

Item 1 – Cover Page



ELMTREE FUNDS, LLC

**Form ADV Part 2A
Firm Brochure**

March 30, 2020

This brochure provides information about the qualifications and business practices of ElmTree Funds, LLC (collectively with its affiliates and subsidiaries “ElmTree”). If you have any questions about the contents of this brochure, please contact us at 314.828.4200 or info@elmtreefunds.com. 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.

Additional information about ElmTree is also available on the SEC’s website at www.adviserinfo.sec.gov.

Registration with the SEC as an investment adviser does not imply that ElmTree or any principals or employees of ElmTree possess a particular level of skill or training in the investment advisory or any other business.

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Item 2 – Material Changes

ElmTree has updated this brochure on Form ADV Part 2A as of March 30, 2020 as part of its annual amendment process. Our most recently filed brochure dated August 28, 2019 reflects regulatory assets under management of \$75,000,000 (attributable only to the newly launched Debt Fund) and total assets attributable to ElmTree’s existing real estate funds (essentially deemed assets under advisement) in excess of \$1 billion. During the latter part of 2019, ElmTree made a change in legal counsel and, upon further evaluation, modified its calculation of regulatory assets under management to include all real estate assets managed by ElmTree.

This 2020 annual update does not reflect any other material changes to information contained in our most recently filed brochure dated August 28, 2019.

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Item 4 – Advisory Business

ElmTree Funds, LLC (collectively with its affiliates and subsidiaries, “ElmTree”) was formed in 2011. ElmTree is principally owned and controlled by James G. Koman, through one or more trusts formed for the benefit of Mr. Koman and his family members.

In 2019, ElmTree launched a privately offered real estate debt fund, ElmTree Unity Debt Fund, LP (the “Debt Fund”), which is exempt from registration under the Investment Company Act of 1940, as amended. The Debt Fund focuses primarily on investing in commercial real estate debt products used for acquisitions, refinancing, new construction, renovations and working capital, or any combination thereof, principally in the United States. The Debt Fund is an expansion of Elm Tree’s existing real estate advisory business, which has centered on managing private funds that own real estate and real estate-related investments, such as single-tenant, net leased commercial real estate in the United States, with a focus on institutional quality industrial, office and healthcare properties that are leased to, or guaranteed by, investment grade and other high-quality tenants on a long-term triple-net basis.

In addition, in 2020, Elm Tree launched ElmTree U.S. Net Lease Fund IV, LP (“Fund IV” and, together with the Debt Fund, the “Funds”) to invest primarily in single-tenant, net-leased commercial real estate in the United States. Fund IV is the successor vehicle to three previous net lease funds sponsored by ElmTree no longer open to investors.

ElmTree also manages additional existing real estate vehicles for other entities are closed to new investors and, therefore, not the focus of this brochure.

ElmTree manages the Funds consistent with the investment strategies described in their offering documents. Investment advice is provided directly to the Funds, subject to the discretion and control of the Funds’ general partners. ElmTree does not provide specifically tailored advice to individual investors in the Funds. Any investment restrictions applicable to the Funds are set forth in their respective offering documents.

In order to more effectively align its interests with those of its investors, ElmTree established an operational structure based on focused investment management teams for each Fund. The dedicated teams possess the experience and expertise to execute the applicable investment strategy. This structure is designed to align the interests of the team members with those of investors, maintain accountability and enhance investment performance. The dedicated teams share resources such as accounting/financial control, information technology, investor services and research.

Total regulatory assets under management as of 12/31/2019 were \$1,714,152,191.

Item 5 – Fees and Compensation

Management Fees

As compensation for its investment advisory services to the Funds, ElmTree receives a management fee, paid quarterly in advance, as outlined in each Funds' offering documents. ElmTree retains discretion to agree upon alternative management fee arrangements on an investor-by-investor basis. Refer to the Summary of Principal Terms section in each Funds' respective offering documents for additional information.

The capital account of an investor admitted to the Debt Fund on a day other than the first day of the calendar quarter is charged a pro rata portion of the management fee corresponding to the number of months remaining in the quarter. Similarly, in the event of any withdrawal by an investor as of a date other than the last day of the calendar quarter, the investor's capital account would be credited with a pro rata portion of the management fee corresponding to the number of months remaining in the quarter. In the case of a termination of ElmTree's investment management agreement with the Fund prior to the end of a calendar quarter, the management fee for such period would be pro-rated to the date of such termination with any excess payment refunded to the Fund and credited to investor capital account balances.

Expenses

In addition to the management fee, an investor bears its allocable share of expenses associated with the organization, ownership and operations of the Funds. Please refer to the Organizational Expenses and Other Expenses sections of the Funds' respective private offering documents for additional information.

Item 6 – Performance-Based Fees and Side-by-Side Management

The Debt Fund does not charge a performance fee.

With respect to Fund IV, ElmTree receives a portion of overall profits (i.e., a performance-based fee) subject to a waterfall as outlined in the offering documents. ElmTree has discretion to waive or modify the terms for one or more investors, in whole or in part, without notification to other investors. ElmTree recognizes that the receipt of such compensation creates a conflict of interest in that it creates an incentive to make investments that are riskier or more speculative. ElmTree also recognizes that a conflict exists when clients have different fee structures due to the fact such situations create an incentive to favor clients that pay higher fees. However, ElmTree believes such conflicts are mitigated due to ERISA restrictions placed on the Debt Fund, which is prohibited from charging performance related fees, as well as the different investment strategies among the clients managed by ElmTree. Also, because there is a fixed commitment period after which capital from investors in Fund IV may only be drawn down in limited circumstances and because management fees are, at certain times during the existence of Fund IV, based upon capital called by Fund IV, this fee structure creates an incentive to call capital when the general partner may not otherwise have done so. However, in an effort to align the interest of the general partners with the investors in Fund IV, the principals of the general partner and/or an affiliate thereof generally have made a significant contribution to Fund IV.

Item 7 – Types of Clients

Types of Clients

ElmTree provides investment advice directly to the Funds, interests of which are offered pursuant to applicable exemptions from registration under the Securities Act of 1933, as amended (the “Securities Act”), and applicable state laws. Investors in the Fund generally include high net worth individuals, banks, thrift institutions, pension and profit-sharing plans, sovereign wealth funds, trusts, estates, charitable organizations, university endowments, corporations, limited partnerships and limited liability companies or other business entities.

The minimum capital commitment is \$3,000,000 for the Debt Fund and \$5,000,000 for Fund IV. The Funds’ general partners retain discretion to waive this requirement at any time.

Investors must be “accredited investors” as such term is defined in Regulation D promulgated under the Securities Act and “qualified purchasers” as such term is defined in the Investment Company Act of 1940, as amended.

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

ElmTree Unity Debt Fund, LP

Investment Strategy

The Debt Fund has a focused, well-defined investment strategy to originate and acquire loans, with a specific emphasis on the aggregation of a large loan portfolio diversified across product type, property type and tenant base. The Debt Fund pursues a disciplined investment approach to identify attractive opportunities with predictable income, capital appreciation and downside risk protection.

The investment strategy in the near term is to capture market opportunities caused by the dislocations in the U.S. capital markets through the origination and acquisition of loans. The Debt Fund intends primarily to invest in commercial real estate debt products used for acquisitions, refinancing, new construction, renovations and working capital, or any combination thereof, principally in the United States, that ElmTree believes are available at a discount to their underlying fundamental value. The loans made by the Debt Fund are expected to include origination or purchase of existing debt, where the underlying collateral is the real estate, first mortgage commercial real estate loans, mezzanine loans and preferred or gap equity, of single and multi-tenant retail, office, industrial and healthcare assets.

Methods of Analysis

The Debt Fund’s investment approach includes the origination of loans through sourcing from owners, developers, lenders and the brokerage community, leveraging ElmTree’s experience, the prudent underwriting of the real estate fundamentals, the strength of the sponsor and the quality of the loan. Similar to ElmTree’s prior real estate funds, the approach includes aggregating a granular and diversified portfolio across product type, property type and tenant base. The Debt Fund

continually monitors the public and private markets and refines its strategy to capitalize on inefficiencies in the market.

ElmTree utilizes a multi-pronged investment strategy which includes:

- utilizing extensive real estate debt investment experience to take advantage of dislocations in the credit markets;
- applying ElmTree's real estate operating experience;
- originating transactions through both non-conventional and more traditional real estate channels, such as owners, developers, lenders and the brokerage community by leveraging ElmTree's vast experience in the commercial real estate industry;
- targeting transactions in the \$2 to \$7 million range, and product types, property types and tenant base viewed as underserved by traditional lenders and larger investors;
- performing independent due diligence and leveraging extensive access to commercial real estate data from a multitude of internal and external sources to underwrite loans; and
- continuously monitoring asset performance and evaluating each loan quarterly.

ElmTree executes investments utilizing the strategies and process identified below.

Real Time Market Intelligence and Applied Research Capabilities

ElmTree draws upon its extensive research resources in support of an investment process that is both data driven and fully immersed in the realities of the market. In addition, ElmTree intends to leverage the sophisticated forecasting models and analytical experience of its investment team. ElmTree believes its rigorous approach to modeling and forecasting, combined with the transactional knowledge and local market expertise of management, provides ElmTree with powerful market information on which to base new debt origination activities on both a micro and macro basis.

On a micro level, ElmTree believes that accurate and comprehensive local and regional market information facilitates more accurate assumptions around specific property performance. On a macro level, ElmTree believes that larger trends on a regional or property-specific basis help drive directional investment strategy and ultimately portfolio composition decisions.

ElmTree U.S. Net Lease Fund IV, LP

Investment Strategy

Fund IV expects to continue ElmTree's investment strategy of focusing on newly constructed assets in the industrial and office sectors. ElmTree believes these property types are likely to exhibit attractive supply and demand fundamentals during the term of Fund IV. Additionally, by targeting what ElmTree believes are high quality net-leased assets with these characteristics, ElmTree seeks to offer investors a defensive strategy with a stable current yield that is designed to be resistant to changes in real estate and economic cycles. Fund IV intends to access the U.S. net lease real estate market primarily through (i) build to suit opportunities; (ii) sale-leaseback transactions; and (iii) acquisitions of existing assets. Fund IV will also seek to acquire existing assets leased to investment grade tenants of a long-term lease that ElmTree believes are undervalued and/or demonstrate strong potential for capital appreciation and that have been newly

constructed within the last seven years. Refer to Fund IV's offering document for additional information.

Methods of Analysis

ElmTree has a time-tested investment process that it has utilized since its inception to source and underwrite institutional quality properties at what it believes to be compelling risk-adjusted returns. ElmTree believes it is well-positioned to capitalize on investment opportunities by proactively sourcing and underwriting investments, actively managing the value-add process and focusing on maximizing profit upon an exit. With each potential investment, ElmTree focuses on the following guidelines throughout the investment process: (i) originating and structuring well-underwritten transactions; (ii) aligning interests with high-quality developers and operating partners; and (iii) investing in high-quality real estate.

ElmTree evaluates the following criteria: (i) tenant credit; (ii) operational significance of the facility (i.e., "mission critical" nature); (iii) the lease; and (iv) the underlying real estate fundamentals.

Tenant Credit

ElmTree evaluates and monitors the credit quality of prospective and current tenants through extensive credit analysis that incorporates detailed, fundamental credit analysis and the utilization of Moody's quantitative credit models. In addition to quantitative factors, ElmTree performs a detailed review of the qualitative factors that it believes have the potential to influence a company's overall credit quality. For public companies, ElmTree utilizes the Moody's Public Expected Default Frequency ("EDF") Model to evaluate and monitor the credit quality of current and prospective tenants. EDF is a measure of the probability that a firm will default over a specified period of time (typically one year).

Operational Significance

A crucial component of ElmTree's underwriting process is determining the operational significance or "mission critical" nature of the asset. There are a number of components that define whether an asset is "mission critical," including:

- Irreplaceable and skilled labor force;
- Significant capital invested by the corporation beyond the building's core and shell;
- Long-term contracts in key manufacturing facilities to supply customers;
- Consolidation of several business units;
- Critical node and location that translates into vital market share for corporation;
- Strong demographic and high margin locations; and/ or
- National or regional headquarters that house executive management personnel.

ElmTree believes understanding the "mission critical" nature of the asset is a significant part of the underwriting process, as the operational significance of an asset influences ElmTree's, as well as the potential next buyer's, assessment of the tenant's renewal probability.

Lease Underwriting

ElmTree thoroughly reviews each lease of properties it acquires for a variety of issues. Through ElmTree's many years of experience, it has learned what is important in underwriting each lease to ensure the landlord and property are covered in unique circumstances. In addition, ElmTree evaluates each lease for key items to ensure the lease can be successfully underwritten by other buyers upon an exit. The key items ElmTree looks for when evaluating leases are the following:

- Review of tenant and/or guarantor legal entities;
- Nature of parent guaranty;
- Tenant and landlord responsibilities;
- Renewal options;
- Tenant purchase options;
- Termination options;
- Tenant expansion options;
- Tenant right to offset; and/or
- Right of First Refusal / Right of First Offer.

Real Estate Fundamentals

While ElmTree is investing in assets that are 100% leased at closing, an equally important part of the process is to underwrite the fundamentals of the real estate market to understand downside risk. This process includes gathering the following:

- Sale and lease comparables;
- Discounted cash flow analysis;
- Due diligence on the property itself;

To create an alignment of interests, unanimous approval from the ElmTree Investment Committee is required to approve an investment for the Fund.

Material Risks

Investing is speculative and involves significant risks, including the risk of total loss of invested capital. The following information is not intended to be a summary of all the risks associated with an investment in the Funds, but rather certain risks associated with investing in a private fund in general, as well as selected specific risks associated with ElmTree's strategies and the securities in which the Funds will typically invest which ElmTree believes are important for investor to consider. Investors should carefully review the expanded summary of risks in each Fund's private offering memorandum.

Risks Related to Investing in a Private Fund

Illiquid, Long-Term Investment

An investment in a private fund, like the Funds, is speculative and volatile, requiring a long-term commitment with no certainty of return. In most cases, a private fund's investments will be long-term in nature and may require many years from the date of investment to the date of disposition. During that time, a portfolio investment may not distribute any dividends, royalties or other income

to a fund, and, as a result, investors might not receive any distributions from a fund for an extended period of time. A fund's investments are considered highly speculative and may result in the loss of a fund's entire investment. Because a fund is permitted only to make a limited number of investments and because many of a fund's investments generally involve a high degree of risk, poor performance by a few of the investments could significantly reduce the total returns to investors.

Lack of Limited Partner Control over Policies of the Fund

The management, origination, acquisition and disposition policies of the Funds and its policies with respect to certain other activities, including its distributions and operating policies, will be determined by ElmTree. Although ElmTree does not have a present intention to make any such changes, they reserve discretion to change the policies from time to time without a vote of the investors.

Lack of Liquidity of Investments

The investments to be made by the Funds are likely to be illiquid. Illiquidity results from the absence of an established market for the investments, as well as legal, contractual or other restrictions on their resale by the Funds. Dispositions of investments generally are subject to legal, contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof.

Leverage

Fund IV intends to leverage its investments with debt financing which will be non-recourse to investors. Although the use of leverage may enhance returns and increase the number of investments that can be made, it may also substantially increase the risk of loss of principal.

Potential Restrictive Covenants

Fund IV reserves the right to enter into one or more credit facilities with one or more lenders in order to finance its investments. It is anticipated that any such credit facility will contain a number of common covenants that, among other things, might restrict the ability of the Fund to: (i) acquire or dispose of assets or businesses; (ii) incur additional indebtedness; (iii) make capital expenditures; (iv) make cash distributions; (v) create liens on assets; (vi) enter into investments or acquisitions; (vii) engage in mergers or consolidations; (viii) make capital calls to investors; or (ix) engage in certain transactions with affiliates, and otherwise restrict corporate activities of the Fund.

Failure to Meet Targeted Returns

The Funds will make investments based upon ElmTree's projections of internal rates of return, which in turn will be based upon projections of future growth rates and interest rates of the Funds' investments and the applicable market and/or operating costs and disposition timing and proceeds, all of which are inherently uncertain. The actual performance of the Funds' investments may differ materially. There can be no assurance that the actual rates of return achieved by the Funds will equal or exceed the stated targeted returns to the investors in the Fund.

Possible Lack of Diversification

While ElmTree plans to actively manage the Funds' diversification in accordance with the Fund's organizational documents, the Funds at certain times are expected to hold large positions in a relatively limited number of investments. The Funds could be subject to significant losses if a Fund holds a relatively large position in a limited number of investments or a particular type of investment that declines in value, and the losses could increase even farther if the investments cannot be liquidated in a timely manner or without adverse market reaction or are otherwise adversely affected by changes in market conditions or circumstances. To the extent a Fund concentrate their investments in one or more specific types of investments or geographic areas, such Fund will be subject to risks of adverse events or conditions.

Expedited Transactions

Investment analyses and decisions may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available at the time of making an investment decision may be limited, and ElmTree may not have access to detailed information regarding the investment, such as conditions affecting collateral. In addition, ElmTree expects to rely upon independent consultants in connection with its evaluation of proposed investments, and no assurance can be given as to the accuracy or completeness of the information provided by such independent consultants or to the Funds' right of recourse against them in the event errors or omissions do occur.

Investment Structures

Investors in a Fund are expected from time to time to have conflicting investment, tax, and other interests with respect to their investments, including, but not limited to, conflicts relating to the structuring of investment acquisitions, financings and dispositions. The conflicting interests of individual investors generally are expected to relate to or arise from, among other things, the nature of investments made by the Funds, the structuring or the acquisition of investments and the timing of investments. As a consequence, conflicts are expected to arise in connection with decisions made by the applicable general partner, including, but not limited to, with respect to the nature or structuring of investments that may be more beneficial for one investor than for another, especially with respect to investor specific tax attributes. The governing documents of the Funds generally provide that when selecting and structuring investments appropriate for a Fund, the general partner will generally consider the investment and tax objectives of the Fund as a whole, not the investment, tax or other objectives of any investor individually.

Infectious Diseases

There have been a number of outbreaks of infectious diseases in recent decades, including swine flu, avian influenza, SARS and, most recently, the 2019-nCoV (the "Corona Virus") impacting several parts of the world. In December 2019, an initial outbreak of the Corona Virus was reported in Hubei, China. Since then, a large number of cases have been confirmed, including in every province of China and in other areas of the world, including Europe and the United States. The continuing global spread of the Corona Virus could have a material adverse impact on local economies in the affected jurisdictions and also on the global economy as cross-border commercial activity is increasingly impacted by government measures seeking to contain its spread. In addition to these developments having potential adverse consequences for investments of the

Funds, including a decline in their values, the operations of ElmTree and the Funds in certain jurisdictions could be adversely impacted, including through quarantine measures and travel restrictions imposed by or on ElmTree personnel based or temporarily located in affected countries, and any related health issues of such personnel. Any of the foregoing events could materially and adversely affect the Funds' ability to source, manage and divest its investments and its ability to fulfill its investment objectives. Similar consequences could arise with respect to other comparable infectious diseases.

Limited Access to Information

Limited partners' rights to information regarding a Fund, the relevant Fund general partner or ElmTree generally will be specified, and in many cases strictly limited, by each Fund's governing documents. In particular, it is anticipated that a general partner and its affiliates will obtain certain types of material information from or relating to a Fund's investments that will not be disclosed to limited partners because such disclosure is prohibited, including as a result of contractual, legal or similar obligations outside of ElmTree's control. Decisions by ElmTree or its affiliates to withhold information may have adverse consequences for limited partners in a variety of circumstances. For example, a limited partner that seeks to transfer its interest in a Fund may have difficulty in determining an appropriate price for such interest. Decisions to withhold information may also make it difficult for a limited partner to monitor ElmTree and its performance. Additionally, it is anticipated that limited partners that designate representatives to participate on a Fund's advisory committee generally may, by virtue of such participation, have more or earlier information about a Fund and its investments in certain circumstances than other limited partners. Limited partners generally will bear the expenses of responding to disclosure requests, including in connection with state public records, similar freedom of information and other laws, whether or not the relevant Fund succeeds in asserting confidentiality for requested documents and other materials, and ElmTree reserves the right to withhold certain information from investors subject to such laws for reasons relating to ElmTree's public reputation, business strategy or other reasons.

Hedging Arrangements

The Funds' general partners reserves the right (but are not obligated) to endeavor to manage a Fund's or any portfolio company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. To the extent a general partner employs any such techniques, a Fund will be expected to incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter ("OTC") contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used.

In some cases, particularly in OTC contexts, hedging arrangements will subject a Fund to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose a Fund to additional liquidity risks if such contracts cannot be adequately settled.

Certain hedging arrangements are expected to create for a general partner and/or one of its affiliates an obligation to register with the U.S. Commodity Futures Trading Commission ("CFTC") or other

regulator or comply with an applicable exemption. Losses may result to the extent that the CFTC or other regulator imposes position limits or other regulatory requirements on such hedging arrangements, including under circumstances where the ability of a Fund or a portfolio company to hedge its exposures becomes limited by such requirements.

Cybersecurity Risks

The Funds' general partners, the service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect a Fund and the limited partners, despite the efforts of the general partners and service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to a Fund and the limited partners. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems of the Funds' general partners, service providers, counterparties or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of the general partners' systems to disclose sensitive information in order to gain access to their data or that of the Funds' investors. A successful penetration or circumvention of the security of the general partners' systems could result in the loss or theft of a limited partner's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause the Funds, the Funds' general partners or their service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss.

Material Non-Public Information

By reason of their responsibilities in connection with the investment activities and the review of potential target investments for a Fund, ElmTree, the applicable Fund investment professionals and certain of their officers, directors, employees, agents and affiliates may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. Due to these restrictions, a Fund may not be able to initiate a transaction that it might otherwise have initiated and may not be able to dispose of a target investment that it otherwise might have disposed.

Privacy and Data Protection Law Compliance Risk

The adoption, interpretation and application of consumer protection, data protection and/or privacy laws and regulations ("Privacy Laws") in the United States, Europe and elsewhere could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and current and planned business activities of ElmTree, the Funds' general partners, the Funds and/or their investments, and increase compliance costs and require the dedication of additional time and resources to compliance for such entities. A failure to comply with such Privacy Laws by any such entity or their service providers could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations and overall business, as well as have a negative impact on reputation and Fund performance. As Privacy Laws are implemented, interpreted and applied, compliance costs for ElmTree, the Funds' general partners, the Funds and/or their

investments, are likely to increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

For example, California has passed the California Consumer Privacy Act of 2018, and the EU has enacted the General Data Protection Regulation (EU 2016/679), each of which broadly impacts businesses that handle various types of personal data, potentially including private fund managers and their funds and investments. Such laws impose stringent legal and operational obligations on regulated businesses, as well as the potential for significant penalties.

Other jurisdictions, including other U.S. states, have proposed or are considering similar Privacy Laws, which if enacted could impose similarly significant costs, potential liabilities and operational and legal obligations. Such Privacy Laws and regulations are expected to vary from jurisdiction to jurisdiction, thus increasing costs, operational and legal burdens, and the potential for significant liability for regulated entities, which could include ElmTree, the Funds' general partners, the Funds and/or their investments.

Risks Pertaining to Investments in Real Estate Debt

Investments in real estate are subject to various risks, including adverse changes in regional and national economic conditions, adverse local market conditions, the financial condition of tenants, buyers and sellers of properties, changes in availability of debt financing, changes in interest rates, real estate tax rates and other operating expenses, environmental laws and regulations, zoning laws and other governmental rules and fiscal policies, among others as further outlined in the Debt Fund's private offering memorandum. All such risks increase the risk of borrower default with respect to real estate-related debt investments.

Loan Risks

In the event of a default under a mortgage loan or other debt instrument held by the Debt Fund, the Debt Fund bears a risk of loss to the extent of any deficiency between the value of the collateral (net of the Fund collection costs) and the principal and accrued interest of the mortgage loan, which could have a material adverse effect on the Debt Fund's expected returns.

Mortgage Investments

The Debt Fund generally expects to originate, participate in and/or acquire real estate loans that will often be non-recourse to the borrower. Mortgage investments have special inherent risks relative to collateral value. To the extent the Debt Fund makes or acquires subordinated or "mezzanine" debt investments, the Debt Fund does not anticipate having absolute control over the underlying collateral as the Fund will be dependent upon third-party borrowers and agents and will have rights that are subordinate to those of senior lenders. In certain circumstances, the Fund's loans may not be secured by a mortgage, but instead by partnership interests or other collateral that may provide weaker rights than a mortgage. In any case, in the event of default, the Fund's source of repayment will be limited to the value of the collateral and may be subordinate to other lienholders. The collateral value of the property may be less than the outstanding amount of the Debt Fund's investment; in cases in which the Debt Fund's collateral consists of partnership or similar interests, the Debt Fund's rights and level of security may be less than if it held a mortgage loan. Returns on an investment of this type depend on the borrower's ability to make required

payments, and, in the event of default, the ability of the loan's servicer to foreclose and liquidate the mortgage loan.

Lower Credit Quality Loans

There are no restrictions on the credit quality of the loans in which the Debt Fund invests. Loans may be deemed to have substantial vulnerability to default in payment of interest and/or principal. Certain of the loans may have large uncertainties or major risk exposures to adverse conditions, and may be considered to be predominantly speculative. Generally, such loans offer a higher return potential than better quality loans, but involve greater volatility of price and greater risk of loss of income and principal.

Loans to Companies in Distressed Situations

The Debt Fund reserves the right to invest in loans made to companies that are experiencing significant financial or business difficulties, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Although the terms of such financing may result in significant financial returns to the Fund, they involve a substantial degree of risk.

Bank Loans

A portion of the Fund's investments may consist of interests in loans originated by banks and other financial institutions. The loans invested in by the Debt Fund may include term loans and revolving loans, may pay interest at a fixed or floating rate and may be senior or subordinated.

Bridge Financing

If the Debt Fund makes or invests in a bridge loan or interim financing for a portfolio company which intends to refinance all or a portion of that loan, there is a risk that the borrower will be unable to successfully complete such refinancing.

Fixed-Income Investments

While it is anticipated that the Debt Fund will generally hold debt investments to maturity with certain interest rate risk hedged, the value of fixed-income securities that may be held by the Debt Fund changes as the general levels of interest rates fluctuate.

Partial Sale and Securitization Considerations

The Debt Fund reserves the right, in an effort to meet its investment and return objectives, to sell, participate, securitize or otherwise dispose of all or a portion of the loans it originates or acquires. If the Debt Fund splits loans and sells the senior portions of loans to third parties and retains the remaining portion of such loans, it may face additional risks as a holder of a junior note.

ERISA Considerations

The Debt Fund does not intend to limit participation by employee benefit plan investors and, as a result, the Debt Fund's assets are subject to fiduciary provisions of ERISA, which in turn could constrain the Debt Fund's investment activities by requiring ElmTree to take certain actions that

are not in the interest of non-ERISA investors or to refrain from actions that are in the interest of non-ERISA investors.

Risks Pertaining to Investments in Real Estate

General Risks of Real Estate Investment

All real estate investments, ranging from equity investments to debt investments, are subject to some degree of risk. For example, real estate investments are relatively illiquid and, therefore, will tend to limit Fund IV's ability to vary Fund IV's portfolio promptly in response to changes in economic or other conditions. No assurances can be given that the fair market value of any real estate investments held by Fund IV will not decrease in the future or that Fund IV will recognize full value for any investment that Fund IV is required to sell for liquidity reasons. In addition, the ability of Fund IV to realize anticipated rental and interest income on its equity and debt investments will depend, among other factors, on the financial reliability of its tenants and borrowers, the location and attractiveness of the properties in which it invests, the supply of comparable space in the areas in which its properties are located and general economic conditions. Other risks include changes in zoning, building, environmental and other governmental laws, changes in operating expenses, changes in real estate tax rates, changes in interest rates, changes in the availability of property relative to demand, changes in costs and terms of mortgage funds, energy prices, changes in the relative popularity of properties, changes in the number of buyers and sellers of properties, the ongoing need for capital improvements, cash-flow risks, construction risks, as well as natural catastrophes, acts of war, terrorism, civil unrest, uninsurable losses and other factors beyond the control of Fund IV's management.

Additionally, Fund IV, in certain instances, expects to be responsible for structural repairs, improvements and general maintenance of real property. The expenditure of any sums in connection therewith beyond those budgeted for by Fund IV will reduce the cash available for distribution and may require Fund IV to fund deficits resulting from the operation of a property. No assurance can be given that Fund IV will have funds available to make such repairs or improvements. These factors and any others that would impede Fund IV's ability to respond to adverse changes in the performance of its assets could significantly affect Fund IV's financial condition and operating results.

Increased Competition for Investment Opportunities

Although ElmTree believes that Fund IV should be well-positioned to take advantage of attractive target investment opportunities, there can be no assurance that it will in fact be so positioned. The entry of additional investors into the segments of the real estate finance market in which Fund IV will focus, or a decline in the number or size of outsourced financing transactions anticipated in the formation of Fund IV's strategy could have potentially adverse consequences for Fund IV and its prospects. While ElmTree believes that attractive target investments of the type in which Fund IV intends to invest are currently available, there can be no assurance that such target investments will be available when Fund IV commences operations or that then available target investments will meet Fund IV's investment criteria.

Risks of Acquisition Activities

Fund IV intends to acquire existing properties to the extent that they can be acquired on advantageous terms and meet Fund IV's investment criteria. Acquisitions of 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.

Fund IV's acquisition activities and their success are expected to be exposed to the following risks, amongst others:

- Fund IV may be unable to acquire a desired property because of competition from other well-capitalized real estate investors, including publicly traded REITs, public and private institutional investment funds, foreign investors, various types of financial institutions and their affiliates, family groups and wealthy individuals;
- even if Fund IV enters 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 Fund IV is able to acquire a desired property, competition from other real estate investors may significantly increase the purchase price paid;
- Fund IV may be unable to finance acquisitions on favorable terms;
- once acquired, a property may fail to perform as Fund IV projected when analyzing its investments; and
- Fund IV's estimates of the costs of repositioning, re-tenanting or refurbishing acquired properties may be inaccurate.

Fund IV may acquire properties subject to known or unknown liabilities and with limited or no recourse. As a result, if liability were asserted against Fund IV based upon such properties, Fund IV might have to pay substantial sums to dispute or remedy the matter, which could adversely affect Fund IV's cash flow and returns. 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.

Valuation of Fund IV Investments

Fund IV does not expect to retain an independent third party to review the valuation work performed by the Fund IV's general partner or value Fund IV assets, unless Fund IV assets constitute "plan assets" under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and regulations thereunder. As a result, there can be no assurance that any valuations by Fund IV's general partner will be accurate.

If Fund IV investments are overvalued, a subscribing investor will overpay for interests and the payment of redemption proceeds to a redeeming investor will be higher than if a lower value had been used. If Fund IV's investments are undervalued, a subscribing investor would be expected to underpay for interests and the payment of redemption proceeds to a redeeming investor are expected to be lower than if a higher value had been used. The use of inaccurate valuations may

prohibit Fund IV from effectively managing its investment portfolio and risks, and may affect the diversification and management of Fund IV's portfolio.

There can be no assurance that Fund IV's general partner will have all the information necessary to make valuation decisions in respect of investments which are not readily marketable, or that any information provided by third parties on which such decisions are based will be correct.

Risks of Joint Venture Investments

Fund IV expects to make investments through joint ventures or other entities, either on an individual property basis or on a multi-property or programmatic basis, with another person or entity (including third parties and funds or separate accounts managed by ElmTree, including vehicles containing co-investment funds). Such investments are expected to involve risks not present in investments where a co-investor is not involved, including diverging investment interests of Fund IV and co-investor, dysfunctional management, increased costs, greater illiquidity, the possibility that a co-investor may have financial difficulties resulting in a negative impact on such investment, the structural subordination of Fund IV's capital to a return on and/or of equity capital of a joint venture or may have other economic or business interests or investment objectives which are inconsistent with those of Fund IV. The joint venture agreement between Fund IV and a co-investor may grant a co-investor priority economics, veto powers with respect to major decisions concerning the management, financing or disposition of an investment, which could allow a co-investor to block an action, contrary to Fund IV's investment objective, and could increase the risk of deadlocks that may adversely affect investment liquidity, values and returns. Fund IV expects to be subject to various costs and fees relating to such ventures, including any additional performance-based or asset-based fees or allocations paid to third party operating partners. Fund IV reserves the right to hold a non-controlling interest in certain investments and, therefore, would expect to have a limited ability to protect its position in such investments, although the Fund IV's general partner expects to procure appropriate rights to protect Fund IV's interests.

If Fund IV and co-investors have the ability to dispose of their interests in the investment separately, a disposition of a large position by one party may depress the market value of the continuing investment of the remaining co-investors (possibly including Fund IV), or may reduce the price available to other co-investors (possibly including Fund IV) which may also be disposing of their respective investments. In addition, agreements governing joint ventures often contain restrictions on the transfer of a co-investor's interest, "buy-sell" mechanisms or similar provisions that may require Fund IV to obtain the consent of a co-investor prior to divesting its interest in the joint venture or result in the purchase or sale of Fund IV's interest at a disadvantageous time or on disadvantageous terms.

If a co-investor removes its general partner or management company or terminates prior to Fund IV, the ability of Fund IV to exercise certain rights associated with its investments is expected to require the cooperation of a successor general partner/management company or other persons. In addition, Fund IV may be liable for actions of its co-investors. In all instances, ElmTree does not expect that it will be practicable or possible to review the qualifications, condition or suitability of prospective co-investors or partners.

Sale of Investments

When selling investments, Fund IV may find it necessary or desirable to provide secondary financing to purchasers. In the event Fund IV finds it necessary or desirable to provide such secondary financing, a liquidation of Fund IV may be delayed beyond the anticipated term of Fund IV until the proceeds are collected.

In addition, Fund IV will be subject to the risk of a default by the buyer with respect to any such secondary financing, and will be subordinated to any primary financing obtained by the buyer.

Risk of Investments without Credit Ratings

Credit ratings of debt securities which may constitute Fund IV investments, or components of Fund IV investments, represent the rating agencies' opinions regarding their credit quality and are not a guarantee of quality. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value; therefore, they may not fully reflect the true risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an issuer's current financial condition may be better or worse than a rating indicates. Consequently, credit ratings of debt securities will be used by Fund IV, and should be used by others, only as preliminary indicators of investment quality.

Risk of Non-Guaranteed Subsidiaries

Fund IV reserves the right to underwrite an asset that is leased by a tenant that is a subsidiary of a larger entity. In certain instances the parent entity may not provide a guarantee of the subsidiaries lease. While ElmTree performs analyses in connection with such situations it is not certain that ElmTree will be able to identify all of the risks associated with such tenant. Underwriting assets of tenants that do not have a guarantee from a parent entity can expose Fund IV to additional risk of loss if such tenant were to default on its lease.

Risks Associated with Single-Tenant Leases

Fund IV will primarily focus its acquisition activities on real estate properties that are net-leased to single tenants. Therefore, the financial failure of, or other default by, single tenant under its lease is likely to cause a significant or complete reduction in the operating cash flow generated by the property leased to that tenant and might decrease the value of that property and result in a non-cash impairment charge. In addition, Fund IV will be responsible for 100% of the operating costs following a vacancy at a single-tenant building.

Risks Associated with Lease Rates Over Time

A significant portion of Fund IV's income is likely to come from long-term net leases, which generally provide the tenant greater discretion in using the leased property than ordinary property leases, such as the right to freely sublease the property, to make alterations in the leased premises and to terminate the lease prior to its expiration under specified circumstances. Furthermore, net leases typically have longer lease terms and, thus, there is an increased risk that contractual rental increases in future years will fail to result in fair market rental rates during those years. If Fund IV does not accurately judge the potential for increases in market rental rates when negotiating these

long-term leases, significant increases in future property operating costs, to the extent not covered under the net leases could result in Fund IV receiving less than fair value from these leases. As a result, income to and distributions from Fund IV could be lower than they would otherwise be if Fund IV did not engage in long-term net leases.

Development, Redevelopment and Construction Risks

Fund IV reserves the right to invest in real property requiring construction, new development or redevelopment. The development and construction of such property is subject to timing, budgeting and other risks that may adversely affect Fund IV's operating results. Any renovation, redevelopment, development and related construction activities could subject Fund IV to a number of risks, including risks associated with:

- Construction delays or cost overruns that from time to time increase project costs;
- Availability and timely receipt of zoning, occupancy and other required governmental permits, authorizations and regulatory approvals;
- Development costs incurred for projects that are not pursued to completion;
- Acts of God such as earthquakes, hurricanes, floods or fires that could adversely impact a project;
- Labor conditions or material shortages that may adversely impact the cost and timing of construction;
- Inability to obtain construction and permanent financing on favorable terms, or at all; and
- Governmental restrictions on the nature or size of a project.

These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of construction or development activities once undertaken, any of which could have an adverse effect on the financial condition and results of operations of Fund IV and on the amount of funds available for distribution to the limited partners. Properties under construction or development, or properties acquired to be developed, generally generate no cash flow from the date of acquisition through the date of completion of construction or development and experience operating deficits for a period after the date of completion. Fund IV at time expects to commence construction, development or redevelopment activities prior to obtaining financing for such activities and there is no guarantee that financing will be available on favorable terms, or at all.

Termination or Expiration of Leases; Tenant Defaults

Fund IV's properties are subject to a single tenant occupying 100% of the properties. There can be no assurance that Fund IV will be able to retain tenants in any of their respective properties upon the expiration of their leases. Upon the expiration or early termination of such leases, the availability of the entire building may have an adverse effect on Fund IV's ability to achieve the lease terms and rents it might otherwise be able to achieve if space were to turn over in smaller portions, spread out over a period of time. If the space is suited to the particular needs of a former tenant, then Fund IV may have difficulty finding a new tenant for the space or may need to redevelop such space.

The success of Fund IV's investments will materially depend on the financial stability of its tenants. A default by a significant tenant on its lease payments would cause Fund IV to lose the revenue associated with such lease and require Fund IV to find an alternative source of revenue to

meet mortgage payments and prevent a foreclosure if the property is subject to a mortgage. Such situations, given the current state of the economy, may be more common than in the recent past, and the general partner may fail to, or may not be able to, discover factors that would indicate a heightened level of uncertainty with respect to particular key tenants when performing due diligence on prospective investments. An early termination of a lease by a bankrupt tenant would result in unanticipated expenses to re-let the premises. Tenant defaults thus increase the risk that Fund IV, and hence investors, could suffer a loss.

In addition, if a tenant defaults or goes bankrupt, Fund IV may experience delays in enforcing its rights as landlord and may incur substantial costs in protecting its investment and re-letting property. If significant leases are terminated, Fund IV may be unable to lease property for the rent previously received or sell an investment without incurring a loss. These events could limit the Fund IV's ability to make distributions and decrease the value of an investment in Fund IV.

Fund IV may experience higher rates of lease default or termination in the event of a downturn in a particular industry or market than it would if the tenant base were more diversified. Fund IV's revenue from and the value of the investments in Fund IV's portfolio may be affected by a number of factors, including a deterioration in the financial condition of a particular tenant and the corresponding downgrading of its credit rating. These factors may have a material adverse effect on Fund IV's operating results and financial condition. Fund IV's ability to sell or lease its investments may be difficult due to economic factors beyond Fund IV's control. If, due to credit default and/or vacancy, Fund IV is unable to obtain favorable lease terms for its investments, it may be forced to sell investments at a loss due to the repositioning expenses likely to be incurred.

Because an investment's market value depends principally upon the value of the investment's leases, the resale value of investments with high or prolonged vacancies could suffer, which could further increase the risk that Fund IV, and hence investors, could suffer a loss.

Unable to Lease Properties

Any of Fund IV's properties could become partially or completely vacant in the future. If Fund IV is unable to re-lease these properties and generate sufficient cash flow to replace or exceed that amount lost due to the vacancy, Fund IV will be required to recognize a financial loss as to that property, which could reduce Fund IV's operating results and ability to make distributions.

Changes in Market Circumstances

Fund IV faces risks attendant to changes in economic environments, changes in interest rates, instability in certain securities markets, changes in the relative valuations of its investments and changes in the availability of, and/or the general terms and conditions for, investment financing, among other factors – any one of which could adversely affect investment returns. In addition, major market disruptions could occur which could significantly impair the value of the portfolio. 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 Fund IV. In addition, real estate is subject to long-term cyclical trends that give rise to significant volatility in real estate values. Many of the factors which could affect the performance of Fund IV or its properties will be beyond the control of the general partner and the Fund IV.

Item 9 – Disciplinary Information

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Item 10 – Other Financial Industry Activities and Affiliations

Neither ElmTree nor any of its management persons is registered, or has an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or associated person of any of the foregoing entities.

ElmTree shares office facilities with The Leavitt Firm, LLC ("The Leavitt Firm"), an independent law firm that provides certain legal services to ElmTree and/or its affiliates. David H. Leavitt, Managing Partner, GC, Head of Strategy and CCO of ElmTree, is the sole member of The Leavitt Firm and licensed to practice law in Colorado, Missouri and Illinois. The Leavitt Firm charges legal fees to the Funds in accordance with each respective Funds' offering documents. From time to time the Leavitt Firm represents ElmTree or other affiliates, including the Funds.

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

Code of Ethics

ElmTree has adopted a Code of Ethics Policy for all employees describing its high standards of conduct and fiduciary duties to its clients. The Code includes provisions relating to the confidentiality of client and firm information, prohibitions on insider trading and market manipulation, policies and procedures regarding personal trading, and disclosure and approval requirements for gifts, business entertainment and other conflicts of interest.

Employees are permitted to make investments in their personal accounts, subject to certain pre-clearance and other restrictions as required by the Investment Advisers Act of 1940, as amended ("Advisers Act"). All transactions in reportable securities are reported to ElmTree's Chief Compliance Officer in accordance with the reporting requirements outlined in the Code.

A copy of the Code of Ethics will be provided upon request.

Conflicts of Interest

Activities of Certain Affiliates of ElmTree

ElmTree and its affiliates have a history of being in the business, and will continue to be in the business, of owning, financing, leasing, operating, managing, syndicating, brokering, investing in and developing real estate. ElmTree and its affiliates are also expected to compete with the Funds in connection with the acquisition, sale or operation of properties with respect to which the Funds could invest under some circumstances. ElmTree expects that it and other funds sponsored by ElmTree and its affiliates will own interests in other properties in the same general area as the Fund's properties, and that such properties generally will compete with those of the Funds for buyers, tenants or financing. The terms of each Fund's organizational documents do not prohibit ElmTree or its affiliates from engaging in such other business activities, which may involve substantial time and resources of ElmTree or such affiliates.

ElmTree and its affiliates also perform services for other clients and real estate investment funds similar to the services to be performed for the Funds. ElmTree and its affiliates also invest in real estate for their own accounts, including investing in other real estate investment funds (and such affiliates and other clients generally are expected to have investment objectives and policies comparable to those of the Funds and compete with the Funds). In addition, the Funds will from time to time engage in certain transactions (only on terms, including the consideration to be paid, that are determined by the Funds' general partners to be fair and reasonable to the Fund) with affiliates of ElmTree.

ElmTree will be actively involved in the acquisition, ownership, financing, management, operations and dispositions of other real estate investments, including investments and activities which from time to time meet some or all of the Fund's investment criteria. In the event of such a conflict, such investment opportunities shall be allocated and such decisions shall be made on a basis that is deemed by the applicable Fund's general partner to be fair and reasonable.

ElmTree expects to encounter conflicts of interest in allocating management time and services between such investments. ElmTree believes that it has, and will in the future continue to have, adequate personnel and resources to fully discharge its obligations to the Funds and such other real estate investments.

ElmTree and its affiliates will engage in a broad range of activities, including engaging in investment activities for their own account (such as co-investment vehicles) and for the account of other investment funds and providing advisory, management and other services to funds and operating companies, including portfolio investments of the Funds.

Investments by Affiliates in Other Parts of the Capital Stack

The Debt Fund reserves the right to make debt investments in an entity in which an affiliate is simultaneously making an equity investment. Although the Debt Fund will seek attractive risk-adjusted returns in accordance with the guidelines contained in its offering memorandum, it is possible that an investment by the Debt Fund may at the same time inure to the benefit of such affiliate. Each of such ownership and other relationships is expected to create potential conflicts of interest for the Debt Fund.

Affiliates reserve the right to participate with or alongside the Debt Fund in one or more investment opportunities, whether on a *pari passu*, senior or junior basis, in securities of the issuer of the Debt Fund investment.

Co-Investment Opportunities

A Fund general partner reserves the right, in its sole discretion, to provide or commit to provide co-investment opportunities to one or more limited partners and/or other persons, in each case on terms to be determined by the relevant general partner in its sole discretion. Conflicts of interest are expected to arise in the allocation such co-investment opportunities. The allocation of co-investment opportunities, which may be made to one or more persons for any number of reasons as determined by the applicable general partner in its sole discretion, may not be in the best interests of a Fund or any individual limited partner. In exercising its sole discretion in connection with such co-investment opportunities, the applicable general partner reserves the right to consider some or all of a wide range of factors, including the likelihood that an investor will invest in a future fund sponsored by such general partner or its affiliates. A Fund may co-invest with third parties through partnerships, joint ventures or other entities or arrangements. Such investments are expected to involve risks not present in investments where a third-party is not involved, including the possibility that a third-party co-venturer or partner may at any time have economic or business interests or goals that are inconsistent with those of the relevant Fund, or may be in a position to take action contrary to the investment objectives of such Fund. In addition, a Fund may in certain circumstances be liable for actions of its third-party co-venturer or partner.

Fees to ElmTree Affiliates

Each Fund and its subsidiaries are expected to retain certain affiliates of ElmTree to perform certain services, including accounting, financial, reporting, fund administration, tax, internal audit, legal, technology-related services, brokerage, sales and property-related services (including property management, property diligence, leasing, marketing, construction monitoring, construction management, development, development management, owner's representative and other property-related services). Except as set forth in a Fund's governing documents, the Funds are authorized to retain and compensate affiliates of ElmTree to provide such services to a Fund or its investments without approval of the limited partners. Additionally, such affiliates are expected to provide debt placement and similar services to certain of the Funds' investments, and receive fees in exchange for such services. Any amounts representing fees, expenses or costs paid by a Fund or its investments to an affiliate of ElmTree generally will not be subject to the offset provisions as set forth in the relevant Fund's governing documents, or otherwise shared with any Fund, and thus will be borne in full by the relevant Fund and its limited partners.

The use and compensation of affiliates for these services subjects ElmTree to potential conflicts of interest, because although ElmTree intends to select affiliates to provide services that it believes are aligned with its operational strategies and that will enhance investment operations and/or performance, ElmTree has an incentive to recommend an affiliate because of its relationship or certain financial or business interests therein. Additionally, there is a possibility that ElmTree, because of such incentive or for other reasons (including whether the use of such persons could establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to ElmTree, a Fund or other investment funds sponsored by ElmTree or its affiliates), may favor such retention or continuation even if a better price and/or quality of service provider could be obtained from another person. Whether or not ElmTree has such a relationship with or receives financial or other benefits from recommending a particular service provider, including an

affiliate of ElmTree, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Other Relationships

ElmTree and its affiliates have existing and potential relationships with a significant number of corporations, institutions and individuals in matters unrelated to real estate investments. As a result of these relationships, ElmTree expects to face potential conflicts of interest in connection with any transactions involving an investment by a Fund with such persons, including with respect to the consideration offered by, and the obligations of, such persons. In determining whether to pursue a particular transaction on behalf of a Fund, ElmTree expects to consider these relationships and expects not to pursue certain potential transactions on behalf of a Fund in view of such relationships. As a result, there can be no assurance that all potentially suitable investment opportunities that come to the attention of ElmTree will be made available to the Fund.

Side Letters

ElmTree and/or its affiliates reserve the right to enter into side letters or other writings with certain investors in a Fund which provide such investors with different or preferential rights or terms, including, but not limited to, different fee structures (including discounted or rebated compensation terms), information rights, specialized reporting, priority co-investment rights or targeted co-investment amounts, and liquidity or transfer rights. Side letters may also relate to strategic relationships under which an investor agrees to make capital commitments to multiple Funds. Except where required by a Fund's governing documents, other investors will not receive copies of side letters or related provisions, and, as a general matter, the other investors have no recourse against a Fund, the relevant Fund general partner or any of their affiliates in the event that certain investors have received additional and/or different rights and/or terms as a result of such side letters. As a consequence of one or more limited partners being excused or excluded, or from regulatory or other factors limiting their participation in investments, the aggregate returns realized by participating limited partners could be adversely affected in a material manner by the unfavorable performance of particular investments.

ERISA Considerations

Notwithstanding the foregoing descriptions of certain conflicts of interest that ElmTree has in connection with the activities of the Funds, during any period that the Funds are deemed to contain assets subject to the fiduciary provisions of ERISA, the standards and rules of ERISA will apply and will impose limitations on ElmTree's and the Funds' ability to engage in certain of the transactions described above.

Resolution of Conflicts

ElmTree has established an advisory committee whose purpose is to consult with ElmTree with respect to various issues and conflicts of interest involving each Fund. The advisory committee is empowered to waive any conflicts of interest presented for its consideration and to provide any approvals or consents as may be required or requested pursuant to applicable law.

Item 12 – Brokerage Practices

As the Funds primarily make real estate, real estate-related investments and/or investments in debt, ElmTree anticipates that investments in publicly traded securities will be infrequent occurrences. Therefore, this item is generally not applicable to ElmTree. Issues relating to soft dollars, directed brokerage by clients, and block trades do not exist with respect to ElmTree's investment advisory services at this time.

Item 13 – Review of Accounts

Oversight and Monitoring

ElmTree's investment professionals regularly review and monitor the investments by the Funds. ElmTree employs a highly collaborative investment process in which its investment professionals are involved through the entire investment life cycle from origination, structuring and asset management to disposition. This approach focuses on teamwork, guidance and idea sharing among ElmTree's investment professionals. Through both the Investment Committee and informal communication fostered by ElmTree's organizational structure, ElmTree's multi-step investment process allows the investment teams to continuously incorporate data and feedback throughout the investment lifecycle.

ElmTree's investment professionals routinely meet to discuss asset management activities as well as potential new investment opportunities. ElmTree's Investment Committee convenes as necessary to consider and approve new investment opportunities, material investment decisions regarding the Funds' existing investments and certain other key actions. The Investment Committee offers insight and recommendations to the deal teams throughout the underwriting, asset management and disposition process.

The Investment Committee, along with the CIO, are an integral part of the quarterly asset review and business planning process and approves material asset management actions. ElmTree generally develops detailed asset management plans as part of its investment process and oversees the implementation of the strategy. ElmTree generally meets periodically to review the progress of each investment and to evaluate significant milestones. ElmTree's asset management process also generally involves significant ongoing dialogue among the investment professionals, in addition to the periodic meetings and the quarterly reviews.

While the Debt Fund intends to hold investments until maturity, the investment team monitors the Debt Fund's portfolio structure and evaluates the portfolio performance against peer universes, risk/return ratios and expectations for the investment process in specific market environments. Additionally, the investment team periodically assesses the borrowers for significant developments that may affect the Debt Fund's portfolio. The Debt Fund uses third party administrators to confirm the payment of real estate taxes and insurance, conduct annual inspections of properties and monitor the construction draw process. The investment committee meets at least quarterly to conduct periodic reviews, but may convene more frequently in response to market, sector and geographic developments.

Reporting

Investors will receive a quarterly report containing unaudited financial statements of the Fund for the first three quarters as well as annual audited financial statements subsequent to year end. Investors also receive regular reporting updates through quarterly letters, investor meetings and other materials provided on ElmTree's investor website.

Item 14 – Client Referrals and Other Compensation

ElmTree does not receive any economic benefit from anyone other than its clients for providing investment advice or other advisory services to its clients, nor does ElmTree compensate any person for client referrals

Item 15 – Custody

While ElmTree does not hold investor subscription monies, ElmTree is deemed to have custody over the funds and securities of the Funds and certain investment vehicles as a result of the authority of ElmTree and the Funds' and vehicles' general partners to withdraw funds or securities from the Funds and vehicles for the payment of management fees and other expenses, as well as the overall access of such persons to the funds and securities of the Funds and vehicles.

Consistent with the requirements for custody of client assets under the Advisers Act, the assets of the Funds, where possible, are held in accounts with a qualified custodian within the meaning of the Advisers Act. In accordance with guidance from the SEC, with respect to certain investments in privately offered securities, a specified custodian may hold only documentation relating to or referencing such investments but not the actual investment itself, and/or investments of a Fund may not be registered in the name of the custodian. Consequently, the custodian may not have control over the disposition of such investments, or the ability to direct delivery of sale proceeds or other distributions from such investments to the custodian. Further, for such investments, the custodian may not have the ability to validate or reconcile ownership of the investment with any third party, including the issuer.

In addition, the annual financial statements of the Funds are prepared in accordance with GAAP, audited by an independent accounting firm registered with the Public Company Accounting Oversight Board and distributed to all investors within 120 days of the Fund's fiscal year end.

Item 16 – Investment Discretion

ElmTree has full discretionary authority over all assets it manages for the Funds, consistent with the investment objectives and strategy described in the Funds' offering documents. This discretionary authority is conferred upon ElmTree pursuant to its investment management agreement with the Funds (entered into upon the authority conveyed to the Funds' general partners). ElmTree does not provide advisory services directly to investors in the Funds.

Item 17 – Voting Client Securities

ElmTree's business does not involve the acquisition of publicly traded securities. For this reason, ElmTree does not expect to be in a position to vote securities on behalf of clients (the Funds) with

any regularity. That being said, ElmTree will vote on any matters that do arise in the best interests of the Funds. Neither the Fund nor its' investors will have the right to direct the vote of ElmTree. A copy of ElmTree's voting policies is available upon request.

Item 18 – Financial Information

ElmTree does not require or solicit prepayment of any fees six months or more in advance and does not have any financial condition that would impair its ability to meet contractual commitments to clients.

Item 19 – Requirements for State-Registered Advisers

Item 19 is not applicable to ElmTree.