stock markets, could adversely impact our ability to raise capital in the Digital Colony Funds, could cause continued interest rate volatility and movements that could make obtaining financing or refinancing our debt obligations more challenging and more expensive and we expect will result in our operations affected by Coronavirus and any threatened areas to be subject to quarantine and/or shelter-in-place situations, including having affected employees working remotely for periods of time.—Any of these developments, and others, could have a material adverse effect on our business and results of operations.

### **Closed-End Funds Risks**

*Highly Competitive Market for Investment Opportunities; Base Fee is Based, in Part, on Total Committed Capital, Including Capital that is Not Invested.* The activity of identifying, completing, and realizing attractive investments that fall within the Closed-End Funds' investment objectives is highly competitive and involves a high degree of uncertainty and will be subject to market conditions. The Closed-End Funds will be competing for investments with other investment funds, as well as individuals, companies, financial institutions, sovereign wealth funds, and other investors. Further, over the past several years, an ever increasing number of investment funds have been formed (and many existing funds have grown in size) in whole or in part to invest in Digital Infrastructure. Additional funds, entities, or vehicles with similar investment objectives may be formed in the future. It is possible that competition for appropriate investment opportunities may increase, which may also require the Closed-End Funds potentially to participate in auctions more frequently. The outcome of these auctions cannot be guaranteed, thus potentially reducing the number of investment opportunities available to each Fund and potentially adversely affecting the terms, including price, upon which investments can be made. The Closed-End Funds intend to be selective in their approach to targeting investments, and there is no guarantee that investments meeting the Closed-End Funds' investment criteria will be available or all of the Funds' investments will meet such criteria. Purchasers of Fund interests will not have an opportunity to evaluate for themselves the relevant economic, financial, and other information regarding the investments to be made by a Closed-End Fund and, accordingly, will be dependent upon the judgment and ability of the general partner and the Digital Colony Advisers in sourcing transactions and investing and managing the capital of a Fund. Additionally, competition for investment opportunities from other investment vehicles has increased on a global scale. Private equity and other funds, whether located in Europe, Asia, or other market regions, are making global competition increasingly intense. There can be no assurance that the addition of new U.S. and/or non-U.S. sponsors to the market will not occur and, if it does occur, the addition of such sponsors could intensify this effect. Furthermore, there can be no assurance that any Closed-End Fund will be able to locate, acquire, complete, and exit investments that satisfy their respective Fund's investment objectives, or realize upon its investment values, or that it will be able to fully invest its committed capital. In addition, Digital Colony's investment strategies for certain investments may depend on its ability to enter into satisfactory relationships with joint venture and/or operating partners. There can be no assurance that Digital Colony's current relationship with any such partner or operator will continue (whether on currently applicable terms or otherwise) with respect to any Closed-End Fund or that any relationship with other such persons will be able to be established in the future with respect to any sector or geographic market and on terms favorable to any Closed-End Fund. A part of the management fee applicable to limited partners will be a percentage of such limited partners' commitments. There can be no assurance as to when capital will be invested or that all commitments will be called. Therefore, during the commitment period even though commitments are not fully drawn down, each limited partner will continue to pay a base fee calculated on its total commitments. In the event any Closed-End Fund successfully implements its investment strategy, other third parties may attempt to replicate the success of the model, which may create additional competition for a Closed-End Fund in sourcing investment opportunities, hiring qualified personnel or contracting with preferred service providers.

*The Closed-End Fund's Market Investments Lack Sector Diversity.* Because of the Closed-End Funds' investment strategies, they are expected to invest almost exclusively in the mobile and internet infrastructure sector. This lack of diversification could result in greater losses than otherwise might be anticipated, as the Closed-End Funds may be more susceptible to any single economic, political or regulatory occurrence and more volatile than a more diversified fund.

*Valuation Matters.* The fair value of all investments will be determined by the general partner in accordance with the Closed-End Fund's Governing Documents. Accordingly, the carrying value of an investment may not reflect the price at which the investment can be sold in the market, and the difference between carrying value and the ultimate sales price can be material. As a result, there may be circumstances where the general partner is incentivized to determine valuations that may be higher than the actual fair value of investments.

*Debt Investment Related Risks.* While the Closed-End Funds are expected to focus primarily on Digital Infrastructure investments, the Closed-End Funds may make open-market purchases of publicly traded or private debt securities, which may include secured or unsecured debt at various levels of an issuer's capital structure which may be subordinated to substantial amounts of senior indebtedness and other parts of an issuer's capital structure will remain that are senior to the investments made by such Closed-End Fund (e.g., senior secured debt). In addition, the debt securities in which the Closed-End Funds may invest may not be protected by financial covenants or limitations upon additional indebtedness, may have limited liquidity, and may not be rated by a credit rating agency. Debt securities are also subject to other creditor risks, including (i) the possible invalidation of an investment transaction as a "fraudulent conveyance" under relevant creditors' rights laws, (ii) so-called lender liability claims by the issuer of the obligations, and (iii) environmental liabilities that may arise with respect to collateral securing the obligations. The Closed-End Funds' investments may be subject to early redemption features, refinancing options, pre-payment options, or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by a Closed-End Fund earlier than expected, resulting in a lower return to a Closed-End Fund than anticipated or underwritten. In addition, depending on fluctuations of the equity markets and other factors, warrants and other equity securities may become worthless. Accordingly, there can be no assurance that any Closed-End Fund's rate of return objectives will be realized.

*Capital Calls and Use of Subscription Lines and Asset-Backed Credit Facilities.* Calculations of net and gross IRRs in respect of investment and performance data with respect to the Closed-End Fund, as reported to limited partners from time to time, are based on the payment date of capital contributions received from limited partners. This treatment also applies in instances where the Closed-End Fund may utilize borrowings under a subscription-based credit facility in lieu of capital contributions or in advance of receiving capital contributions from limited partners to repay any such borrowings and related interest expense. As a result, use of a subscription-based credit facility (or other long-term leverage) with respect to investments will impact calculations of returns and will result in a higher or lower reported IRR than if the facility had not been utilized and instead the limited partners' capital had been contributed at the inception of an investment, which will present conflicts of interest as a result of certain factors, including the interest rate on such borrowings typically being less than the rate of the preferred return and that such preferred return does not accrue on such borrowings, and only accrues on capital contributions when made. As a result, use of such long-term leverage arrangements with respect to investments may effectively reduce or eliminate the preferred return received by the limited partners and accelerate or increase distributions of carried interest to the general partner thereby providing the general partner with an economic incentive to fund investments through long-term borrowings in lieu of capital contributions. Subject to the limitations in any Governing Document, the use of a subscription-based credit facility by any Closed-End Fund is within the general partner's discretion. To the extent that any Closed-End Fund is unable to obtain a subscription line or an asset-backed credit facility, determines that the terms of such facility would not be appropriate for such Closed-End Fund or otherwise determines not to use such facility or access to such facility otherwise becomes unavailable, the general partner may determine in its sole discretion to draw down commitments in advance and hold them in reserve in order to make investments, to satisfy fees and expenses, and to satisfy other capital needs that may arise in the future.

*Third Party and Co-Investment Risk.* Clients may co-invest with third parties. These transactions potentially raise conflicts of interest. For example, a Client may co-invest with certain Colony Capital or Digital Bridge funds, current limited partners of the Client (which may include Digital Colony personnel) or other market participants with which Colony Capital, Digital Colony, or an affiliate, has important business relationships, and such relationships could influence the decisions made by the Client's general partner and/or Colony Capital or Digital Bridge with respect to the purchase or sale of such investments. Further, such third parties could have interests that may be contrary to such Client's investment objective or which may conflict with the Client's interest. In those circumstances where such third parties involve a management group, such third parties may receive compensation relating to such investments, including incentive compensation arrangements. There can be no assurance that the foregoing will not have an adverse impact on the Client's ability to find, consummate and/or exit investments.

### **Open-End Fund Risks**

Certain Closed-End Funds may also invest in publicly listed securities (subject to restrictions in their governing documents) so certain of the risks noted herein will apply to Closed-End Funds if they invest in public securities. Investors should review the Closed-End Fund governing documents to understand the ability and limits around public securities.

*Equity Securities.* The Open-End Fund will invest in equities and equity derivatives. The value of these instruments generally will vary with the performance of the issuer and movements in the equity markets. As a result, an Open-End Fund may suffer losses if it invests in equity instruments of issuers whose performance diverges from Digital Colony's expectations or if equity markets generally move in a single direction and the Open-End Fund has not hedged against such a general move. In its equity derivatives, an Open-End Fund is exposed to risks that issuers will not fulfill their contractual obligations to the Open-End Fund, such as, for example, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

*Fixed-Income Investments; High-Yield Securities.* The value of the fixed-income securities in which an Open-End Fund may invest will change as the general levels of interest rates fluctuate. When interest rates decline, the value of an Open-End Fund's fixed-income securities can be expected to rise. Conversely, when interest rates rise, the value of such securities can be expected to decline.

*Preferred and Hybrid Securities.* The Open-End Fund may invest in preferred stock and hybrid securities, which may have special risks. Preferred and hybrid securities may include, without limitation, provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. If an Open-End Fund owns a preferred or hybrid security that is deferring its distributions, an Open-End Fund may be required to report income for tax purposes even though it has not yet received such income. Some preferred and hybrid securities are non-cumulative, meaning that the dividends do not accumulate and need not ever be paid. There is no assurance that dividends or distributions on non-cumulative preferred securities in which an Open-End Fund invests will be declared or otherwise made payable or paid. Preferred and hybrid securities are subordinated to bonds and other debt instruments in an issuer's capital structure in terms of priority to corporate income and liquidation payments and, therefore, will be subject to greater credit risk than more senior debt instruments. Because preferred stock and hybrids are generally junior to debt securities and other obligations of the issuer, deterioration in the credit quality of the issuer will cause greater changes in the value of such instruments than senior debt securities with similarly stated yield characteristics. Preferred and hybrid securities may be substantially less liquid than many other securities, such as common stocks or U.S. government securities.

*Convertible Securities.* The Open-End Fund may invest in convertible securities. Convertible fixed income securities generally offer lower interest or dividend yields than non-convertible securities of similar quality. As with all fixed income securities, the market values of convertible securities tend to decline as interest rates increase and, conversely, to increase as interest rates decline. However, when the market price of the common stock underlying a convertible security exceeds the conversion price, the convertible security tends to reflect the market price of the underlying common stock. As the market price of the underlying common stock

declines, the convertible security tends to trade increasingly on a yield basis and thus may not decline in price to the same extent as the underlying common stock. Convertible securities rank senior to common stocks in an issuer's capital structure and consequently entail less risk than the issuer's common stock. An Open-End Fund may invest in convertible securities of any maturity and will determine whether to hold, sell or convert any security in which it has invested, depending upon Digital Colony's outlook for the market value for such security, the security into which it converts and/or other factors.

*Options.* Digital Colony may utilize options in furtherance of its investment strategies. Option positions may include, without limitation, both long positions, where an Open-End Fund is the holder of put or call options, as well as short positions, where an Open-End Fund is the seller (writer) of an option. Although option techniques can increase investment return, they can also involve a higher level of risk compared with their underlying securities. For example, the expiration of unexercised long options effectively results in loss of the entire cost, or premium paid for the option. Conversely, the writing of an uncovered put or call option can involve, similar to short selling, a theoretically unlimited risk of an increase in an Open-End Fund's cost of selling or purchasing the underlying securities, commodities or other financial instruments in the event of exercise of the option.

*Event-Driven Investments.* The Open-End Fund will invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in or undergoing work-outs, liquidations, spin-offs or other catalytic changes or similar transactions. Investing in the securities of such companies, as well as certain distressed securities, will be subject to so-called "event risk", i.e., the risk that the transaction in question will simply fail to conclude as contemplated or will be delayed or modified in a manner detrimental to an Open-End Fund in the transaction. Numerous factors, including, without limitation market or industry developments, economic factors, regulatory clearance requirements and management or workforce issues, can cause an announced transaction to be abandoned, delayed or modified. Where a security to be issued in a proposed merger or exchange offer has been sold short by an Open-End Fund in the expectation that the short position will be covered by delivery of such security when issued, failure of the merger or exchange offer to be consummated may force an Open-End Fund to cover its short position in the market at a higher price than its short sale, resulting in a loss. These losses can be substantial. If a transaction is delayed significantly, an Open-End Fund's capital may be committed to the transaction during the period of the delay and interest charges on funds borrowed to finance its investment in connection with the transaction may be incurred. These interest charges may be greater than the profit realized upon the disposition of the securities, in which case an Open-End Fund would realize a loss on the transaction.

*Special Situation Transactions.* The Open-End Fund may invest and trade in situations that it believes offer a unique opportunity due to some identifiable dislocation, such as lack of market transparency or liquidity. Risks to an Open-End Fund in this type of investing and trading include misjudging the nature or magnitude of the factors that have caused this dislocation, the quality of the position's fundamental assets, the scope of the position's liabilities and an Open-End Fund's ability to exit the position in a timely and profitable fashion.

*Short Sales Risk.* Short sales by an Open-End Fund that are not made "against the box" create opportunities to increase an Open-End Fund's return but, at the same time, involve special risk considerations and may be considered a speculative technique. Since an Open-End Fund, in effect, profits from a decline in the price of the securities sold short without the need to invest the full purchase price of the securities on the date of the short sale, the value of an Open-End Fund will tend to increase more when the securities it has sold short decrease in value, and to decrease more when the securities it has sold short increase in value, than otherwise would be the case if it had not engaged in such short sales. Short sales theoretically involve unlimited loss potential, as the market price of securities sold short may increase continuously, although an Open-End Fund may mitigate such losses by replacing the securities sold short before the market price has increased significantly. Under adverse market conditions an Open-End Fund might have difficulty purchasing securities to meet its short sale delivery obligations, and might have to sell portfolio securities to raise the capital necessary to meet its short sale obligations at a time when fundamental investment considerations would not favor such sales. Short sales may be used with the intent of hedging against the risk of declines in the market

value of an Open-End Fund's long portfolio, but there can be no assurance that such hedging operations will be successful.

*Swaps and Other Derivative Instruments.* The Open-End Fund may use various derivative instruments, including swaps, options and forward contracts which may be volatile and speculative. Certain positions may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. Use of derivative instruments presents various risks, including the following:

- *Tracking* – When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent the general partner from achieving the intended hedging effect or expose an Open-End Fund to the risk of loss.
- *Liquidity* – Derivative instruments, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets the general partner may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative positions limits on exchanges on which Digital Colony may conduct its transactions in certain derivative instruments may prevent prompt liquidation of positions, subjecting an Open-End Fund to the potential of greater losses.
- *Leverage* – Trading in derivative instruments can result in large amounts of leverage. Thus, the leverage offered by trading in derivative instruments may magnify the gains and losses experienced by an Open-End Fund and could cause an Open-End Fund's net asset value to be subject to wider fluctuations than would be the case if the general partner did not use the leverage feature in derivative instruments.
- *Over-the-Counter-Trading* – Derivative instruments that may be purchased or sold by Digital Colony may include instruments not traded on an exchange. Over-the-Counter options, unlike exchange-traded options, are two-party contracts with price and other terms negotiated by the buyer and seller. The risk of nonperformance by the obligor on such an instrument may be greater and the ease with which the general partner can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange-traded instrument. In addition, significant disparities may exist between "bid" and "asked" prices for derivative instruments that are not traded on an exchange. Derivative instruments not traded on exchanges are also not subject to the same type of government regulation as exchange-traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions.

### **Risks Relating to Digital Infrastructure Investments**

*Nature of Funds' Investments Generally.* Investment in infrastructure assets involves many relatively unique and acute risks. Project revenues can be affected by a number of factors including economic and market conditions, political events, competition, regulation, and the financial position and business strategy of customers. Unanticipated changes in the availability or price of inputs necessary for the operation of infrastructure assets may adversely affect the overall profitability of the investment or related project. Events outside the control of an investment of a Digital Colony Fund (which includes assets, projects and/or businesses in which a Fund invests), such as political action, governmental regulation, demographic changes, economic growth, increasing fuel/energy prices, government macroeconomic policies, political events, toll rates, social stability, natural disasters, changes in weather, changes in demand for products or services, bankruptcy, or financial difficulty of a major customer and acts of war or terrorism, could significantly reduce the revenues generated or significantly increase the expense of constructing, operating, maintaining or restoring infrastructure facilities. In turn, this

may impair an investment's ability to repay its debt, make distributions to a Digital Colony Fund or even result in termination of an applicable concession or other agreement. As a general matter, the operation and maintenance of infrastructure assets or businesses involve various risks and are subject to substantial regulation (as described herein), many of which may not be under the control of the owner/operator, including labor issues, failure of technology to perform as anticipated, structural failures and accidents and the need to comply with the directives of government authorities. Although investments may maintain insurance to protect against certain risks, where available on reasonable commercial terms (such as business interruption insurance that is intended to offset loss of revenues during an operational interruption), such insurance is subject to customary deductibles and coverage limits and may not be sufficient to recoup all of an investment's losses. Furthermore, once assets of investments become operational, they may face competition from other infrastructure assets in the vicinity of the assets they operate, the presence of which depends in part on governmental plans and policies.

*Illiquid and Long-Term Investments; Investments Longer than Term.* Investments in assets in the mobile and internet infrastructure sector may be generally less liquid and involve a longer holding period than traditional private equity investments, which are themselves often considered illiquid and long-term. Investments in private companies can be difficult or impossible to realize. Although investments by a Digital Colony Fund may generate some current income, the return of capital and the realization of gains, if any, from an investment generally will occur only upon the partial or complete disposition of such investment. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the investment is made, and some investments may not be advantageously disposed of prior to the date that a Digital Colony Fund is dissolved. It is unlikely that there will be a public market for the securities held by the Fund at the time of their acquisition. Therefore, no assurance can be given that, if a Digital Colony Fund is determined to dispose of a particular investment held by such Fund, it can dispose of such investment at a prevailing market price, and there is a risk that the disposition of such investments may require a lengthy time period or may result in distributions in-kind to limited partners. The Digital Colony Funds are generally permitted to make distributions to limited partners in-kind. In certain circumstances, the general partner will seek to dispose of illiquid securities in a manner that is in the best interests of a Fund, which may include distributions in-kind. Although the general partner expects that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, a Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. Any disposition prior to the expiration date of the expected holding period for such investor may adversely affect returns. The Digital Colony Funds will generally not be able to sell their investments through the public markets unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirement is available. Additionally, there can be no assurance that investments can be sold on a private basis. In addition, in some cases the Digital Colony Funds may be prohibited by contract, legal or regulatory reasons from selling certain securities for a period of time and/or prior to reaching certain IRR hurdles. Furthermore, investments with exposure to the mobile and internet infrastructure sector by their nature are subject to customer spending cyclicality, downturns in demand, market disruptions, and the lack of available capital for potential purchasers and are therefore often difficult or time consuming to liquidate. Upon dissolution of a Fund or as otherwise provided in such Fund's Governing Documents, investments may be distributed in-kind so that limited partners may then become equity holders in one or more public or private companies (and as a consequence be unable to protect their interests in the same manner as their limited partners interests).

*Risks related to Acquisitions.* The Digital Colony Funds may invest in businesses that are expected to employ M&A and roll-up strategies in an effort to realize growth. Acquisitions by investments of a Digital Colony Fund will present many risks, and the companies may not realize the financial or strategic goals that were contemplated at the time of any transaction. Acquisitions could expose investments to potential risks, including:

- Possible disruption of ongoing business and diversion of management's attention by acquisition, transition and integration activities, particularly when multiple acquisitions and integrations are occurring at or around the same time;

- Potential inability to successfully pursue or realize some or all of the anticipated revenue opportunities associated with an acquisition or investment;
- Possibility that investments may not be able to successfully integrate acquired businesses or achieve anticipated operating efficiencies or cost savings;
- Possibility that announced acquisitions may not be completed, due to failure to satisfy the conditions to closing or for other reasons;
- Possibility of customer dissatisfaction if investments are unable to achieve levels of quality and stability on par with past practices;
- Potential deterioration of access to credit markets due to increased leverage;
- Possibility that additional capital expenditures may be required or that transaction expenses associated with acquisitions may be higher than anticipated;
- Possibility that required financing to fund an acquisition may not be available on acceptable terms or at all;
- Possibility that the investments of a Digital Colony Fund may be unable to obtain required approvals from governmental authorities under antitrust, competition or foreign ownership laws on a timely basis or at all, which could, among other things, delay or prevent the companies in question from completing an acquisition, limit their ability to realize the expected financial or strategic benefits of an acquisition or have other adverse effects on current business and operations;
- Possible loss or reduction in value of acquired businesses;
- Possibility that future acquisitions may present new complexities in deal structure, related complex accounting and coordination with new partners, particularly with regards to an investment operating as a REIT;
- Possibility that future acquisitions may be in geographies and regulatory environments to which Digital Colony is unaccustomed;
- Possibility of litigation or other claims in connection with, or as a result of, an acquisition, including claims from terminated employees, customers, former stockholders or other third parties;
- Possibility that asset divestments may be required in order to obtain regulatory clearance for a transaction; and
- Possibility of pre-existing undisclosed liabilities, including, but not limited to, lease or landlord related liability, environmental liability, tax liability, or asbestos liability, for which insurance coverage may be insufficient or unavailable, or other issues not discovered in the diligence process.

The occurrence of any of these risks could have a material adverse effect on the business, results of operations, financial condition or cash flows of the Investments.

*Demand for Digital Infrastructure.* The Digital Colony Funds will invest in businesses that are dependent on the demand for Digital Infrastructure and may be adversely affected by slowdown in such demand. For Digital Infrastructure, demand may be impacted by various factors that are primarily outside the control of a Digital Colony Fund. Additionally, new technologies, including improvements in the efficiency, architecture, and design of wireless or cloud networks may also reduce current and/or anticipated demand for Digital Infrastructure.

*Demand for Wireless Infrastructure.* The Digital Colony Funds currently intend to invest in tower infrastructure companies, whose revenue is typically supported by rapidly increasing consumer consumption of mobile data and the subsequent requirements of mobile carriers for improved wireless coverage and capacity. These businesses may be adversely affected by any slowdown in such demand growth. Additionally, a reduction in carrier network investment may materially and adversely affect these businesses (including reducing demand

for tenant additions, amendments to existing customer leases or network services). Demand for a tower's wireless infrastructure materially depends on the demand for antenna space from tower customers, which, in turn, depends on the demand for wireless coverage and capacity by their underlying customers. The willingness of tower customers to utilize wireless tower infrastructure, or renew or extend existing leases on the wireless tower infrastructure, is affected by numerous factors, including:

- Current and/or anticipated consumer demand for wireless coverage and capacity;
- Availability and/or capacity of the tower company's wireless infrastructure and/or associated land interests;
- Location of the tower company's wireless infrastructure;
- Financial condition of the tower company's customers, including their profitability and availability or cost of capital, their failure to perform on their obligations, their lack of liquidity, or their entry into bankruptcy proceedings;
- Willingness of tower company customers to maintain and/or increase network investment or to make changes in their capital allocation strategy;
- Availability and cost of FCC licensed spectrum for commercial use;
- Use of active or passive network sharing, roaming, joint development, and/or resale agreements by tower company customers;
- Mergers or consolidations between tower company customers that may lead to higher churn or lower leasing opportunities in the future;
- Availability and cost of power;
- Changes in, or the success of, the business models of customers;
- Government regulations, including local and/or state restrictions on the proliferation of wireless infrastructure;
- Cost of constructing wireless infrastructure;
- Technological changes, including those (i) affecting the number or type of wireless infrastructure needed to provide wireless connectivity to a given geographic area or that may otherwise serve as substitute and/or alternative to wireless tower infrastructure or (ii) that result in the obsolescence or decommission of certain existing wireless networks; and/or
- The tower company's ability to efficiently satisfy the customers' service requirements.

A slowdown in demand for wireless coverage and capacity and/or wireless tower infrastructure may negatively impact the growth of companies in which a Digital Colony Fund invests or otherwise have a material adverse effect on the returns thereto. If customers or potential customers of a Digital Colony Fund's investments are unable to raise adequate capital to fund their business plans as a result of disruptions in the financial and credit markets or otherwise, they may reduce spending, which could adversely affect such investment's anticipated growth or the demand for such investment's wireless infrastructure or network services.

The amount, timing, and mix of an investment's customers' network investment are variable and can be significantly impacted by the matters described in these risk factors. Changes in carrier network investment are expected to affect the demand for an investment's wireless infrastructure. As a result, changes in carrier plans such as delays in the implementation of new systems, new technologies (including small cells), or plans to expand coverage or capacity may reduce demand for an investment's wireless infrastructure. Furthermore, the wireless industry could experience a slowdown or slowing growth rates as a result of numerous factors, including a reduction in consumer demand for wireless coverage or capacity or general economic conditions. There can be no assurance that weakness or uncertainty in the economic environment will not adversely affect the wireless industry, which may materially and adversely affect an investment's business, including by reducing demand for an investment's wireless infrastructure or network services. In addition, a slowdown may increase



competition for site rental customers or network services. A wireless industry slowdown or a reduction in carrier network investment may materially and adversely affect a Digital Colony Fund's investments.

*Demand for Technology Related Real Estate.* Digital Colony intends to invest in companies that own and operate portfolios of properties consisting primarily of technology-related real estate, including data center real estate. A decrease in the current and/or anticipated demand for data center space, Internet gateway facilities or other technology-related real estate would have a more material adverse effect on these companies than if they owned a portfolio with a more diversified tenant base or less specialized use. Investments may also engage in substantial development activities, making them particularly susceptible to general economic slowdowns, including recessions, as well as adverse developments in the data center, Internet and data communications, and broader technology industries. Such slowdowns or other adverse developments could lead to reduced corporate IT spending or reduced demand for data center space. Reduced demand could also result from business relocations, including to metropolitan areas that investments may not currently serve. Changes in industry practice or in technology, such as virtualization technology, more efficient or miniaturization of computing or networking devices, or devices that require higher power densities than today's devices, could also reduce demand for the physical data center space that investments will provide or make the tenant improvements in investments' facilities obsolete or in need of significant upgrades to remain viable. In addition, the development of new technologies, the adoption of new industry standards or other factors could render many current products and services of tenants of investments obsolete or unmarketable and contribute to a downturn in their businesses, thereby increasing the likelihood that they default under their leases, become insolvent or file for bankruptcy.

*Failure to Retain Property Rights.* The Digital Colony Funds intend to invest in mobile and internet infrastructure companies that hold certain rights to the land interests under towers and certain data center facilities. If a Digital Colony Fund fails to retain rights to this mobile and internet infrastructure, including the land interests under towers or certain data center facilities, the investments may be adversely affected. The property interests on which some of the Fund's mobile and internet infrastructure will reside, including the land interests under towers and certain data center facilities, is expected to consist of leasehold and sub-leasehold interests, fee interests, easements, licenses, and rights-of-way. A loss of these interests may make it impossible to conduct business or generate revenue. For various reasons, the Digital Colony Funds may not always have the ability to access, analyze, or verify all information regarding titles or other issues prior to purchasing mobile and internet infrastructure. Further, the Digital Colony Funds may not be able to renew ground or facility leases on commercially viable terms. A Fund's ability to retain rights to the land interests on which its investment's towers reside, depends on Digital Colony's ability to purchase such land, including fee interests and perpetual easements, or renegotiate or extend the terms of the leases relating to such land. If a Digital Colony Fund is unable to retain rights to the property interests on which such Fund's mobile and internet infrastructure resides, the Fund may be adversely affected.

*Potential Liability from Radio Frequency Emissions.* If radio frequency emissions from wireless handsets or equipment on wireless infrastructure are demonstrated to cause negative health effects, potential future claims could adversely affect investments and each Digital Colony Fund. The potential connection between radio frequency emissions and certain negative health effects, including some forms of cancer, has been the subject of substantial study by the scientific community in recent years. In certain markets that the Digital Colony Funds intend to invest, there have been specific emission limitations placed on individual tower sites. The Digital Colony Funds cannot guarantee that claims relating to radio frequency emissions will not arise in the future or that the results of such studies will not be adverse to it. Public perception of possible health risks associated with cellular or other wireless connectivity services may slow or diminish the growth of wireless companies, including a Fund's investments. In particular, negative public perception of, and regulations regarding, these perceived health risks may slow or diminish the market acceptance of wireless services. If a connection between radio frequency emissions and possible negative health effects were established, operations, costs, or revenues of investments by a Fund may be materially and adversely affected. Additionally, the returns from certain of the Digital Colony Funds' investments may be adversely impacted if tower emission regulations are established or tightened in other markets. The Digital Colony Funds do not currently maintain any insurance with respect to these matters.

*Technology Risk.* The Digital Colony Funds intend to invest in data center businesses. The infrastructure of these businesses may become obsolete, and investments of a Fund may not be able to upgrade power and cooling systems cost effectively or at all. Data center infrastructure may become obsolete due to the development of new systems to deliver power to or eliminate heat in data center facilities. Additionally, data center infrastructure could become obsolete as a result of the development of new server technology that does not require the levels of critical load and heat removal that such facilities are designed to provide and could be run less expensively on a different platform. In addition, data center power and cooling systems are difficult and expensive to upgrade. Accordingly, data center companies, including those that a Fund may invest in, may not be able to efficiently upgrade or change these systems to meet new demands without incurring significant costs, which could adversely impact business, financial condition and results of operations.

*Failure of Physical Infrastructure.* The Digital Colony Funds intend to invest in businesses that depend on providing customers with highly reliable services. Any failure of the physical infrastructure or offerings of investments of a Fund may lead to significant costs and disruptions that could reduce the revenue of customers for such investments and harm the business reputation and financial results of these customers, which may impact the returns on such investments. The investment's assets are expected to be subject to failure from numerous factors including:

- Human error;
- Equipment failure;
- Physical, electronic and cyber security breaches;
- Fire, earthquake, hurricane, flood, tornado and other natural disasters;
- Extreme temperatures;
- Water damage;
- Fiber cuts;
- Power loss;
- Terrorist acts;
- Sabotage and vandalism; and
- Failure of business partners who provide network connectivity.

Problems at one or more of the Digital Colony Funds' infrastructure assets, whether or not within such Fund's control, could result in service interruptions or significant equipment damage. Furthermore, investments of the Digital Colony Funds are likely to be dependent upon internet service providers, telecommunications carriers and other website operators in the Americas and elsewhere, some of which have experienced significant system failures and electrical outages in the past. If, for any reason, these providers fail to provide the required services, a Fund's investment's business, financial condition and results of operations could be materially and adversely impacted.

### **Open-End Fund Risks Relating to Commercial Real Estate Related Investments**

The Open-End Fund intends to make investments in commercial real estate-related assets (the "CRE Investments"), including the securities of companies that invest, or have substantial holdings, in commercial real estate-related assets. As a result, the Open-End Fund will be exposed to the risks of investing in commercial real estate generally including, without limitation, the following:

*General Real Estate Risks.* Real property investments are subject to varying degrees of risk. Some of the Open-End Fund investments will be subject to the risks generally associated with real estate investments, such as, among others, changes in the general economic climate, national or local conditions (such as an oversupply of, or a reduction in demand ), adverse changes in the financial condition of buyers or sellers of properties,

competition based on rental rates, attractiveness and location of the properties, the financial condition of tenants, availability of buyers and sellers of properties, quality of maintenance, insurance services, and changes in real estate taxes and other operating costs. Real estate values are also affected by such factors as government regulations (including those governing usage, improvements, zoning and taxes), interest rate levels, the availability of financing and potential liability under changing environmental and other laws. Such risks may adversely affect operating results or make the sale or refinancing of real estate investments difficult or unattractive.

*Risks of Acquiring Real Estate Property.* CRE Investments will be subject to various risks which may cause fluctuations in occupancy, rental rates, operating income and expenses or which may render the sale or financing of underlying properties difficult or unattractive. For example, following the termination or expiration of a tenant's lease, there may be a period of time before lessor will begin receiving rental payments under a replacement lease. During that period, the lessor will continue to bear fixed expenses such as interest, real estate taxes, maintenance and other operating expenses. In addition, declining economic conditions may impair an owner's ability to attract replacement tenants and achieve rental rates equal to or greater than the rents paid under previous leases. Increased competition for tenants may require capital improvements to properties which would not have otherwise been planned. Any unbudgeted capital improvements undertaken may divert cash that would otherwise be available for distribution to holders of the CRE Investment, including the Open-End Fund.

Property owners are often required to expend funds to correct defects or to make improvements before an investment in a property can be sold. No assurance can be given that the companies in which an Open-End Fund holds an interest will have funds available to correct those defects or to make those improvements. In acquiring a property, the properties underlying CRE Investments may be subject to lock-out provisions that materially restrict a sale of that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed on that property. These factors and others that could impede a portfolio company's ability to respond to adverse changes in the performance of its properties could significantly affect the value of an Open-End Fund's affected CRE Investment.

*Difficulty in Selling Properties.* Generally, real estate assets are illiquid in nature. There is risk that the Open-End Fund portfolio companies will be unable to realize their investment objectives through the sale or disposition of their commercial real estate property at an attractive price or within a desired period of time. In particular, these risks could arise from absence of an established market for a property, changes in the financial condition or prospects of prospective purchasers, changes in interest rates or the availability of secured financing, changes in national or international economic conditions, and changes in laws, regulations or fiscal policies of jurisdictions in which the property is located. Any of the foregoing factors could limit the ability of an Open-End Fund to execute its investment strategy rapidly in response to changes in economic and other conditions.

*Environmental Considerations.* As is the case with any holder of real estate investments, the Open-End Fund portfolio investments could face substantial risk of loss from environmental claims based on environmental problems associated with their underlying real property investments. Real property owned indirectly by the Open-End Fund will be subject to federal and state environmental laws, regulations and administrative rulings, which among other things establish standards for the treatment, storage and disposal of solid and hazardous waste. Such laws may impose joint and several liability, which can result in a party being obligated to pay for greater than its share, or even all, of the liability involved. Such liability may also be imposed without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances and the person bearing liability may incur substantive costs in defending claims of liability. The cost of any required remediation and the owner's liability therefor as to any property are generally not limited under such laws and could exceed the value of the property and/or the aggregate assets of the owner. The presence of such substances, or the failure to properly remediate contamination from such substances, may adversely affect the owner's ability to sell the real estate or to borrow funds using such property as collateral, which could have an adverse effect on an Open-End Fund's return from such investment. Environmental claims with respect to a specific property may exceed the value of such property, and under certain circumstances, subject the other assets of a portfolio company to such liabilities.

Any entity in which an Open-End Fund acquires a CRE Investment may be exposed to substantial risk of loss from environmental claims arising with respect to any property having undisclosed or unknown environmental problems or as to which inadequate reserves have been established. No assurances can be given that any environmental assessments undertaken with respect to properties reveal all environmental liabilities, that new environmental liabilities will not manifest themselves during the investment holding period or that a portfolio company has established adequate reserves for such liabilities.

The ongoing presence of environmental contamination, pollutants or other hazardous materials on a property (whether known at the time of acquisition or not) could also result in personal injury (and associated liability) to persons on the property and persons removing such materials, future or continuing property damage (which may adversely affect property value) or claims by third parties, including as a result of exposure to such materials through the spread of contaminants.

*Possibility of Future Terrorist Activity.* The terrorist attacks of September 11, 2001, disrupted the U.S. financial and insurance markets and negatively impacted the U.S. economy in general, increasing many of the risks noted herein. Properties in which the Open-End Fund holds an interest through its various holdings may be located in or near major metropolitan areas of the United States, and the properties or the areas in which they are located could be subject to future acts of terrorism. In addition to the potential direct impact of any such future act, future terrorist attacks and the anticipation of any such attacks could have an adverse impact on the U.S. financial and insurance markets and economy, thus harming leasing demand for and the value of certain properties. It is not possible to predict the severity of the effect that such future events could have on the U.S. financial and insurance markets and economy or the properties. These events may have a negative effect on the business and performance results of the properties in which the Open-End Fund holds an interest through its various holdings, including the possibility of insurers raising insurance premiums and deductibles and limiting available insurance coverage.

*Real Estate-Related Regulatory Risks.* Real estate investments are subject to various laws and regulations, including building codes, laws and regulations pertaining to fire safety and handicapped access (including the Americans with Disabilities Act), and other laws and regulations that may from time to time be enacted. The Open-End Fund portfolio companies may be required to incur significant costs to comply with any future changes in such laws or regulations. Further, noncompliance with the existing or future laws and regulations to which a portfolio company's properties are subject could result in substantial capital expenditures to bring the properties into compliance, as well as the imposition of fines or an award of damages to private litigants, which might adversely affect the returns to the Open-End Fund.

*Litigation.* The acquisition, ownership and disposition of real properties carry certain specific litigation risks. Litigation may be commenced with respect to a property in relation to activities that took place prior to an Open-End Fund acquisition of the corresponding CRE Investment. In addition, at the time of disposition of an individual property, a potential buyer may claim that it should have been afforded the opportunity to purchase the asset or alternatively that such potential buyer should be awarded due diligence expenses incurred or statutory damages for misrepresentation relating to disclosure made, if such buyer is passed over in favor of another as part of a portfolio company's efforts to maximize sale proceeds. Similarly, successful buyers may later sue under various damage theories, including those sounding in tort, for losses associated with latent defects or other problems not uncovered in due diligence. The expense of prosecuting claims, for which there is no guarantee of success, and/or the expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by the Open-End Fund's portfolio company and could reduce returns to an Open-End Fund from such CRE Investment.

## **Item 9: Disciplinary Information**

Neither Digital Colony nor any of its officers, directors, employees or other management persons, have been involved in any legal or disciplinary events in the past 10 years that would require disclosure in response to this Item.

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

Digital Colony and its affiliates serve as manager, adviser, general partner and managing member to Clients. Digital Colony and its affiliates will devote such time as shall be necessary to conduct the business affairs of each of its Clients in an appropriate manner. However, personnel of Digital Colony and its affiliates will work on several projects at any time and, therefore, conflicts may arise in the allocation of personnel and other management resources. Digital Colony and its affiliates are not required to manage any one Client as its sole and exclusive function, and Digital Colony, its affiliates and their respective agents, officers, directors and employees may engage in or possess any interests in business ventures and may generally engage in other activities independently or with others, including the rendering of advice or services of any kind to other investors and the making or management of other investments or other investment Clients.

Each Digital Colony Adviser is an indirect subsidiary of Colony Capital. In some cases, Digital Colony Advisers, Digital Colony, a Colony Capital affiliate, or a Digital Bridge affiliate may have business arrangements with related persons/companies that are material to their advisory business or to the Digital Colony Funds. In some cases, these business arrangements may create a potential conflict of interest, or appearance of a conflict of interest between a Digital Colony Adviser and a Digital Colony Fund. Digital Colony has established and implemented policies and procedures to help mitigate some of these conflicts.

Digital Colony's investment professionals devote time to the management of multiple Digital Colony Funds and, in certain instances, Strategic Vehicles (defined below) and matters related to Digital Colony affiliates that are unrelated to Digital Colony's advisory business, which may impact allocations of management resources. In addition, a Digital Colony Fund may have an investment mandate that is similar to and/or overlapping with the investment mandates of other Digital Colony Funds and Strategic Vehicles (defined below), which may create conflicts in the allocation of investment opportunities between Digital Colony Funds. Certain Digital Colony Funds and other companies, funds or vehicles may be co-sponsored, co-branded or co-founded by, or subject to strategic relationships between, Digital Colony and strategic or joint venture partners of Digital Colony (collectively, "Strategic Vehicles"). Therefore, many investment opportunities sourced by Digital Colony's investment professionals or Digital Colony's strategic or joint venture partners may be suitable for multiple Digital Colony Funds and/or Strategic Vehicles, which also may create conflicts in the allocation of investment opportunities. Investment opportunities sourced by Digital Colony's investment professionals are allocated to one or more Digital Colony Funds, Strategic Vehicles or affiliates of Digital Colony ("Affiliated Entities") in accordance with the allocation policy adopted by Digital Colony and approved by each Digital Colony Fund from time to time. (See Item 12: Brokerage Practices—Allocation Policy).

Digital Colony may recommend that one Digital Colony Fund invest in, or engage in transactions with, other Digital Colony Funds or Strategic Vehicles. Digital Colony has an incentive to favor investments in or between, or corporate combinations, reorganizations or other transactions between or among, two or more Digital Colony Funds that may increase Digital Colony's overall remuneration.

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

### **Code of Ethics**

Digital Colony has adopted a Joint Code of Ethics (the "Code") that applies to all Digital Colony supervised persons. This Code describes the standard of conduct that Digital Colony requires of all of its supervised persons and describes certain restrictions on activities such as personal trading, receipt of material, non-public information, and engaging in outside business activities. Compliance with the Code is a condition of employment for all of Digital Colony's supervised persons, and a serious violation of the Code or its related policies may result in serious reprimand, up to and including dismissal. Certain key provisions of the Code are summarized below. Digital Colony will provide a copy of the Code to any client or prospective client upon request by contacting our CCO at the contact information provided in the Cover Sheet.

## **Personal Trading**

Pursuant to the Code, supervised persons are required to (1) report personal securities transactions on at least a quarterly basis, (2) provide a detailed summary of certain holdings and securities accounts (both initially upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest, and (3) pre-clear acquisitions of securities in IPOs or private placements.

Supervised persons may purchase and sell for their own accounts the same securities purchased or sold on behalf of Clients within the constraints of Digital Colony Advisers' personal security transaction policy.

Notwithstanding the probability of such activity, because the Code permits employees to invest in the same securities as Clients, there is a possibility that employees might benefit from market activity by a Client in a security or other investment held by an employee. To mitigate this possible conflict of interest and others that may arise, Digital Colony has established policies requiring "supervised persons" to obtain pre-clearance before investing in securities on a restricted list. The Digital Colony Advisers and Other Affiliated Entities maintain several restricted lists which are comprised of issuers with respect to which the Digital Colony Advisers and/or Other Affiliated Entities have received or may be in a position to receive material non-public information. In addition, a company or its securities may be placed on a restricted list in order to avoid the appearance of misuse of material non-public information. Each supervised person is assigned to a restricted list based on his or her responsibilities with the Digital Colony Advisers and Other Affiliated Entities. Supervised persons may not trade any initial public offerings, limited offerings, or securities on the restricted list unless pre-clearance is granted by the CCO or designee. In addition, Digital Colony monitors for conflicts of interest on a periodic basis and will not allow any of its "access persons" to buy or sell securities for their own accounts at or about the same time that Digital Colony buys or sells securities or other investments for Clients if Digital Colony feels that there is a possibility that the personal trade would benefit from Digital Colony's investment activities.

All of Digital Colony's supervised persons are required to annually certify that they have complied with the Code and Digital Colony's supervised persons are required to make annual reports regarding their personal securities account holdings and quarterly reports regarding their personal securities trading activity.

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

The Digital Colony Funds follow their applicable Governing Documents to, where applicable, disclose or seek consent for certain conflicts that may arise if Digital Colony (or supervised persons thereof) (i) have a material financial interest in any securities recommended to Clients or (ii) invest in the same securities recommended to Clients. Requirements may include disclosing to or seeking consent from limited partner advisory committees (or certain members thereof), investing and exiting at the same time and price as Clients or other mitigating actions undertaken in the good faith judgment of Digital Colony. Digital Colony supervised persons must obtain prior permission of the CCO or designee for certain transactions that appear to pose a conflict of interest or otherwise appear improper. In particular, all Digital Colony supervised persons must have written pre-clearance for all transactions involving initial public offerings and private placements before completing the transactions. Additionally, co-investments with Clients could present conflicts of interest if not properly structured and monitored. With regard to a supervised person's investment in a limited offering sponsored by Digital Colony Advisers or Other Affiliated Entities, such supervised person shall not be required to obtain pre-approval of the CCO for an "initial" investment or subscription to such affiliated limited offering. Rather, the acceptance of a subscription document shall serve as evidence of pre-approval of such person's investment in the affiliated limited offering. All subsequent investments in such affiliated limited offering(s) that do not require the execution of additional subscription documents will require pre-approval of the CCO. The CCO or designee is responsible for monitoring co-investments by Digital Colony and its supervised persons. Digital Colony maintains one or more lists of restricted securities in which Digital Colony may have material non-public information. Digital Colony supervised persons are prohibited from trading in issuers on the restricted list unless specifically approved by the CCO or designee.

### **Gifts and Entertainment**

Digital Colony has policies in place governing the types and value of gifts and forms of entertainment that its supervised persons may accept or give from or to broker-dealers, vendors, current or prospective clients.

### **Cross-Trades**

From time to time a Digital Colony Closed-End Fund may execute cross trades among Clients. The Digital Colony Closed-End Funds will only execute cross trades between Client accounts when such a transaction is reasonably expected to be advantageous to both participants. Any such transactions must be in accordance with applicable law, Governing Documents and Digital Colony's internal policies and procedures. Digital Colony may, in certain instances, receive a fee in connection with cross trades among Clients. If a fee is charged in connection with a cross trade, Digital Colony provides information on the fee related to the cross trade to the board of directors, general partner, or similar governing body, as applicable, for approval.

### **Other Conflicts**

Digital Colony manages investments on behalf of different Clients. Certain Clients have investment programs that are similar or may overlap and may, therefore, participate with each other in (or compete for) investments. Because of the diversity of investment strategies and objectives, risk tolerances, capital positions, tax situations and differences in the timing of capital contributions and withdrawals, there will be differences in invested positions held or investment appetites among the Clients. Any allocation of investments among the Clients by Digital Colony will be made in a manner consistent with each Client's investment objectives. Investment decisions and allocations are not necessarily made in parallel among all of the Clients. In all cases, allocation requirements (if any) set forth in the Clients' Governing Documents will control. Digital Colony in its sole discretion may allow multiple Clients to co-invest in a particular investment, based upon a variety of factors including, among other factors, investment strategy, mandate or area of focus; risk management (e.g., volatility, liquidity, diversification and concentration in light of each Client's existing portfolio and investment pipeline); fund restrictions or limitations; tax or legal considerations; and cost or availability of financing. Because Digital Colony may allocate a particular investment among the Clients unequally, the Clients may produce results that are materially different from one another. See, also, "Allocation Policy", in Item 12, below.

***Material Non-Public Information.*** Employees of Digital Colony and its affiliates may acquire material non-public information in the ordinary course of their investment activities which may result, in certain circumstances, in restrictions on the Digital Colony Funds' ability to purchase or sell an investment at a time when it might otherwise have done so. In addition, the other accounts or other personnel or entities affiliated with Digital Colony may hold positions in securities or be subject to contractual or legal restraints that could prevent a Digital Colony Fund from being able to purchase or sell an investment that it otherwise might have purchased or sold or, in Digital Colony's judgment, that may make such transaction inadvisable. Such restrictions may have a material adverse effect on a Digital Colony Fund. Digital Colony has implemented an Information Barrier Policy to help manage such conflicts.

## **Item 12: Brokerage Practices**

### **Transaction Execution and Broker-Dealer Selection**

Digital Colony seeks to facilitate transactions in publicly traded securities through the retention of professional services firms that provide high quality services at reasonable costs. Digital Colony seeks to minimize the cost and expense of investment transactions effected on behalf of Digital Colony Funds while also seeking to achieve the most efficient structure of such investments, taking into account, among other things, tax, regulatory and client-specific considerations. These costs and expenses may vary from Fund to Fund, and transactions may be effected differently for one Digital Colony Fund than another, as a result of various factors, including, without limitation, the

location of a Client, the location and nature of the particular investment involved, and other Client-specific considerations. In certain instances, Digital Colony may aggregate assets among Digital Colony Funds in connection with a portfolio sale in order to seek best execution for each Fund. In such instances, the applicable Digital Colony Fund will share transaction expenses on a pro-rata basis.

Digital Colony may use unaffiliated brokers, which are selected on the basis of: (i) the reasonableness of such brokers' commissions relative to others offering similar services; and (ii) the ability of such brokers to obtain best execution. Not all portfolio transactions require or involve a broker-dealer. When it is deemed necessary or appropriate to involve a broker-dealer in portfolio transactions for the Digital Colony Funds, such transactions will be allocated to brokers and dealers on the basis of Digital Colony's best execution policies. The factors considered in selecting and approving brokers-dealers that may be used to execute trades for a Digital Colony Fund's accounts include, but are not limited to: (i) quality of execution – accuracy and timeliness of execution, clearance and error/dispute resolution; (ii) reputation, financial strength and stability; (iii) market making and risk positioning capabilities; (iv) willingness to execute transactions on terms requested or required; (v) willingness and ability to commit capital for trading as well as financing requests; (vi) access to investment opportunities; (vii) on-going reliability; (viii) overall costs of execution (i.e., net price paid or received) including commissions, mark-ups, mark-downs or spreads in the context of the firm's knowledge of negotiated transaction costs available in the market; (ix) nature of the investment or security and the available market makers; (x) desired timing of the transaction and size of transaction; (xi) confidentiality of execution; (xii) market knowledge; and (xiii) the quality of brokerage or research.

In connection with the purchase and sale of investments for the Digital Colony Funds, Digital Colony may pay higher commissions to brokerage firms that provide it with investment and research information than to firms that do not provide such services if Digital Colony determines that such commissions are reasonable in relation to the overall services provided. The information received may be used by Digital Colony and its affiliates in managing the assets of other accounts as well as in the management of the account that generated the commission.

Research services received from brokers and dealers are supplemental to Digital Colony's own research effort and, when utilized, are subject to internal analysis before being incorporated by Digital Colony into its investment process. As a practical matter, it would not be possible for Digital Colony to generate all of the information presently provided by brokers and dealers. Digital Colony pays cash for certain research services received from external sources. Digital Colony also allocates brokerage for research services which are available for cash. While the receipt of research services from brokerage firms has not reduced Digital Colony's normal research activities, the expenses of Digital Colony could be materially increased if it attempted to generate such additional information through its own staff. To the extent that research services of value are provided by brokers or dealers, Digital Colony is relieved of expenses which it might otherwise bear. Digital Colony will arrange for the execution of securities transactions for client accounts through brokers or dealers that Digital Colony reasonably believes will provide best execution. While Digital Colony cannot readily determine the extent to which commission rates charged by broker/dealers reflect the value of their research services, Digital Colony would expect to assess the reasonableness of commissions in light of the total brokerage and research services provided by each particular broker. Digital Colony receives a wide range of research services from brokers and dealers. These services include information on the economy, industries, groups of securities, individual companies, statistical information, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis and analysis of corporate responsibility issues. These services provide both domestic and international perspective. Research services are received primarily in the form of written reports, computer generated services, telephone contacts and personal meetings with security analysts. In addition, such services may be provided in the form of meetings arranged with corporate and industry spokespersons, economists, academicians and government representatives. In some cases, research services are generated by third parties but are provided to Digital Colony by or through broker-dealers.

Digital Colony accepts proprietary research from brokers and does not enter into any formal soft dollar arrangements to receive such research. To the best of Digital Colony's knowledge, these services are generally made available to all institutional investors doing business with such broker-dealers. Research is made available



to Digital Colony on an unsolicited basis and without regard to the rates of commissions charged or paid by Digital Colony or the volume of business Digital Colony directs to such broker-dealers. Accordingly, Digital Colony does not separately compensate such broker-dealers for the research. The broker dealers that have entered into prime brokerage arrangements with Digital Colony may occasionally provide Digital Colony with introductions to potential investors. Digital Colony does not compensate these broker-dealers based on such introductions. The availability of these benefits may influence Digital Colony to select one broker rather than another to perform services for its Clients.

Digital Colony has adopted an allocation policy that applies to investment opportunities which have limited capacity and/or time availability. This policy directs Digital Colony to allocate investment opportunities among Digital Colony Funds, Strategic Vehicles and Affiliated Entities in a manner that is fair and equitable over time.

#### Closed-End Funds

When Digital Colony sources an investment opportunity, Digital Colony, in its sole discretion, will offer the opportunity to the entity for which it determines the investment opportunity is most suitable. When determining the entity for which an investment opportunity would be the most suitable, Digital Colony personnel may consider several factors, which may include, among others, as appropriate: the vehicle's investment objectives, strategy and criteria; cash requirements; the effect of the investment on the diversification of the portfolio, including by geography, size of investment, type of investment and risk of investment; leverage policy and the availability of financing for the investment; anticipated cash flow of the asset to be acquired; income tax effects of the purchase; size of the investment; amount of funds available; cost of capital; risk return profiles; targeted distribution rates; anticipated future pipeline of suitable investments; expected holding period for the investment and the remaining term of the investment vehicle; affiliate and/or related party considerations; and whether any special allocations have been made to or any contractual "first look" or similar rights are held by the investment vehicle.

If, after an investment has been allocated, a subsequent event or development, such as delays in structuring or closing on the investment, makes it, in the opinion of Digital Colony's investment professionals, more appropriate for a different entity to fund the investment, Digital Colony may determine to place the investment with the more appropriate entity. In certain situations, Digital Colony may determine to allow more than one Closed-End Fund, Strategic Vehicle and/or Affiliated Entity to co-invest in a particular investment. A Closed-End Fund, Strategic Vehicles and/or Affiliated Entities may have different allocation preferences. In addition, Strategic Vehicles may receive preference in the allocation of an investment opportunity that is initially presented to Digital Colony by the applicable strategic or joint venture partner. In accordance with Digital Colony's Allocation Policy, some investors may have priority pertaining to certain co-investment deals. In addition, a dedicated mandate may cause a Client to have priority over certain other Clients with respect to investment opportunities.

Not all investment opportunities that are available to Strategic Vehicles that are consistent with the Closed-End Funds' investment objectives will be first presented to the Closed-End Funds on a priority basis, and in some cases, may not be presented at all. In some instances, even if such investments are first presented to the general partner of the Closed-End Funds, investments may be available in the first instance to the Strategic Vehicles pursuant to the contractual obligations or any of its affiliates contractual obligations with respect to such Strategic Vehicles or the general partner may determine in good faith that an opportunity is most appropriate for the proprietary principal investment activities of a Strategic Vehicle, including Strategic Vehicles in which Digital Bridge or its owners have economic interests, due to the strategic nature of such opportunity as it relates to the businesses of such Strategic Vehicle.

Digital Colony will allocate third-party acquisition costs incurred in connection with the selection, acquisition or origination of an investment to those Clients who acquire or originate the investment. Such allocation will be made in accordance with each Client's allocation of the investment opportunity. If Digital Colony does not complete a proposed investment, it will allocate Broken Deal Costs to those Clients that would have acquired

or originated the investment in accordance with the allocations set out in the applicable investment allocation. If Digital Colony does not complete an investment before making an investment allocation, it will allocate the Broken Deal Costs to the Client or Clients for which the investment opportunity was suitable. If multiple Clients, such Broken Deal Costs will be allocated pro-rata. The Closed-End Funds bear third-party acquisition costs for proposed investments and for co-investment vehicles that are not completed, including reverse termination fees (Broken Deal Costs), however, Digital Colony may, on a transaction-by-transaction basis, require all or certain co-investors to bear their pro-rata portions of all or certain Broken Deal Costs. Digital Colony will allocate Broken Deal Costs to the Closed-End Fund that would have acquired or originated the investment according to Digital Colony's allocation policy.

### Open-End Fund

In certain situations other Affiliated Entities may invest in assets eligible for purchase by the Open-End Fund. Such Affiliated Entities may have investment objectives or may implement investment strategies which are the same or similar to those of the Open-End Fund. To the extent a particular investment is suitable for both the Open-End Fund and certain Affiliated Entities, such investment will be allocated between the Open-End Fund and such Affiliated Entities in accordance with Colony Capital's investment allocation policy, as amended from time to time. These procedures could in certain circumstances affect adversely the price paid or received by the Open-End Fund or the size of the position purchased or sold by the Open-End Fund.

Digital Colony's allocation of investments may also result in the Open-End Fund and another entity acquiring an interest in the same investments, which presents certain unique risks that could result in limited partners being materially affected by the actions of the investors in the other entities. For example, because an Open-End Fund may only permit its investors to voluntarily withdraw after an initial lock-up period, if the investors in an another entity with more frequent liquidity withdraw capital and such entity is required to sell investments to satisfy those withdrawal requests, those sales could adversely affect the value of the investments held by an Open-End Fund. In circumstances where the Open-End Fund or other entities hold similar assets, or where deals are structured where assets are being sold from an Open-End Fund and/or the other entities at the same time, withdrawal requests may present a conflict for Digital Colony in making its investment and selling decisions.

### Open-End Fund Trade Aggregation

In some instances, Digital Colony may determine that a security is equally suitable for the Open-End Fund and other Affiliated Entities and will effect the transactions on a pro-rata basis to ensure each entity is treated equally. When possible, orders for the same security are combined to facilitate best execution concerns. Digital Colony effects transactions in a manner designed to ensure that no participating Open-End Fund or Affiliated Entity including any proprietary account, is favored over any other entity. Specifically, each Open-End Fund and Affiliated Entity that participates in the same trade will participate at the average share price for all of the transactions in that security on that business day, with respect to that order. Securities purchased or sold in a trade are allocated pro-rata, when possible, to the participating Open-End Fund or Affiliated Entity in proportion to the size of the order placed for each account. Digital Colony may, however, increase or decrease the amount of securities allocated to each account if necessary to avoid holding odd-lot or small numbers of shares. Additionally, if Digital Colony is unable to fully execute a trade and Digital Colony determines that it would be impractical to allocate a small number of securities among the accounts participating in the transaction on a pro-rata basis, Digital Colony may allocate such securities in a manner determined in good faith to be a fair allocation. Employees of Digital Colony will not participate in any trading done on an aggregate basis.

### Deadlock Investments

In the event that a potential investment opportunity does not obtain the requisite approval of the investment boards of Digital Colony and the applicable Closed-End Fund's general partner, and which investment Digital Bridge has elected to continue to pursue (such Investment a "Deadlock Investment"), the general partner may

in its sole discretion give all (and not less than all) of the limited partners and investors in the parallel vehicles (together, the “Combined Limited Partners”) an opportunity to invest in such Deadlock Investment. Any limited partner that elects to participate in such Deadlock Investment will participate through an alternative investment vehicle (a “Deadlock AIV”) and will have the same economic interest in all material respects in the Deadlock Investment as if such Deadlock Investment had been made by the Closed-End Fund, and the other terms of such Deadlock AIV will be substantially identical in all material respects to those of the relevant Closed-End Fund, to the extent applicable and subject in all cases to applicable legal, tax, accounting, regulatory or other similar considerations. Please refer to the relevant Closed-End Fund’s Governing Documents for a detailed discussion on Deadlock Investments.

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

Each Client is monitored by a team that is responsible for performance monitoring and reporting, financial risk management and other aspects of the Client such as corporate, legal, tax, accounting, financing, hedging and cash distribution. The team also monitors the due diligence process applicable to potential investments for a Client, transaction structuring, acquisition budgets and transaction documentation. Additionally, Digital Colony has certain investment committee(s) that approves each investment (or other significant investment-related or corporate activity) made on behalf of a Client and the allocation of those investments, as discussed in Item 12.

Certain Clients prepare unaudited reports on a quarterly basis, providing summary financial and other information about the Client, and audited financial statements of the Client annually. Digital Colony may provide certain investors with information on a more frequent and detailed basis if agreed to by Digital Colony.

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

Digital Colony generally does not engage any parties to solicit clients, nor does it receive compensation from sources other than its clients for providing advice to its Digital Colony Fund clients; however, Digital Colony may enter into arrangements with, and compensate solicitors for client referral activities. These solicitation arrangements will be fully disclosed to affected Digital Colony Fund clients and will comply with the requirements of Rule 206(4)-3 of the Advisers Act.

Additionally, Digital Colony may engage, or cause its Digital Colony Fund clients to engage and compensate placement agents for introducing Digital Colony Fund clients to, and to market and sell interests or shares in Digital Colony Funds clients to, prospective investors, in such Digital Colony Funds. Digital Colony requires placement agents to have all appropriate licenses and registrations to conduct their business, including when applicable, to be registered as broker-dealers with the SEC and to be members of FINRA. Subject to its duty to obtain best execution, Digital Colony may take such introductions into account as a factor in the selection of brokers to execute portfolio transactions for Digital Colony Funds.

### **Item 15: Custody**

In connection with the management of investments for Clients, Digital Colony may have, or may be deemed to have, custody of a Client’s funds or securities. Rule 206(4)-2 under the Advisers Act (the “Custody Rule”), which defines custody as holding client securities or assets or having any authority to obtain possession of them, including the authority to withdraw funds or securities from a client’s accounts or ownership of or access to client funds or securities (such as through fee deductions).

Digital Colony expects that each Client for which it is deemed to have custody will: (i) be audited at least annually by an independent public accountant; and (ii) distribute its audited financial statements prepared in accordance with generally accepted accounting principles to its investors within 120 days of its fiscal year-end. Investors should contact Digital Colony if they fail to receive such financials timely.

## **Item 16: Investment Discretion**

As a general rule, Digital Colony receives discretionary investment authority from each Client at the outset of an advisory relationship. Depending on the terms of the Client asset management or advisory agreement, Digital Colony's authority may include the ability to select brokers and dealers through which to execute transactions on behalf of the relevant Client, and select the commission rates, if any, at which transactions are effected. In making decisions as to which securities are to be bought or sold and the amounts thereof, Digital Colony is guided by the mandate selected by the Client and any investment guidelines or restrictions imposed by the Client. Digital Colony generally is not required to provide notice to, consult with, or seek the consent of the Client prior to engaging in transactions that fall within a Client's approved investment guidelines.

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

Digital Colony will receive proxy voting proposals with respect to publicly traded securities, primarily for the Open-End Fund. Additionally, Digital Colony may, from time to time, receive amendments, consents or resolutions applicable to investments held by Clients (collectively, "proxies"), and is generally granted authority to vote and consent on such matters on behalf of Clients.

Digital Colony seeks to vote each Client's proxies in the best interest of that Client and in a manner consistent with its fiduciary duties and has adopted proxy voting policies and procedures designed to ensure that proxies are properly voted and that any conflicts of interest are addressed appropriately. Due to the difficulty of predicting and identifying material conflicts, Digital Colony relies on its supervised persons, such as portfolio managers and/or investment management teams, to notify the CCO or designee of material conflicts that may impair Digital Colony's ability to vote proxies appropriately. Digital Colony may have conflicts of interest, for example, where it has a substantial business relationship with a company and a failure to vote in favor of a company management could harm Digital Colony's relationship with company management. If a material conflict exists, the CCO or designee will take such steps as he or she deems necessary in order to determine how to vote the proxy in the best interests of the client, including, but not limited to, consulting with the legal department, outside counsel, a proxy consultant or the investment professionals responsible for the relevant portfolio investment. In each instance, when exercising its voting discretion, Digital Colony seeks to avoid any direct or indirect conflict of interest between its clients and its voting decision. One Client's best interests with respect to a proxy vote may diverge from the interests of other Digital Colony Funds, joint venture partners, Digital Colony and/or Digital Colony's affiliates. This may result in Digital Colony casting votes for one Client that differs from votes cast for other Clients or in Digital Colony taking other steps to mitigate any conflicts that may arise. In no event, however, will Digital Colony be obligated to vote, or refrain from voting its own securities, securities held by another client or securities held by an affiliate or joint venture partner in a manner that is inconsistent with Digital Colony's view as to the best interests of such holders, simply because a Client has a differing interest.

A copy of Digital Colony's proxy voting policy and information with respect to any specific proxy votes submitted on behalf of the relevant Client may be obtained by contacting our CCO at the contact information provided in the Cover Sheet.

## **Item 18: Financial Information**

Digital Colony has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.