

COLUMBIA REAL ESTATE MANAGEMENT, LLC

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This Brochure provides information about the qualifications and business practices of Columbia Real Estate Management, LLC (“**CREM**” or the “**Firm**”). If you have any questions about the contents of this Brochure, please contact CREM’s Chief Compliance Officer (“**CCO**”), Jeffrey Gronning at 212-433-4096 or jeff.gronning@columbia.reit. Additional information on CREM can also be found at <https://columbia.reit/funds/> or <https://adviserinfo.sec.gov/>. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

Registration of an investment adviser does not imply that CREM or any of its principals or employees possesses a level of skill or training in the investment advisory business or any other business.

Item 2: Material Changes

Since the Firm's last other-than-annual filing, dated February 21, 2020, there have been no material changes.

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Item 4: Advisory Business

Columbia Real Estate Management, LLC (formally Normandy Real Estate Management, LLC) (“**CREM**”, “**we**”, “**us**”, “**our**”, or the “**Firm**”) is an investment adviser registered under the Investment Advisers Act of 1940 (“**Advisers Act**”), as amended, and is a private real estate investment company with its principal place of business in Morristown, NJ. On January 24, 2020, CREM was acquired by Columbia Property Trust, Inc. (“Columbia”), a publicly traded real estate investment trust (“REIT”), ticker: CXP- NYSE.

The Firm provides investment management services to closed end, fully discretionary private investment vehicles that are typically structured as limited partnerships and limited liability companies (the “**Client Accounts**”). In addition to the Client Accounts, the Firm also advises other accounts that invest directly and indirectly in real estate.

CREM’s primary strategy is to focus on underperforming office and mixed-use properties in well located central business districts and transit-served submarkets of New York City, Boston and Washington D.C. metro areas.

In addition to its investment expertise, certain CREM affiliates have extensive capabilities in commercial development and construction, leasing, and property management.

Jeffrey Gronning and other senior management (“**Senior Management**”) continue to lead the real estate investment advisory services and management of the Firm.

As of December 31, 2019, CREM managed approximately \$311,758,360 of regulatory assets under management on a discretionary basis.

The Firm also provides real estate management services through one or more of our affiliated entities.

Item 5: Fees and Compensation

As compensation for its investment management services, we generally receive an “Asset Management Fee” and an “Incentive Distribution” (defined below). Investors should refer to the confidential private placement memorandum (“**PPM**”) and/or operating agreement (“**Operating Agreement**”) of each Client Account for additional or supplementary information regarding compensation paid by each Client Account.

Asset Management Fee

In accordance with each PPM and/or Operating Agreement, we generally receive an annual asset management fee (the “**Asset Management Fee**”), which varies by Client Account, but is generally equal to a specified percentage of committed capital during any commitment period and a specified percentage of the invested capital after any commitment period. Asset Management Fees are generally between 0.75% and 2.00% per annum.

Through one or more of our affiliated entities or related persons, we may provide property management, development, leasing, construction, and other similar property-related services to the Client Accounts’ portfolio investments for a fee. These services are arm’s length transactions however CREM’s affiliates or related persons will financially benefit as a result of providing such property related services to certain portfolio investments. The amounts of any such fees incurred are disclosed in the annual audit report.

Incentive Distributions

We may also receive an incentive distribution from a Client Account (the “**Incentive Distribution**”) based on the net cash proceeds distributed by the Client Account to its investors. Our Incentive Distribution percentage will generally increase as distribution hurdles to each Client Account’s investors are met.

Expenses

The Client Accounts generally bear all legal and other expenses incurred in the formation of the Client Accounts pursuant to each Client Accounts governing documents.

The Client Accounts generally bear all expenses related to their operations, including travel costs, fees and other out-of-pocket expenses directly related to the pursuit and diligence of investment opportunities (whether or not consummated), the acquisition, ownership, financing, hedging or sale of its investments, taxes, fees of auditors and counsel, expenses of any advisory board or investment committee, insurance, litigation expenses, expenses associated with the accounting, preparation and distribution of reports to investors and any extraordinary expenses.

The Client Accounts may retain third parties for necessary services relating to the assets held by the Client Accounts, including any management, development, construction, leasing and other property management services. CREM and its affiliates may provide such services provided the terms are on an arm’s-length basis and no less favorable to the Client Accounts than those that could be obtained from unaffiliated third parties.

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

For a discussion of performance-based compensation received from the Client Accounts, please refer to Item 5 above and each Client Account’s PPM and/or Operating Agreement.

Performance-based fee arrangements may create an incentive for us to recommend investments that may be riskier or more speculative than those which would be recommended under a different fee arrangement. Any potential conflict in this area will be monitored by the CCO.

Item 7: Types of Clients

CREM, either directly or through affiliated entities, serves as the investment adviser to the Client Accounts. Investors in the Client Accounts consist primarily of institutional investors (including endowments and pension funds, financial institutions, other investment funds), and high net worth investors. We require Client Account investors to make representations concerning their financial sophistication and ability to bear the risk of loss of their entire investment.

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

Methods of Analysis and Investment Strategies

CREM’s primary strategy is to pursue value-added real estate investments in the U.S., with an emphasis on office and mixed-use properties primarily located in transit-orientated and infill submarkets of New York City, Boston and Washington D.C. metro areas.

The strategy seeks to capitalize on CREM's proprietary relationship network, local presence, sourcing capabilities, fully-integrated real estate operating platform and experience in the value-add office sector to identify underperforming assets and reposition them to "like new," core properties at a discount to replacement cost.

CREM seeks to execute its investment strategy by:

- Leveraging relationships to originate limited competition transactions;
- Redeveloping/repositioning office and mixed use to highly efficient, sustainable buildings in highly-amenitized, transit-oriented submarkets;
- Pursuing value-add investments across a "balanced" risk spectrum to achieve diversification and targeted returns;
- Utilizing its integrated operating platform to create value and mitigate risk; and
- Focusing on profitable dispositions and the timely return of capital to the Client Account's investors.

CREM believes that its capital markets and operational experience, coupled with Senior Management's extensive network of relationships with leasing brokers, tenants, owners, lenders, special servicers, funds, and insurance companies, will enable the Firm to source off-market and limited competition transactions.

Risk of Loss Factors

The investment strategies that we employ involve significant risks that clients and investors should be prepared to bear. The following summary does not purport to include every risk; rather it focuses upon those risks that are generally associated with our investment strategy and philosophy. An investment in a Client Account is speculative and involves a high degree of risk, including the risk that the entire amount invested may be lost. For a more detailed discussion of the risks associated with our investment strategy, investors should review the discussion of risks provided in the relevant Client Account's PPM and/or Operating Agreement.

General Real Estate Considerations

Investments in real estate and real estate-related entities are subject to various risks, including, for example, adverse changes in national and international economic and geopolitical conditions, local market conditions and the financial conditions of tenants; changes in the number of buyers and sellers of properties; increases in the availability of supply of property relative to demand; changes in availability of financing; increases in interest rates, real estate tax rates, energy prices, and other operating expenses; changes in environmental laws and regulations, zoning laws and other governmental rules and policies; changes in the relative popularity of properties; risks due to dependence on cash flow; risks and operating problems arising out of the presence of certain construction materials, as well as acts of God, uninsurable losses and other factors which are beyond the control of the Firm. In addition, real estate is subject to long-term cyclical trends that give rise to significant volatility in real estate values.

Risks of Acquisition Activities

The Firm intends to acquire existing office and mixed-use properties to the extent that they can be acquired on advantageous terms and meet our investment criteria. Acquisitions of

commercial office and mixed-use sector properties entail general investment risks associated with any real estate investment, including the risk that investments will fail to perform as expected and that estimates of the cost of improvements to bring an acquired property up to standards established for the intended market position may prove inaccurate. CREM's acquisition activities and their success may be exposed to the following risks:

- We may be unable to acquire a desired property because of competition from other well capitalized real estate investors, including both publicly traded real estate investment trusts and institutional investment funds;
- Even if we enter into an acquisition agreement for a property, such an agreement would typically be subject to customary conditions to closing, including satisfactory completion of due diligence investigations;
- Even if we are able to acquire a desired property, competition from other real estate investors may significantly increase the purchase price paid;
- We may be unable to finance acquisitions on favorable terms;
- Acquired property may fail to perform as we projected;
- Our estimates of the costs of repositioning, retreating or refurbishing acquired properties may be inaccurate; and
- The existing tenants may be unable to make lease payments and we may be unable to attract and retain tenants on favorable terms.

The Client Accounts may acquire properties subject to known or unknown liabilities and with limited or no recourse. As a result, if a liability were asserted against a Client Account based upon such properties, the Client Account or a related entity might have to pay substantial sums to dispute or remedy the matter, which could adversely affect the value of the Client Account. Unknown liabilities with respect to properties acquired could include, for example: liabilities for clean-up of undisclosed environmental contamination; claims by tenants, vendors or other persons relating to the former owners of the properties; liabilities incurred in the ordinary course of business; and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

Risks Relating to Debt Investments

The Client Accounts may invest in mortgage loans, mezzanine debt or other indebtedness secured by real property or interests in entities owning real property, some or all of which may be in default or obligations of borrowers in financial distress. In addition to the risks of borrower default, the collateral may be mismanaged or otherwise decline in value during periods in which we are seeking to obtain control of the underlying real estate. It is possible that we may find it necessary or desirable to foreclose on collateral securing one or more real estate loans purchased or originated by us. The foreclosure process can be lengthy and expensive. Borrowers often resist foreclosure actions by asserting numerous claims, counterclaims and defenses against the holder of a real estate loan including lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action. In some states, foreclosure actions can take up to several years to conclude. At any time during the foreclosure proceedings, the borrower may file for bankruptcy, staying the foreclosure action and further delaying the foreclosure process. Investments in assets operating in workout modes under Chapter 11 of the Bankruptcy Code, or the equivalent in non-U.S. jurisdictions, are, in certain circumstances, subject to certain additional potential liabilities which may exceed the value of our original investment. For example, under certain circumstances, lenders who have inappropriately exercised control of the management and policies of a debtor may have their claims subordinated or disallowed or counterclaims may be filed, and lenders may be found liable for damages suffered by various

parties as a result of such actions. In addition, under certain circumstances, payments to the Firm and distributions by the Firm to its investors may be reclaimed to the extent that any such payment or distribution originated with a troubled asset and is later determined to have been a fraudulent conveyance or preferential payment.

Bankruptcy laws may delay the ability of CREM to monetize its collateral for loan positions held by it or may adversely affect the priority of such loans through doctrines such as equitable subordination or may result in a restructure of the debt through principles such as the “cramdown” provisions of the bankruptcy laws.

Redevelopment Risks

Some assets that we acquire may require redevelopment in order to meet our investment strategy. Redevelopment activities are subject to risks, including, without limitation, risks relating to the availability and timely receipt of zoning and other regulatory approvals, public and private opposition to projects, unexpected increases in cost, delays in the completion of construction and the possibility that construction or permanent financing may not be available on favorable terms. In addition, redevelopment activities may not be completed within budget or on schedule because of cost overruns, work stoppages, shortages of building materials, the inability of contractors to perform their obligations, defects in plans and specifications or other factors. Any delay in completing the redevelopment of an asset may result in increased interest and costs and the potential loss of previously identified purchasers or tenants. If any of these risks should occur they could result in substantial unanticipated delays or expense and, under certain circumstances, could prevent completion of a development or redevelopment opportunity once undertaken, any of which could have a material adverse effect on the Firm and on the amount of funds available for distribution by the Firm.

Environmental Risks

Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real estate may be required to investigate and clean up any hazardous or toxic substances or petroleum product releases at such property and may be liable to a governmental entity or to third parties for property damage and for investigation and clean-up costs incurred by such parties in connection with contamination. These laws typically impose clean up responsibility and liability without regard to whether the owner knew of, or caused the presence of, the contaminants, and the liability under such laws has been interpreted to be joint and several unless the harm is divisible and there is a reasonable basis for allocation of responsibility. The cost of investigation, remediation or removal of such substances may be substantial, and the presence of such substances or the failure to properly remedy the contamination on such property may adversely affect the owner’s ability to sell or rent such property or to borrow using such property as collateral. Persons who arrange for the disposal or treatment of hazardous or toxic substances or petroleum products at a disposal or treatment facility may also be liable for the costs of removal or remediation of a release of hazardous or toxic substances or petroleum products at such disposal or treatment facility, whether or not the facility is owned or operated by such person. In certain circumstances, third-party lenders which have directed or had an active involvement in the environmental compliance activities or the day-to-day management of a borrower’s facilities or which have taken possession of, or title to, such borrower’s collateral may be liable for the costs of removal or remediation of a release of hazardous or toxic substances or petroleum products at the facility. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs it incurs in connection with contamination. In addition, the owner of a site may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from a site. In connection with its ownership and operation of real estate, we may incur liability for such costs. Certain federal, state and local laws, regulations

and ordinances govern the removal, encapsulation or disturbance of asbestos-containing materials (“**ACMs**”) when such materials are in poor condition or in the event of construction, remodeling, renovation or demolition of a building. These laws may impose liability for release of ACMs and may provide for third parties to seek recovery from owners or operators of real property for personal injury associated with ACMs. In connection with its ownership and operation of real estate, the Firm may incur liability for such costs. And in connection with the CREM’s debt investments, the Firm, to the extent it has an active involvement in the environmental compliance activities of a borrower’s facilities or takes possession of a borrower’s collateral, may incur liability for environmental costs. Also in connection with our debt investments, the ability of the owner to make payments to us may be reduced, which in turn may also adversely affect the value of the relevant asset held by the Firm. Additionally, changes in environmental laws or in the environmental condition of an asset may create liabilities that did not exist at the time of acquisition and that could not have been foreseen.

Illiquidity of Investments

It is unlikely that there will be a public market for many of CREM’s investments. We generally will not be able to sell our investments held in the form of securities publicly unless their sale is registered under applicable federal and state securities laws, or unless an exemption from such registration requirements is available. In some cases, we may be prohibited by contract from selling investments for a period of time. In addition, the types of investments held by CREM may be such that they require a substantial length of time to liquidate. In particular, no assurances can be given that all Firm investments will be able to be liquidated prior to the scheduled expiration of the term of the respective Client Accounts.

Casualty Losses and Uninsured Losses

Client Accounts will maintain insurance on each of the property(ies) acquired, including liability and fire and extended coverage, in amounts believed appropriate relative to the risks to those properties, subject to applicable deductibles. There are certain types of losses, however, generally of a catastrophic nature, including those due to earthquakes, floods, hurricanes, pandemics and other acts of God, which may be uninsurable or not economically insurable. Inflation, changes in building or zoning codes and ordinances, environmental considerations, and other factors may also make it infeasible to use insurance proceeds to replace an asset if it is damaged or destroyed. Under such circumstances, the insurance proceeds received by a Client Account might not be adequate to restore its economic position with respect to the affected asset. A Client Account may need to initiate litigation in order to collect from an insurance provider, which may be lengthy and expensive, and which ultimately may not result in a financial award.

Cybersecurity

The operations of CREM, CREM affiliates and/or the Client Accounts are dependent on technology and communication systems which are susceptible to cyber security risks that include, among other things, theft, unauthorized monitoring, release, misuse, loss, destruction or corruption of confidential and highly restricted data; denial of service attacks; unauthorized access to relevant systems, compromises to networks or devices that CREM and its service providers use to service CREM and its Client Accounts. Cyberattacks against or security breakdowns of CREM or its service providers may adversely impact CREM or Client Accounts. CREM may also incur additional costs for cybersecurity risk management purposes. CREM cannot control any cybersecurity plans or systems implemented by its service providers. There can be no assurance that a Client Account or CREM will not suffer losses relating to cyberattacks or other information security breaches in the future. Furthermore,

CREM and its Client Accounts may be adversely affected should Columbia, CREM's parent company, suffer a cyber related event that materially impacts its business.

Economic Conditions, Occupancy Rates and Creditworthiness of Tenants

The performance of Client Accounts relies heavily on our ability to maintain high occupancy rates with creditworthy tenants. Although U.S. macroeconomic conditions continued to be relatively stable, several economic factors, including increases in interest rates, may adversely affect the financial condition and liquidity of many businesses, as well as the demand for office space generally. Should economic conditions worsen, our tenants' ability to honor their contractual obligations may suffer. Further, it may become increasingly difficult to maintain our occupancy rate and achieve future rental rates comparable to the rental rates of our currently in-place leases as we seek to re-lease space and/or renew existing leases.

Epidemic Outbreak

An epidemic outbreak and reactions to such an outbreak could cause uncertainty in markets and businesses, including CREM's business, and may adversely affect the performance of the global economy, including causing market volatility, market and business uncertainty and closures, supply chain and travel interruptions, the need for employees and vendors to work at external locations, and extensive medical absences. CREM has policies and procedures to address known situations, but because a large epidemic may create significant market and business uncertainties and disruptions, not all events that could affect CREM's business and/or the markets can be determined and addressed in advance.

Legal, Tax and Regulatory Risk

CREM and certain Client Accounts are subject to legal, tax and regulatory oversight. In the future, there may be legislative, tax and regulatory changes that may apply to the activities of CREM, and Columbia, that may require material adjustments to the business and operations or have other material adverse effects on Client Accounts. Any rules, regulations and other changes may result in increased costs and reduced investment opportunities, all of which may negatively impact the performance of Client Accounts.

Litigation Risk

Client Accounts may be subject to third-party litigation, which could give rise to legal liability and could have an adverse effect on the Client Accounts. If a Client Account were to be found liable in any suit or proceeding, any associated damages and/or penalties could have an adverse effect on the value and performance of the Client Account.

Item 9: Disciplinary Information

Neither CREM nor its affiliates have been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction. Likewise, no persons involved in the management of CREM have been subject to such action.

Item 10: Other Financial Industry Activities and Affiliations

CREM shares certain personnel, operations, office space and other technological resources of its parent company, Columbia. CREM and Columbia have established information barriers as a result.

CREM or affiliates provide property-related services to certain underlying real estate investments as disclosed in each Funds governing documents. Any such affiliate-provided

services will be provided at reasonable rates which the Firm believes, based on its market experience are no less favorable than would customarily be charged by a third party. All conflicts of interest are identified and mitigated by the CCO.

Neither CREM nor any of its affiliates are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Neither CREM nor any of its affiliates are registered or have an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

Entities affiliated with CREM serve as a general partner for pooled investment vehicles for Client Accounts.

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

Participation or Interest in Client Transactions

CREM serves as the investment adviser to the Client Accounts. Affiliates of CREM also serve as the general partners and managers of the Client Accounts.

Employees and affiliated entities may also receive a portion of the Incentive Distributions. As such, CREM could be considered to have recommended to Client Accounts that they buy or sell investments in which CREM or a related person has some financial interest.

Code of Ethics and Personal Trading

Pursuant to Rule 204A-1 of the Advisers Act, we have adopted a Code of Ethics and Employee Investment Policy (the “**Code**”) that establishes various procedures with respect to investment transactions in accounts (“**Covered Accounts**”) in which any of our employees has discretionary investment authority or exercises effective influence or control. The spirit of the Code is to discourage frequent trading in employee personal accounts and restrict trading in certain real estate-related securities, including real estate investment trusts.

Employees must obtain the CCO’s pre-approval prior to transacting in their Covered Account(s) in any Real Estate Investment Trust Securities (REITS), Real Estate Exchange Traded Funds, any security in any initial public offering (“IPO”) and/or a “Limited Offering”. Transacting in the stock of Columbia Property Trust, Inc. is permitted under its Insider Trading Policy, which generally requires pre-approval for transactions and prohibits trading during blackout periods, as defined therein.

Covered Account brokerage statements are subject to review by CREM’s CCO. These records are used to monitor compliance with the foregoing policies.

Other Potential Conflicts of Interest

CREM, certain of its general partners, and employees have made and will continue to make commitments to the Client Accounts. As such, CREM and certain of its affiliated parties and employees have a direct financial interest in the transactions of the Client Accounts. Investments by such related parties are intended to align the interests of CREM and the related parties with those of the Client Accounts; however, such investments may create conflicts of interest. To address such conflicts, the investment arrangements are described and agreed upon in each of the Client Account’s governing documents.

Allocation of Expenses: CREM, its affiliated entities or related persons may from time to time incur expenses on behalf of the Client Accounts. Although CREM has procedures in place to document the source of expenses, best efforts will be made to review and allocate such expenses on an equitable basis.

Performance-based fees: The existence of differing performance-based fees for Client Accounts investing side-by-side may create a conflict of interest on the part of CREM or the General Partners with respect to allocation of investment opportunities. CREM maintains an investment allocation policy that is designed to address these potential conflicts of interest. Such policy helps ensure the investment allocations made are in the best interest of CREM's Client Accounts.

Allocation of Investment Opportunities. CREM may encounter situations in which it must determine how to allocate investment opportunities among the Client Account(s) and other persons, including but not limited to those investors CREM deems eligible to participate in co-investment opportunities.

CREM has discretion to offer co-investment opportunities ("**co-investments**") to certain of its Client Accounts. Those Client Accounts which participate in co-investments are subject to the investment allocation requirements disclosed in the governing documents.

The allocation of co-investments may involve a benefit to CREM including, among other things, fees or carried interest from the co-investments, and capital commitments to Client Account(s) from those investors who are deemed eligible to participate in such co-investments. CREM is generally permitted to charge management fees, one-time funding fees and/or carried interest in respect of co-investments. Any such fees are generally calculated only with respect to the co-investment.

Co-Investments: Generally, the terms of each Client Account (other than certain co-investment vehicles) include provisions setting out the rights of, among other things (i) the Client Account to receive allocations of suitable investment opportunities and (ii) CREM to permit third parties to co-invest in such opportunities. These provisions, if applicable, are set out in the offering documents or other disclosure or governing documents.

Investment vehicles that facilitate co-investments alongside other Client Accounts may co-invest in the same securities of an asset alongside such other Client Account(s) to the extent CREM has determined such co-investment opportunities are available. CREM has adopted policies and procedures that seek to allocate such investment opportunities among relevant Client Accounts in a fair and equitable manner or otherwise in accordance with related disclosure provided to the relevant Client Account and their underlying investors, or as may otherwise have been agreed in limited partnership agreements or other documents governing such Client Account. CREM may offer co-investment opportunities to investors in the Client Account(s), the Managing Partners of CREM, CREM employees, strategic investors who CREM believe may add value, and to other third parties, including third parties who CREM believe will be of strategic benefit to the Client Account or who may provide broader capital raising opportunities to CREM.

Item 12: Brokerage Practices

CREM does not usually invest in publicly traded securities and therefore we do not select broker-dealers on a regular basis. If required to select a broker-dealer for transactions by a Client Account, we will make the selection based on a combination of cost, execution capability, and trading expertise consistent with the transaction.

Item 13: Review of Accounts

Review of Accounts

The Client Accounts managed by the Firm are reviewed on a continual basis to assure conformity with investment objectives and guidelines.

Reporting

In addition to receiving periodic reports from CREM, such as quarterly unaudited financial statements, each investor will receive the relevant Client Account's audited financial statements, together with other supplemental information pertaining to the Client Account's portfolio of investments and activities, within 120 days of such Client Account's fiscal year end.

Item 14: Client Referrals and Other Compensation

Compensation for Client Referrals

Certain third-party marketers may serve as third-party placement agents for certain Client Accounts. As a result, these parties may receive compensation for their services. The fees we pay to these third-party placement agents do not result in an increase in the fees charged to or expenses incurred by our clients. All such arrangements will be made in compliance with Rule 206-4(3) of the Advisers Act.

Item 15: Custody

The investments that CREM makes on behalf of the Client Accounts are primarily related to the acquisition and development of interests in real estate, and in companies that own and operate real estate developments. Accordingly, we maintain possession of the vast majority of the documentation that demonstrates our clients' ownership interest in these investments. Cash and other liquid assets of the Client Accounts are held in custodial accounts that are in the name of the specific Client Account.

Under our Operating Agreements, we may direct that Asset Management Fees and Incentive Distributions be paid out of the Client Accounts.

For these reasons, we are deemed to have custody of client assets.

To ensure compliance with Rule 206(4)-2 under the Advisers Act, we are required to provide all Client Account investors with audited financial statements for the Client Accounts in which they are invested within 120 days of such Client Account's fiscal year end. In addition, the audited financial statements must be prepared by an independent accounting firm that is registered with and subject to review by the Public Company Accounting Oversight Board, in accordance with US Generally Accepted Accounting Principles. Investors should carefully review the audited financial statements of the Client Accounts.

Item 16: Investment Discretion

Subject to any restrictions set forth in a Client Account's Operating Agreement, we generally have discretionary authority to make the following determinations without obtaining the consent of any Client Account or investor before the transactions are effected:

- The properties that are to be bought, sold or refinanced and when the properties are to be bought, sold or refinanced;

- The brokers, investment banks or placement agents through which properties are to be bought or sold; and
- The commissions, fees or other rates at which property transactions for a Client Account are effected.

Item 17: Voting Client Securities

We are rarely asked to vote proxies because of the nature of our business. If we are asked to vote a proxy or corporate action, we will make a determination, in our opinion, as to what vote is in the best interest of the Client Accounts. We will maintain a written record of any proxy/corporate action on which we vote.

Item 18: Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about our financial condition. We have no financial commitment that impairs our ability to meet our contractual and fiduciary commitments to clients and have not been the subject of a bankruptcy proceeding.