

ITEM 1 – COVER PAGE

FORM ADV PART 2A BROCHURE

Fairfield Realty Advisors LLC

5510 Morehouse Drive, Suite 200
San Diego, CA 92121
www.fairfieldresidential.com

March 30, 2020

This brochure (the “Brochure”) provides information about the qualifications and business practices of Fairfield Realty Advisors LLC (the “Adviser” or “we”). If you have any questions about the contents of this Brochure, please contact us at 858-457-2123 or FairfieldCompliance@ffres.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 other regulatory authority. Registration as an investment adviser with the SEC does not imply a certain level of skill or training.

Additional information about Fairfield Realty Advisors LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2 – MATERIAL CHANGES

This Brochure dated March 30, 2020 is an update to the Adviser's initial brochure dated April 11, 2019. This Item 2 is intended to assist clients and investors by making them aware of certain information that has changed materially since the prior year's Brochure. We encourage all recipients of this Brochure to read it carefully in its entirety.

The following items are a summary of material and other important changes made since our initial filings.

Item 6: Performance Based Fees and Side by Side Management: has been updated to indicate the establishment of an Allocation Committee to review investment opportunities that are eligible for more than one Fund.

Item 7: Types of Clients: has been updated to indicate that the firm manages multiple Funds.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss: has been updated to describe changes to allocation of investments and risks.

IMPORTANT NOTE ABOUT THIS BROCHURE

This Brochure is not:

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

As required by the Investment Advisers Act of 1940, as amended (“Advisers Act”), the Adviser, a Fund’s general partner (“General Partner”) or certain other persons authorized by the Adviser or General Partner, provides this Brochure to current and prospective clients and can also, in its discretion, provide this Brochure to current or prospective limited partners in a Fund (each an “Investor”), together with other relevant governing documents, such as the Fund’s offering or private placement memorandum, prior to, or in connection with, such persons’ investment in the Fund. Additionally, this Brochure is available through the SEC’s Investment Adviser Public Disclosure website.

Although this publicly available Brochure describes investment advisory services and products of the Adviser, persons who receive this Brochure (whether or not from the Adviser) should be aware that it is designed solely to provide information about the Adviser as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure will differ, in some respects, from information provided in relevant governing documents. More complete information about each Fund is included in relevant governing documents, including its offering and constitutive documents and any relevant side letters with one or more Investors (the “Governing Documents”), certain of which may be provided to current and eligible prospective Investors only by the Adviser or by other persons authorized by the Adviser to do so. To the extent that there is any conflict between discussions herein and similar or related discussions in any Governing Documents, the relevant Governing Documents shall govern and control.

ITEM 3 – TABLE OF CONTENTS

ITEM 1 – COVER PAGE	1
ITEM 2 – MATERIAL CHANGES	2
IMPORTANT NOTE ABOUT THIS BROCHURE.....	3
ITEM 3 – TABLE OF CONTENTS	4
ITEM 4 – ADVISORY BUSINESS	5
ITEM 5 – FEES AND COMPENSATION	6
ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT	11
ITEM 7 – TYPES OF CLIENTS	14
ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS	14
ITEM 9 – DISCIPLINARY INFORMATION	23
ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	23
ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING	25
ITEM 12 – BROKERAGE PRACTICES	26
ITEM 13 – REVIEW OF ACCOUNTS	27
ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION	28
ITEM 15 – CUSTODY	28
ITEM 16 – INVESTMENT DISCRETION	29
ITEM 17 – VOTING CLIENT SECURITIES	29
ITEM 18 – FINANCIAL INFORMATION	29

ITEM 4 – ADVISORY BUSINESS

The Adviser is a Delaware limited liability company that provides investment advisory services to certain Funds, which are generally structured as limited partnerships. The Adviser is an indirect wholly owned subsidiary of Fairfield Residential Company LLC (“Fairfield”).

As one of the largest vertically integrated multifamily real estate companies in the United States, Fairfield is a leading provider of acquisition, entitlement, development, construction, renovation, property and asset management and disposition services. Fairfield was founded in 1985 and the Adviser was founded in 2011. Fairfield along with its subsidiaries and affiliates is a privately held multifamily real estate owner, operator, developer and fund sponsor and is a fully integrated multifamily platform. Fairfield has a presence in the multifamily market through its two business entities, providing both services (via Fairfield Residential Company LLC) and sponsorship investment capital (via Fairfield Residential Holdings LLC (“FRH”). FRH is the successor entity to Fairfield Investment Company LLC (“FIC”) and provides sponsorship capital to Fairfield-sponsored investment vehicles. FIC provided sponsorship capital to investment vehicles formed by FIC prior to April 26, 2019. The California State Teachers’ Retirement System (“CalSTRS”) is the principal owner of Fairfield and, thus, indirectly of the Adviser.

We provide investment advisory, sub-advisory, management, administrative and other services to Funds and other entities and ventures primarily with respect to direct and indirect investments in real estate properties. We also leverage Fairfield’s vertically integrated operating property platform for sourcing, acquiring and managing investments for the Funds. Our investment advice is tailored to meet the investment objectives and restrictions of each Fund, as set out in each such Fund’s investment management agreements and other Governing Documents and, as a general matter, are not tailored to the individualized needs of any particular Investor.

The terms of the Governing Documents can differ from Fund to Fund and the General Partner, on behalf of a Fund, expects to from time to time enter into letter agreements or other similar arrangements (collectively, “Side Letters”) with one or more Investors in a Fund. Subject to the approval of the Adviser or the Fund’s General Partner, an Investor can impose restrictions on certain types of investments by a Fund for tax, regulatory, or other reasons through Side Letters. The Funds’ investment strategies are described in more detail in Item 8 – *Methods of Analysis, Investment Strategies and Risk of Loss*, below. With respect to any Fund, the information in this Brochure is qualified in its entirety by the information set forth in the Fund’s Governing Documents, as modified by any Side Letters.

Among other things, the Adviser identifies investment opportunities for Funds and participates in the acquisition, management, monitoring and disposition of such investments using an operations-oriented approach, as described in more detail in Item 8 – *Methods of Analysis, Investment Strategies and Risk of Loss*, below. Investment advisory services are provided directly to the Funds and not individually to the Funds’ Investors. Since the Adviser does not provide individual advice to Investors (and an investment in a Fund does not, in and of itself, create an advisory relationship between the Investor and the Adviser), prospective Investors must consider whether a particular Fund meets their investment objectives and risk tolerance prior to investing.

The Adviser does not participate in any wrap fee programs.

As of December 31, 2019, the Adviser had \$1,504,613,853 of non-discretionary regulatory assets under management and \$239,232,119 in discretionary assets under management.

ITEM 5 – FEES AND COMPENSATION

Fees and expenses for each Fund vary. The Governing Documents for each Fund provide a more extensive description of the fees and expenses associated with an investment in that Fund. However, as a general matter, the Adviser is compensated for the services it provides to a Fund through an annual management fee that is typically calculated and paid quarterly in advance, subject to the terms of the Fund's Governing Documents. An Investor in a Fund is generally only permitted to withdraw from the Fund in limited circumstances as set forth in the Fund's Governing Documents. It is not expected that fees paid by a withdrawing Investor will be refunded.

In addition, the General Partner of a Fund (which will be an affiliate of the Adviser) is generally entitled to performance-based compensation, which typically is equal to a portion of the distributions of investment proceeds attributable to each Investor in the Fund, subject to the terms of the applicable Governing Documents. Each General Partner also reserves the right to apply different fee and expense arrangements to Investors on an individual basis.

Other Fees and Expenses Paid to and Services Provided by Fairfield

For some Funds, the Adviser and its affiliates are permitted to charge additional fees in connection with an investment for a Fund or earn break-up fees in connection with investments that are not consummated, in each case as outlined in the Fund's Governing Documents. Any Fairfield project fees, disposition fees and affiliate service fees paid by a Fund (or a related investment vehicle or subsidiary thereof) will be in addition to, and will not reduce, the management fee. The General Partner will provide the Fund's Limited Partner Advisory Committee (the "LP Advisory Committee") with notice of any such fees paid to Fairfield by the Fund (or a related investment vehicle or subsidiary thereof) on a quarterly basis, unless previously provided to the Investors. Such fees are also disclosed in the Fund's audited financial statements, which are provided to Investors within 120 days of the Fund's fiscal year end.

Additionally, as and to the extent provided in the Governing Documents for each Fund, the Adviser selects the Fund's service providers and service providers for underlying investment properties. While many of these services could be provided by third-parties, the Adviser has typically retained, and expects in the future to retain various Fairfield affiliates to provide such services as: operational, legal, financial and back office support; services related to insurance, financial advisory, and investment research; monitoring and other services with respect to potential investments; real estate brokerage services and such other services as the Adviser determines are required or desirable in connection with the operation of the Funds and the underlying investments. In addition, the Adviser expects, where it deems appropriate, to delegate to affiliates, services related to the performance of administrative functions to the Funds. The use of the Adviser and its affiliates to provide these services is expected to benefit the Funds by allowing them to take advantage of Fairfield's vertically integrated platform; however, as discussed herein, the Adviser and its affiliates also benefit from the receipt of fees related to such services, creating a conflict of interest for the Adviser in selecting service providers.

Any compensation received by the Adviser or its affiliates for such services will not be required to be shared with the Funds or their Investor. The Adviser has a conflict of interest with respect to the selection of service providers and the selection of investments or transactions, where affiliates are selected or expected to provide services associated with an investment or transaction as the potential fee stream, both current and future, inherent in a particular service, investment or transaction provides an incentive for the Adviser to seek to refer or recommend a transaction, to, or select a service provider for, a Fund or investment. Moreover, the fees for such services are paid by the Funds, and the Adviser (or an affiliate) both selects service providers and determines or negotiates fees and other contractual provisions with the service provider (including the guaranteed maximum cost pursuant to construction contracts). The benefit of any fees received by service providers, including the Adviser and its affiliates, will not be shared with the Funds nor will such fees serve to offset or reduce the Fund's management fees. When the service provider is an affiliate, the Adviser cannot negotiate fees on a truly arm's length basis, as it has an interest in maximizing revenue for Fairfield. To mitigate this conflict, certain fees such as property management fees, general contractor, development and disposition fees are specifically set forward in the applicable limited partnership agreement. In addition, as set forth in the Governing Documents, the fees incurred by a Fund for services provided by affiliates are disclosed to that Fund's LP Advisory Committee on a quarterly basis, unless such fees have previously been disclosed to all limited partners in the affected Fund.

In addition to paying fees to the Adviser and its affiliates for services, the Funds and any subsidiaries will reimburse or otherwise bear the cost of the allocable portion of certain overhead and personnel expenses (including, without limitation, certain employee salaries) of the Adviser and of Fairfield affiliates, when such expenses are incurred in connection with services provided by the affiliate in its role as an operating partner or when providing other services related to any Fund investment. Any such costs paid by a Fund will be determined and allocated to the Fund in accordance with the Adviser's allocation methodology. As with service fees paid to affiliates, such costs will not reduce or offset the management fee. The aggregate amount of fees, if any, incurred by the Funds for such services will be disclosed to the applicable LP Advisory Committee in accordance with the Governing Documents.

Compensation for certain employees of affiliates providing services, at the investment level, will be paid, reimbursed or otherwise borne by the applicable investment and ultimately by the Fund. Such compensation will be in addition to, and will not reduce, the management fee and is not subject to offset.

Transaction, monitoring and director's fees can be incurred in accordance with each Fund's Governing Documents.

Expenses Typically Borne by the Funds

In addition to the fees and expenses described above, each Fund generally bears all of its operating expenses, including legal, organizational, offering expenses and other expenses, as well as expenses associated with underlying investments and properties. Each Investor bears a *pro rata* portion of these expenses. Expenses paid or borne by the Funds include, but unless otherwise set forth in the Fund's Governing Documents, are not limited to:

- organizational expenses of a Fund (including any out-of-pocket expenses of the Adviser, the General Partner and/or their respective affiliates and agents incurred in the formation and

offering of the Fund, the General Partner and the Adviser, and any legal and accounting fees and expenses, travel expenses, filing fees and similar fees and expenses related thereto). Organizational expenses of a Fund are often subject to a cap, as described in the Fund's Governing Documents.

- ongoing operating expenses of a Fund, which generally include, among other items: legal, auditing, consulting, accounting, valuation and fund administration fees and expenses;
- expenses of any LP Advisory Committees, meeting expenses (including travel expenses and certain fees and expenses with respect to legal counsel (if any) retained and incurred by the advisory committee);
- expenses relating to meetings of the Fund's Investors or with any of the Fund's Investors, as contemplated by the Governing Documents;
- all insurance, indemnification and other unreimbursed costs and expenses of any litigation, investigation, settlements or reviews or other extraordinary events involving the Fund and the amount of any judgments or settlements paid in connection therewith;
- expenses associated with the identification, sourcing (including any retainers, success and finder's fees and other compensation paid to contractors, senior advisors and sourcing and operating partners), researching, structuring, negotiation, acquisition, holding, operating, managing, restructuring and disposition of investments (including due diligence);
- expenses and costs incurred as a result of a proposed transaction or investment by the Fund that is not consummated, to the extent not reimbursed by a third-party;
- all extraordinary expenses (such as litigation);
- interest on and fees and expenses arising out of all permitted borrowings made by the Fund and all expenses incurred in negotiating, entering into, effecting, maintaining, varying and terminating any borrowing or guarantee permitted to be incurred by the Governing Documents;
- expenses relating to a defaulting Investor in the Fund;
- expenses associated with the organization, documentation and maintenance of related investment vehicles of the Fund;
- fees, costs and expenses of anti-money laundering or "know your customer" compliance, tax diligence expenses and/or related procedures;
- communication expenses;
- all third-party expenses relating to unconsummated transactions;
- all expenses of liquidating the Fund;

- any taxes, fees or other governmental charges levied against the Fund and all expenses incurred in connection with any tax audit, investigation, settlement or review of the Fund;
- expenses and costs relating to certain governmental and regulatory filings for the Fund or the Adviser (excluding Form ADV);
- expenses and fees of depositary and administrator services;
- real estate commissions, custodial expenses, appraisal fees and other investment costs actually incurred in connection with an investment as described in the Governing Documents;
- all fees, costs and expenses incurred in connection with the preparation and circulation of capital call notices and distribution notices, maintenance of the Fund's books of account and the preparation of reports to Investors, financial statements, tax returns and K-1s (including, without limitation, fees, costs and expenses of third-party service providers);
- all expenses incurred by the tax matters representative in such capacity and all expenses incurred in connection with any tax filing, tax audit, investigation, settlement or review of a Fund and taxes, interest, fees and other governmental charges (except to the extent allocable to, or indemnifiable by an Investor and actually borne or paid by such Investor);
- expenses, including fees paid to service providers (including affiliates of the Adviser and Fairfield), relating to underlying investments and properties, including for property management and construction management services and real estate brokerage; and
- expenses incurred in connection with any restructuring or amendments to the constituent documents of the Fund.

In addition, each Fund will reimburse the Adviser and its affiliates for out-of-pocket travel expenses, including, without limitation, air travel (including in appropriate circumstances, business class), car services, meals and hotels (including luxury class accommodations), incurred in holding, developing, identifying, evaluating, negotiating, making, structuring, acquiring, monitoring, selling and otherwise disposing of investments (including fees for attendance of industry conferences, the primary purpose of which is sourcing investments) and otherwise in connection with the business of the Fund. In addition, the Funds or its subsidiaries will reimburse or otherwise bear the cost of their allocable portion of certain overhead and personnel expenses (including, without limitation, certain employee salaries) of an affiliate that are incurred in connection with serving as operating partners and/or service providers with respect to any Fund investment.

Conflicts of Interest Associated with Fund Fees and Expenses

The Adviser typically retains Fairfield affiliates as service providers to the Funds or to underlying properties and many of the foregoing expenses relate to services performed by the Adviser or its affiliates. Additionally, as and to the extent provided in the Governing Documents for each Fund, the Adviser selects the Fund's service providers and service providers for underlying investment properties. While many of these services could be provided by third-parties, the Adviser has typically retained, and expects in the future to retain, various Fairfield affiliates to provide such services as: operational, legal, financial and back office support; services related to insurance, financial advisory, and investment research;

monitoring and other services with respect to potential investments; real estate brokerage services and such other services as the Adviser determines are required or desirable in connection with the operation of the Funds and the underlying investments. This vertically integrated platform allows the Adviser to forgo due diligence in relation to such affiliated service providers while maintaining significant control over decisions affecting the property throughout the term of the investment. In some instances, the Adviser also expects to appoint representatives of Fairfield to serve on the board of directors of underlying investments. In addition, the Adviser expects, where it deems appropriate, to delegate to affiliates, services related to the performance of administrative functions to the Funds.

Any compensation received by the Adviser or its affiliates for such services will not be required to be shared with the Funds or their Investors. The Adviser has a conflict of interest with respect to the selection of service providers and the selection of investments or transactions, where affiliates are selected or expected to provide services associated with an investment or transaction as the potential fee stream, both current and future, inherent in a particular service, investment or transaction provides an incentive for the Adviser to seek to refer or recommend a transaction, to, or select a service provider for, a Fund or investment. Moreover, the fees for such services are paid by the Funds, and the Adviser (or an affiliate) both selects service providers and determines or negotiates fees and other contractual provisions with the service provider (including the guaranteed maximum cost pursuant to construction contracts). The benefit of any fees received by service providers, including the Adviser and its affiliates, will not be shared with the Funds nor will such fees serve to offset or reduce the Fund's management fees. When the service provider is an affiliate, the Adviser cannot negotiate fees on a truly arm's length basis, as it has an interest in maximizing revenue for Fairfield. To mitigate this conflict, and as set forth in the Governing Documents the fees incurred by a Fund for services provided by affiliates are disclosed to that Fund's LP Advisory Committee on a quarterly basis, unless such fees have previously been disclosed to all limited partners in the affected Fund.

In addition to paying fees to the Adviser and its affiliates for services, as described above, the Funds and any subsidiaries will also reimburse or otherwise bear the cost of the allocable portion of certain overhead and personnel expenses, in accordance with allocation methodologies described in Item 10, *Other Financial Industry Activities and Affiliations*. The Adviser has an incentive to select itself or an affiliate to perform such services and fees and expenses incurred in relation to services provided by the Adviser or its affiliates could exceed fees that the Adviser could negotiate with a third-party on an arms' length basis. Please see Item 10 – *Other Financial Industry Activities and Affiliations* and Item 12 – *Brokerage Practices*, below.

Additionally, from time to time, and as consistent with a Fund's Governing Documents, the Adviser will be required to decide whether and to what extent costs and expenses are borne by a Fund, by the Adviser or allocated among Funds or among one or more Funds and the Adviser. Certain expenses that are relevant to only one Fund and will be borne only by that Fund. When expenses are applicable to multiple Funds or to one or more Funds and the Adviser, expenses paid (and costs reimbursed) by one or more Funds will be determined and allocated to the Funds (and/or the Adviser) in accordance with the Governing Documents and will be in addition to, and will not reduce, the management fee and will not be considered fees received by the Adviser or Fairfield affiliates that are subject to offset. The aggregate amount of fees, if any, incurred by a Fund for such services will be disclosed to the Fund's LP Advisory Committee on an annual basis and will be included in the Fund's audited financial statements.

Discounts Provided by Service Providers to the Adviser and the Funds

Where outside service providers (*e.g.*, legal counsel or accountants) are used, unless inconsistent with applicable Governing Documents, costs associated with services rendered to the benefit of a Fund will typically be borne by the Fund. The Adviser and its affiliates use some of the same service providers as are retained on behalf of the Funds. In some cases, fee rates, amounts or discounts will be offered to the Adviser and its affiliates by a third-party service provider which differ from those offered to a Fund as a result of scheduled or ad hoc rate changes, differences in the scope, type or nature of the service or transaction, alternative fee arrangements and negotiation. Where the Adviser is in a position to control the cost of services, it endeavors to ensure that favorable rates or discounts extended to it are also applied when costs are borne by a Fund, to the extent such services are of a similar scope, type and nature.

ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

The Adviser, through the General Partner of each Fund, is generally entitled to receive performance-based compensation from the Funds, which is structured to comply with Section 205 of the Advisers Act, and, where applicable, Rule 205-3 thereunder. Performance-based compensation arrangements create an incentive for the Adviser to recommend investments that are riskier or more speculative than those which the Adviser might recommend under a different compensation arrangement. Such compensation arrangements also create an incentive for the Adviser to favor higher-fee-paying client accounts over lower-fee-paying client accounts in the allocation of investment opportunities. A similar incentive exists where the Adviser or its personnel or affiliates have other pecuniary interests (such as investments) in a Fund.

Side by Side Management

“Side-by-side management” refers to the simultaneous management of different types of client accounts and/or investment products. For example, some advisers manage private funds that charge performance fees alongside separately managed accounts or registered funds that charge only asset-based management fees. Although the Adviser only manages Funds, and each Fund pays both performance-based and asset-based fees, the rates and terms of one Fund’s fee arrangements (and fee arrangements applicable to one or more Investors) can differ from those of other Funds (or other Investors in the same Fund). Additionally, the Adviser or its affiliates, including Fairfield or CalSTRS, could have other differential pecuniary interest in the Funds that give rise to a variety of potential and actual conflicts of interest for the Adviser and its employees and affiliates (*i.e.*, related persons), including, as discussed below, the incentive to favor Funds with respect to which the Adviser receives or retains relatively higher fees, or in which the Adviser and its related persons otherwise have a greater pecuniary interest.

Conflicts Associated with Performance Based Fees and Mitigating Factors

Each Fund’s General Partner receives carried interest payments with respect to the relevant Fund that are payable only if certain specified performance thresholds are met. Generally, if a Fund returns all capital contributed to the Fund plus a specified preferred return, the General Partner receives a share of the profits realized by the Fund above the pro rata share of profits associated with any Funds invested by the General Partner or its affiliates.

The fact that the Adviser's affiliates are in part compensated based on the performance of the Funds creates an incentive for the Adviser to make investments on behalf of the Funds that are riskier or more speculative than would be the case in the absence of the performance-based compensation arrangements. The Adviser manages the Funds in accordance with the investment strategy disclosed in the Funds' offering materials and Governing Documents to ensure that Investors are aware of the investment strategy and the risks associated with the strategy. The Adviser regularly reviews the Funds' investments to ensure that they are being made in accordance with the Funds' respective investment guidelines. Where the percentage of the capital gains that are payable to Fairfield or its affiliates or the preferred rate of return varies from Fund to Fund, the Adviser has an incentive to favor one Fund over another, based on the likelihood of receiving a higher performance fee payment. The Adviser seeks to minimize this conflict of interest by adhering to its investment allocation policy, which is reasonably designed to promote fair and equitable allocations among Funds over time but does not guarantee access to any particular investment opportunity.

Typically, a particular investment opportunity will be appropriate for only one Fund. Under the investment allocation policy, such an investment opportunity will be allocated exclusively to that Fund until the earlier of (1) the end of the Fund's investment period and (2) the Fund's remaining uncommitted capital is insufficient (when taking reserves into account) to fund the investment opportunity. Typically, after 75% of the commitments of a Fund are committed, the Adviser typically will be permitted to form a successor Fund with the same investment strategy. If the Adviser determines to form a successor fund, the predecessor Fund and the successor Fund are generally permitted to co-invest in the same opportunity only if (1) the opportunity would be too large for the predecessor Fund, (2) the opportunity would breach a limitation in the Governing Documents of the predecessor Fund, or (3) if the Adviser determines that it would otherwise not be in the best interest of the predecessor Fund to take the whole opportunity. Investment opportunities that are suitable for more than one Fund are generally allocated first to the predecessor Fund, unless: (1) it is declined by the predecessor Fund, including as a result of portfolio management considerations (e.g., the Fund is over concentrated in a certain jurisdiction or industry); or (2) the predecessor Fund does not have sufficient capital in light of the size of the opportunity. The Adviser has established an Allocation Committee that reviews each investment opportunity to ensure that allocations are processed consistently with the allocation policies and procedures and to resolve allocations in cases that are not adequately covered by the procedures.

In some cases, certain Investors in a Fund have negotiated more favorable fee arrangements with the General Partner than other Investors in the same Fund. Such special fee arrangements are generally evidenced by a Side Letter. Where a Fund has formed a joint venture with one or more third-party co-investors in order to acquire one or more specific real estate assets, such Fund or the General Partner or its affiliates is in certain cases entitled to receive carried interest payments from such third-party co-investors, which can create an incentive to allocate investments that the Adviser believes will be more profitable to the joint venture.

The Adviser proactively approaches the management of conflicts by ensuring that the Governing Documents for the Funds provide for an LP Advisory Committee selected by the General Partner comprised of voting representatives of the Investors. The LP Advisory Committee will advise the General Partner regarding conflicts of interest and such other issues as the General Partner determines to bring before the LP Advisory Committee, or as are contemplated in the Governing Documents. The LP Advisory Committee approval will be required to resolve certain conflicts and other matters set

forth in the Governing Documents. No fees will be paid to the members of the LP Advisory Committee, although the Fund will pay all reasonable expenses associated with the LP Advisory Committee's meetings. All decisions of the LP Advisory Committee will be made by majority vote of those representatives present at the LP Advisory Committee meeting.

Co-Investments

The Adviser, through each Fund's General Partner, has discretion to offer to one or more Investors or third-parties a portion of any investment opportunity within the Fund's investment objective (such portion, an "Excess Opportunity"). Each Fund's General Partner expects to give priority co-investment rights to certain Investors (including, for the avoidance of doubt, CalSTRS, Brookfield and/or Fairfield and their respective affiliates). The terms and conditions of any Excess Opportunity will be determined by a General Partner at its discretion, but in any case, will be no less favorable economic terms than the economic terms provided to the Investor in the Fund's Governing Documents.

Co-investors will typically bear their pro rata share of fees, costs and expenses related to the discovery, investigation, development, acquisition or consummation, ownership, maintenance, monitoring, hedging and disposition of their co-investments. However, certain fees and expenses borne by the Funds are not be equally borne, or applicable at all, to co-investors, including broken deal expenses.

Valuation of Fund Investments

Unlike funds that invest in listed securities, the Funds' investments typically do not have readily ascertainable market values; however, because our compensation is not based on the value at which assets are carried, we believe that most of the material conflicts of interest related to an adviser's participation in the valuation of a Fund's assets are not present here. In contrast to other types of private funds (including hedge funds), the Funds' management fees are based on a percentage of invested capital, rather than current market value. Similarly, performance-based compensation, paid through the General Partner's carried interest, is paid pursuant to a distribution waterfall which is set forth in detail in each Fund's applicable Governing Documents. In a distribution waterfall, moneys received by the Fund in respect of its investments are paid out in accordance with the waterfall provisions and, in the case of the Funds, are subject to clawback provisions, as specified therein. Clawback provisions applied at the time of the liquidation of a Fund, and Fairfield's guarantee with respect to any clawback that relates to the Adviser, are designed to assure that any overpayments of carried interest in relation to Fund investments, subject to certain specified net amounts in relation to taxes, are returned to the Fund/Investors. Each Fund's Governing Documents set forth the specific application of these provisions.

Although asset values are not relevant for the purpose of determining our fees, asset values are reported to Investors and are necessary to complete each Fund's audited financial statements. As a result, asset valuations are performed on an annual basis, to determine the market value for a property or investment. Each year, a property or other investment undergoes a desktop appraisal by an independent third-party and, every third year, as required by Real Estate Investment Standards, investments undergo a full appraisal, also by an independent third-party. Additionally, the Adviser internally values the Funds' assets annually and compares its valuations to the appraised values provided by the third-party appraiser(s). In the first year of ownership of an investment, cost is generally considered to be an appropriate estimate of fair value, unless there is evidence of a material change in value. In addition, a valuation review is typically performed by the Adviser on a quarterly

basis to assess whether there is evidence of a significant change in the investment that warrants a change in the value carried from the previous quarter.

Our Funds' independent, third-party appraisers generally use a combination of Discounted Cash Flow, Direct Capitalization and Sales Comparison approaches in determining the market value. Internal valuations generally use the Discounted Cash Flow or Direct Capitalization approach in conjunction with the Sales Comparison approach. Nonetheless, because these approaches, and the approaches we use to perform our annual valuations, require the application of judgment to establish a good faith approximation of the market value of an asset as of the measurement date at the time the valuation is performed, appraised values (and, therefore, values reported to Investors) will not necessarily reflect the actual or empirical value of any property or other investment as might be determined with the benefit of hindsight. Thus, the fair value assigned to a property or other investment might not match the next available and reliable market price or, in retrospect, have been the price that would have been paid had that asset actually been sold on the measurement date.

See Item 5 – *Fees and Compensation*, Item 10 – *Other Financial Industry Activities and Affiliations*, and Item 11 – *Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*, below, for a description of certain other conflicts (and potential conflicts) of interests relating to the advisory services provided by the Adviser. Conflicts of Interests are also described in more detail in the Governing Documents of the Funds.

ITEM 7 – TYPES OF CLIENTS

The Adviser's clients are generally private investment funds structured as limited partnerships or other form of entity formed under U.S. law and operated pursuant to one or more exemptions from registration under the Investment Company Act of 1940, as amended (the "Investment Company Act"). Some Funds employ a master-feeder structure and/or include special purpose vehicles and/or parallel structures established for tax, regulatory or other considerations. The minimum commitment by investors to the Funds is specified in the Governing Documents.

The Adviser provides investment advisory services to private funds investing in real estate as well as advising the Brookfield Fairfield U.S. Multifamily Value Add Funds through a sub-advisory agreement with Brookfield. The investors in the Funds generally include public and corporate pensions, sovereign wealth funds, insurance companies, financial institutions, corporations and high net worth individuals.

ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

The Adviser pursues the specific investment objectives and strategies of each Fund as set out in the Fund's Governing Documents, which generally focus on multifamily acquisition properties and multifamily development projects (which can include ancillary land held for investment or for retail improvements and retail development located in the United States).

Investment Strategies and Methods of Analysis; Fund Decision Making Process

For certain Funds, we employ a U.S. Value Add strategy that focuses on a “bottom up” operational approach, targeting value add multifamily opportunities with the objective of achieving attractive risk adjusted target returns. The strategy seeks to invest in a geographically diverse portfolio of U.S. value add acquisition investments within the Fund’s target markets and to acquire land to develop multifamily assets. Other Funds employ a Core Plus strategy that seeks to invest in existing multifamily opportunities acquired with positive leverage, existing cash flow returns with the potential for value appreciation, typically driven by improvements in property management, operational efficiencies and potential property physical upgrades to Core standards.

The Adviser utilizes a well-defined investment process that has been used by Fairfield throughout previous real estate cycles. The investment process is led by the Investment and Operational Team, made up of Fairfield real estate professionals, and overseen by an internal executive committee and each Fund’s investment committee (“Fund Investment Committee”). The principal elements of the investment process are deal sourcing, transaction execution, due diligence, asset management and disposition.

Prior to submission of a potential investment to the Fund Investment Committee, the internal executive committee must first approve the investment. Once approved and prior to acquiring the asset, a formal presentation is made to the Fund Investment Committee or its members by the Investment and Operational Team for approval. The Funds may not acquire an investment without the Fund Investment Committee’s approval.

The Fund Investment Committee and the Adviser’s internal executive committee approve all investment, disposition, and material transaction decisions (regardless of investment size).

Presentations to the Fund Investment Committee include a comprehensive overview of the opportunity, including an overview of the asset/land site, entitlement process (for development assets), management and due diligence findings and detailed financial analysis. Before approving an investment, the Fund Investment Committee will evaluate the projected investment returns, investment thesis and viability, market environment, investment risks and whether the potential acquisition or development project achieves the Fund’s investment objectives. In assessing whether to approve a disposition, the Fund Investment Committee will evaluate, amongst other things, the proposed sale price and returns in comparison to the original underwriting at the time of acquisition to determine if the expected return objectives were met, as well as other sales comps to ensure market pricing is achieved. Investments (acquisition and development investments), dispositions, and material transaction decisions are made by a majority vote.

The investment committee process is a key element of the Adviser’s investment and risk management process. Therefore, the internal executive committee involves its most senior and experienced professionals. The members of each Fund Investment Committee will vary depending on the structure and ownership of a specific Fund.

Risk of Loss

Investment Risk (Generally)

The Adviser's investment activities involve a significant degree of risk of loss that Investors should be prepared to bear. This section contains a discussion of the primary risks associated with the Adviser's investment activities. However, it is not possible to identify all of the risks associated with investing, and the particular risks applicable to a Fund will depend on the nature of the Fund, its investment strategy or strategies and the types of investments held by the Fund.

While the Adviser seeks to manage the Funds so that risks are appropriate to the return potential for the strategy, it is often not possible or desirable to fully mitigate risks. Any investment includes the risk of loss and there can be no guarantee that a particular level of return will be achieved. Additionally, Investors should understand that the Adviser principally invests, on behalf of the Funds, in real estate and real estate related investments which are not necessarily diversified by asset type. The Funds are generally not intended to provide a complete investment program for any Investor and the Adviser expects that the assets it manages do not represent all of an Investor's assets.

Investors are responsible for understanding a Fund's investment activities, so that they can (if they so choose) appropriately diversify their own assets to guard against the risk of loss of their Investment in the Fund, which could include the loss of all capital invested. As the following is intended only as a summary of the principal risks associated with the Adviser's investment activities on behalf of the Funds, Investors should consult each Fund's Governing Documents for a more complete discussion of the risks associated with that Fund.

Material Risks of Key Investment Strategies:

General Fund Investment Risks. There are significant risks inherent in the strategy of investing in real estate that are not associated with other types of investments.

An investment in the Funds involves a significant degree of risk, relating both to the types of investments contemplated by the Fund as well as the Fund's ability to achieve its investment objectives and therefore should be undertaken only by those Investors capable of evaluating the risks of the Fund and bearing the risks it represents. Set forth below is a non-exhaustive list of such risks, most of which are summarized in greater detail in the applicable Fund offering materials:

The performance of the Funds' investments will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, currency exchange controls, and failures of major financial institutions.

Market Recovery; Economic Environment. A Fund's investment strategy for certain assets relies, in part, upon local market recoveries during the term of the Fund. No assurance can be given that any such markets will recover since this will depend, in part, upon events and factors outside of the control of the Adviser.

The performance of certain investments is vulnerable to downturns in various economic environments. U.S., regional or local economic declines could negatively affect the payments of tenants, the ability to service debt or the performance of real estate assets. The prices for investment sales, and the prices,

terms and conditions for investment refinancing can be threatened by unanticipated declines in various economic environments – thereby reducing or eliminating anticipated returns of capital and internal rates of return.

Material changes and fluctuations in the economic environment, particularly of the type experienced since 2008 that caused significant dislocations, illiquidity and volatility in the wider global economy, can affect the Adviser's ability to make investments and the value of investments held by the Funds.

Political Uncertainty and Emerging Global Events. During times of political uncertainty, the securities, derivatives and currency markets could become volatile and real estate can also be impacted. There also could be a lower level of monitoring and regulation while a country is experiencing political uncertainty, and the activities of investors, consumers and businesses in such markets and enforcement of existing regulations could be extremely limited. Markets experiencing political uncertainty could have substantial, and in some periods, extremely high rates of inflation for many years. Inflation and rapid fluctuations in inflation rates could have negative effects on such countries' economies.

Social, political, economic and other conditions and events (such as natural disasters, epidemics and pandemics, terrorism, conflicts and social unrest) will occur that have significant impacts on issuers, industries, governments and other systems, including the financial markets and real estate. As global systems, economies and financial markets are increasingly interconnected, events that once had only local impact are now more likely to have regional or even global effects. Events that occur in one country, region or financial market will, more frequently, adversely impact issuers in other countries, regions or markets. These impacts can be exacerbated by failures of governments and societies to adequately respond to an emerging event or threat. A Fund will be negatively impacted if the value of its portfolio holdings decreases as a result of such events, or if these events adversely impact the operations and effectiveness of the adviser or key service providers or if these events disrupt systems and processes necessary or beneficial to the management of accounts or properties.

Adverse Developments in Capital Markets. Recent market and economic conditions have been unprecedented in modern times and challenging with slower global growth. Continued concerns about the systemic impact of possible inflation (or deflation), energy costs, geopolitical issues and the availability of credit have contributed to increased market volatility and diminished expectations for the global economy. Federal government interventions in the U.S. credit markets have been part of the increased market uncertainty and instability in capital and credit markets. Such volatility could have a material adverse impact on the Fund's investments.

Lack of Marketplace Liquidity. The inability to obtain debt or to obtain enough debt on terms deemed appropriate by the Adviser could materially and negatively impact a Fund's ability to implement its strategy and seek its targeted returns. Events in the financial markets over the past several years have impacted credit markets and, as a result, in certain instances credit has become more difficult to obtain, and in some cases unavailable. The negative impact of the recent changes in the credit markets on the real estate sector generally or a Fund's inability to obtain financing on favorable terms, if at all, would likely have a material adverse impact on the performance of the Fund's investments.

Material Risks of Real Estate Investments:

General Real Estate Considerations. 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 a Fund's ability to vary the Fund'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 a Fund will not decrease in the future or that the Fund will recognize full value for any investment that the Fund is required to sell for liquidity reasons. In addition, the ability of a Fund 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 insurance rates changes in the availability of property relative to demand, changes in costs and terms of mortgage loans, 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 the Adviser.

Risks Associated with Multifamily Residential Real Estate. The performance of multifamily residential investments is subject to many of the risks associated with owning and operating other types of real estate. In addition, competition in the residential real estate marketplace is strong. There are numerous housing alternatives that compete with multifamily properties in attracting residents. These include other multifamily condominium and rental apartments, and single-family homes that are available for purchase or rent in the relevant market. A large number of factors could adversely affect the value and successful operation of a multifamily property, including, among other things: physical attributes of the apartment building, such as its age, condition, design, appearance, access to transportation, and construction quality; location of the property, for example, a change in the neighborhoods over time; ability of management to provide adequate maintenance and insurance; the types of services or amenities that the property provides; the property's reputation; the level of mortgage interest rates, which could encourage tenants to purchase rather than lease housing; presence of competing properties; the tenant mix, such as the tenant population being predominantly students or being heavily dependent on workers from a particular business or personnel from a local military base; governmental programs that provide rent subsidies to tenants pursuant to tenant voucher programs, which vouchers can be used at other properties and influence tenant mobility; adverse local or national economic conditions, which could act to limit the amount of rent that can be charged and result in a reduction of timely rent payments or a reduction in occupancy levels; federal, state, and local regulations, which affect the building owner's ability to increase rent to market rent for an equivalent apartment; and government assistance/rent subsidy programs. If the demand for multifamily properties is reduced, or if competitors develop and/or acquire competing properties on a more cost-effective basis, income generated from the Fund's investments and the underlying value of such investments is likely to be adversely affected.

In addition, certain jurisdictions regulate the relationship of an owner and its tenants. Commonly, these laws, statutes, and regulations require a written lease, good cause for eviction, disclosure of fees and notification to residents of changed land use, while prohibiting unreasonable rules, retaliatory evictions and restrictions on a resident's choice of unit vendors. Multifamily

condominium and rental apartment building owners have been the subject of suits under various “Landlord and Tenant Acts” and other general consumer protection statutes for coercive, abusive or unconscionable leasing and sales practices. A few jurisdictions offer more significant protection. For example, some have enacted provisions that limit the bases on which a landlord can terminate a tenancy or increase its rent or prohibit a landlord from terminating a tenancy solely by reason of the sale of the owner’s building. In addition to federal and provincial regulation of the landlord-tenant relationship, numerous towns and municipalities impose rent control on apartment buildings. These ordinances can limit rent increases to fixed percentages, to percentages of increases in [an] index, to increases set or approved by a governmental agency or to increases determined through mediation or binding arbitration.

Lack of Diversification. Each Fund will seek to limit the impact on financial performance of poorly performing investments by investing in investments in varying locations and with varying degrees of risk. However, there can be no assurance that such diversification will be available on terms acceptable to the Fund. The Fund expects to make a relatively limited number of investments and, as a consequence, the aggregate return and performance of the Fund could be substantially adversely affected by the unfavorable performance of even a single investment or market. Also, aggregate returns could be adversely affected if the Adviser does not correctly time the refinancing or disposition strategy.

In addition, to the extent a Fund concentrates its investments in a limited number of properties, geographic areas or types of geographic areas, the Fund will be subject to certain risks relating to concentrated investments. For example, the Fund’s financial condition and results of operations would be adversely affected by conditions that adversely affect the specific types of property in which the Fund invests. Similarly, if the Fund concentrates its investments in one or more geographic areas, adverse events or conditions that affect that area particularly could have a more negative effect on the financial condition and operations of the Fund than if its investments were more geographically diverse. To the extent that a Fund has a limited number of investments, adverse events affecting a particular asset type or geography could have a significant negative impact on the financial condition and performance of the Fund.

Risk of Acquisition Activities. To the extent a Fund acquires apartment properties provided that they can be acquired on terms the General Partner believes are advantageous and meet the Fund’s investment criteria. Acquisitions of apartment 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 prove inaccurate.

A Fund’s acquisition activities and their success are exposed to, a variety of risks, including, the following:

- The Fund could fail 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 the Fund 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 the Fund is able to acquire a desired property, competition from other real estate investors could significantly increase the purchase price paid;
- The Fund could be unable to finance acquisitions on favorable terms;
- Acquired property could fail to perform as the Fund projected when analyzing its investments; and
- The Fund's estimates of the costs of repositioning, renovating or refurbishing acquired properties and obtaining adequate insurance could be inaccurate.

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

Portfolio Acquisition and Multi-Step Transaction Risks. A Fund can acquire multiple assets in a single transaction. Portfolio acquisitions are more complex and expensive than single asset acquisitions, and the risk that a multiple asset acquisition will not close is [often] greater than in a single asset acquisition. A seller could require that a group of assets be purchased as a package, even though one or more of the assets in the portfolio does not meet the Fund's investment criteria. Steps a Fund can take to address these circumstances create risks. For example, a Fund could attempt to make a joint bid with another buyer which creates the risk that the other buyer defaults on its obligations, or a Fund could purchase a portfolio of assets with the intent to dispose subsequently of those assets that do not meet its criteria, which creates the risk that the Fund will be unable to successfully dispose of assets in the portfolio that do not meet its investment criteria or that it will be able to dispose of them on terms favorable to the Fund. Portfolio acquisitions can also result in the Fund owning assets in geographically dispersed markets placing additional demands on the Fund's ability to manage such operations.

In the event that the Fund chooses to effect a transaction by means of a multi-step acquisition, it is possible not all required steps will be successfully consummated, and the Fund could then own a significant real estate investment without having working control over the assets, without access to its cash flow connection with the acquisition, or without the ability to dispose of the position at a favorable price.

Investment in Land/Development Risks. Funds can invest in direct or indirect interests in undeveloped land or under-developed real property, including "broken" residential condominium projects. These investments are often not income producing at and for some time after acquisition (if at all). Development activities involve a variety of risks, including, without limitation, those relating to the availability and timely receipt of zoning, building, land use and other regulatory or environmental approvals, the cost and timely completion of construction (including risks beyond the control of the General Partner or its affiliates, such as weather or labor conditions or material shortages), lease-up velocity and rent levels, and the availability of both construction and permanent

financing on favorable terms. The inability to obtain permanent financing on economically viable terms could cause projects to (i) be foreclosed or given back to the construction lender or (ii) need substantial amounts of additional equity to bring the loan-to-value ratio back into the range within which it is possible to obtain an economically advantageous permanent loan to pay off a construction loan. These risks could result in substantial unanticipated delays, additional costs, including soft costs, or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which would have an adverse effect on the financial condition and results of operations of a Fund and on the amount of funds available for distribution to Investors. Properties under development or properties acquired to be developed generally generate no cash flow from the date of acquisition through the date of completion of development and experience operating deficits for a period after the date of completion. For development projects, an affiliate of Fairfield, as the general contractor, will guarantee hard costs typically borne by a third-party general contractor as more specifically provided in the Governing Documents. However, this guaranty only goes into effect when a Fund, or its applicable subsidiaries, enters a construction contract. It could take months from the time that a Fund acquires the project until the construction contract is entered into. During this interim period, various hard costs such as, for example, the cost of materials and labor, could increase in the general market place. A Fund would be responsible for such increased expenses. While the General Partner provides a guarantee for hard costs typically borne by a third-party general contractor as described above, a Fund is responsible for any soft costs during the construction of a property.

Environmental Risks. Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real estate is, in certain circumstances, required to investigate and clean up any hazardous or toxic substances or petroleum product releases at such property and could be liable to a governmental entity or to third-parties for property damage and for investigation and cleanup costs incurred by such parties in connection with contamination. These laws typically impose cleanup 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 can be substantial, and the presence of such substances or the failure to properly remedy the contamination on such property is likely to materially and 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 can 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 can 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. The owner of a site could also 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, a Fund could incur liability for such costs. Additionally, changes in environmental laws or in the environmental condition of an asset could create liabilities that did not exist at the time of acquisition and that were not foreseen at acquisition.

Casualty Losses; Uninsurable Losses. The Funds intend to maintain insurance on each of the properties they acquire, including liability and fire and extended coverage, in amounts believed sufficient to permit the replacement of the assets in the event of a total loss, subject to applicable deductibles, in the amounts customarily obtained by owners of similar properties. There are certain types of losses, however, generally of a catastrophic nature, including, without limitation, terrorist strikes, earthquakes, floods, pandemics, hurricanes and other acts of God, which are uninsurable or not economically insurable. Inflation, changes in building or zoning codes and ordinances, environmental considerations, and other factors can 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 Fund might not be adequate to restore its economic position with respect to the affected asset. Because the Funds are pooled investment funds, other Fund assets, in addition to the impacted property, could be at risk in the event of an uninsured or underinsured liability.

Risks of Leverage. The use of leverage can increase the return on Fund capital, but also creates greater potential for loss. The objectives of each Fund and the nature of the General Partner's interest in the Fund will likely encourage the use of leverage in structuring transactions. Subject to certain limitations set forth in the Governing Documents, the Adviser intends to use leverage where it believes it will increase the Fund's potential return on equity. There can be no assurance, however, that the Fund will incur any leverage with respect to its investments, as to the amount of leverage, if any, or whether the use of leverage will increase the return on the Fund's equity or otherwise achieve the goal of the Adviser by the use of such leverage. Leverage also imposes costs upon the Fund, including, but not limited to, interest charges.

Risk of Bridge or Co-Investment Financings. Each Fund is permitted to make investments with the intent of financing, subsequently offering a portion thereof to one or more co-investors or otherwise reducing the Fund's investment after the closing of such investments. There can be no assurance in such instances that a Fund will be successful in completing such financings or other transactions designed to reduce or leverage the Fund's investment, or that terms of such financings or transactions will be attractive when closed. If a Fund is unable to complete such an anticipated transaction, its investments will be less diversified than the Adviser otherwise intended.

Use of Valuations. Unlike exchange-listed and other readily tradable securities, real estate assets generally cannot be marked to an established market, and, in the case of many of the Fund's properties, it is unlikely that readily available price quotations will ever exist. Instead valuations will generally be based on the discounted cash flows of the Fund's properties upon completion. A valuation is only an estimate of value and is based on certain assumptions that could prove to be incorrect, and therefore is not a precise measure of realizable value. Ultimate realization of the value of an asset depends to a great extent on economic and other conditions beyond the control of the Fund, General Partner, Investment Manager, or Sponsor. Further, valuations do not necessarily represent the price at which an investment would sell since market prices of investments can only be determined by negotiation between a willing buyer and seller. If the Fund were to liquidate a particular investment, the realized value could be more than or less than the appraised valuation of such asset. For these reasons (among others), valuations of real properties are not necessarily accurate measures of realizable value.

Additionally, under certain limited circumstances set forth in the Partnership Agreement, distributions in kind can be made, and the valuation of such investments will be determined by the General Partner in accordance with the Partnership Agreement.

ITEM 9 – DISCIPLINARY INFORMATION

Not applicable.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Fairfield is subject to conflicts of interest when they provide such services to the Funds or the real estate projects in which the Funds invest. In addition to the information provided in this Item 10, discussions of the arrangements with, and investments by the Adviser and its personnel and affiliates in, the Funds, and related conflicts of interest, are also included in this Brochure in Item 5 – *Fees and Compensation*, Item 6 – *Performance-Based Fees and Side-by-Side Management*, Item 11 – *Code of Ethics, Participation or Interest in Fund Transactions and Personal Trading*, Item 12 – *Brokerage Practices* and in each Fund’s Governing Documents

Fairfield Affiliates Sponsor and Act as General Partners for the Funds

Affiliates of the Adviser act as general partners of the Funds, which are sponsored or co-sponsored by Fairfield, and, subject to each Fund’s waterfall provisions, these affiliates receive carried interest from the Funds. The Adviser and certain control affiliates (*e.g.*, CalSTRS), and their personnel or related persons can also invest, in certain cases in the Funds (in some cases investments by the Adviser and these related persons in a Fund could be substantial). Where the Adviser, its affiliates and their related persons own substantial interest in a Fund, that Fund could be considered to be a related person of the Adviser. The Adviser and its affiliates also provide services to, and receive fees and reimbursements from, the Funds, as discussed below.

The general partners of the Funds are exempt commodity pool operators, in reliance on CFTC Regulation 4.13(a)(3).

Fairfield Affiliates Provide Services to the Funds and Engage in, or Deal with, Complementary or Competing Businesses

FF Properties L.P., a Fairfield affiliate, is a real estate broker and it and certain other Fairfield affiliates act as leasing agent, property manager, construction manager and/or development manager for most of the real estate assets owned by the Funds. As noted in Item 11 – *Code of Ethics, Participation or Interest in Client Transactions and Personal Trading* and Item 12 – *Brokerage Practices*, below, to the extent that a Fund engages in a transaction in which FF Properties acts as real estate broker, FF Properties will receive commissions or other compensation from the Funds, and/or the transaction counterparty, in connection with the transaction. Such transactions, therefore, represent a conflict of interest for the Adviser.

The Adviser and its Affiliates expect from time to time to identify opportunities to invest in real estate assets that would be permitted investments for a Fund. This conflict of interest is addressed in the Governing Documents of each Fund, which typically contain exclusivity provisions requiring that investment opportunities that are suitable for a particular Fund be allocated to that Fund. The Adviser

also addresses this potential conflict of interest by applying its investment allocation policy, as discussed in Item 6 – *Performance-Based Fees and Side-by-Side Management*, above.

The Adviser and its affiliates have business dealings with companies that compete for investment opportunities or that invest in properties that compete with a Fund's investments. Those business dealings could include providing acquisition, development, property management, construction management, disposition and leasing services. The Adviser has adopted compliance policies and procedures to address these conflicts of interest.

Affiliate Services and Fees

As discussed in more detail in Item 5 – *Fees and Compensation*, above, the Adviser performs, and retains Fairfield affiliates to perform, a variety of services for the Funds or for underlying properties and investments held by the Funds. The Adviser also delegates to Fairfield affiliates certain administrative functions for the Funds. Conflicts will arise in connection with the provision of services by Fairfield affiliates because the fees that the Fund will pay for such services, set by the Adviser or Fairfield, are not subject to arms' length negotiation, and will not be shared with the Funds or, except as specified in the Governing Documents, reduce or offset the management fee. As mentioned in Item 5, *Fees and Compensation*, in addition to paying fees to the Adviser and its affiliates for services, the Funds and any subsidiaries will reimburse or otherwise bear the cost of the allocable portion of certain overhead and personnel expenses (including, without limitation, certain employee salaries) of the Adviser and Fairfield's affiliates when such expenses are incurred in connection with services provided by the affiliate in its role as an operating partner or when providing other services related to any Fund investment. Any such costs paid by a Fund will be determined and allocated to the Fund in accordance with the Adviser's allocation methodology. As with service fees paid to affiliates, such costs will not reduce or offset the management fee. The aggregate amount of fees, if any, incurred by the Funds for such services will be disclosed to the applicable LP Advisory Committee on an annual basis and included in the Fund's audited financial statements, which are provided to Investors within 120 days following the Fund's fiscal year end.

Compensation for certain employees of affiliates providing services, at the investment level, will be paid, reimbursed or otherwise borne by the applicable investment and ultimately by the Fund. Such compensation will be in addition to, and will not reduce, the management fee and is not subject to offset. See Item 5 – *Fees and Compensation*, above, for further discussion of conflicts associated with the use of Fairfield affiliates as service providers to the Funds.

The Adviser, the Funds and Underlying Properties Rely on Fairfield to Provide Personnel and Other Resources

The Adviser does not have any employees. Instead, it relies on individuals employed by Fairfield to provide advisory services. Fairfield also provides other resources to the Adviser, the Funds and underlying properties and, as discussed elsewhere, Fairfield personnel provide a variety of services with respect to the Funds and their underlying properties, which are critical to the success of the Funds. With respect to the Adviser, certain personnel are subject to supervision by, the Adviser.

Additionally, although certain of these Fairfield employees work on site at a specific property owned by a Fund, and in some cases devote all of their time to that property, other employees are centrally located in corporate, regional or home offices and support multiple properties, including those owned

by Fairfield affiliates and other third-parties. Services provided by the latter set of these employees include: property acquisition; redevelopment and renovation; construction/general contractor, property management, asset disposition, banking and capital markets, development and entitlements, asset management, portfolio management and reporting and research. Employees whose time is split between Funds or between Fund activities and other activities on behalf of affiliates or activities have an incentive to devote relatively more resources, time or attention to certain activities, including where such activities could result in a greater benefit to the employee or Fairfield. As a result, each prospective Investor should understand that there are conflicts and risks associated with these arrangements that will not be fully mitigated.

Additionally, for such employees, Fairfield will need to estimate how much of any such employee's time was spent on each property and allocate the compensation related to such personnel across multiple properties and/ or owners accordingly. Fairfield will allocate the employee compensation amongst the various Funds and other property owners on a basis that it believes is fair and equitable in accordance with its allocation methodology ("Allocation Methodology"), a copy of which will be made available to each prospective Investor prior to investing in a Fund. While aspects of the Allocation Methodology are inherently subjective in nature, Fairfield believes that the Allocation Methodology is reasonably designed to result in fair and equitable allocation of expenses. Nonetheless, Fairfield will be required to make certain judgments and there generally will be no single or best way to make such allocations. Additionally, Fairfield has an incentive to allocate expenses based on its own pecuniary interests. While the Allocation Methodology should mitigate the risk that Fairfield intentionally misallocates expenses, because the Allocation Policy requires the application of judgement, Fairfield's decisions could be impacted (even subconsciously) by its pecuniary interests. Thus, there can be no guarantee that Fairfield will not over- or under- allocate employee compensation to a Fund, on the one hand, and any other property owners, on the other hand. As a result, each prospective Investor should understand that there are potential conflicts and risks associated with expense allocations that will not be fully mitigated.

ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

The Adviser has adopted a code of ethics ("Code of Ethics") for its supervised persons describing the standards of business conduct it expects from itself and its personnel and the fiduciary duty owed to its clients. The Code of Ethics includes, among other things, provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts, and personal securities trading policies, which include pre-clearance and reporting requirements for Access Persons. All supervised persons of the Adviser must acknowledge the terms of the Code of Ethics upon commencement of employment with Fairfield, upon any amendments to the Code and annually thereafter. Upon hiring and on a quarterly as well as annual basis, the Adviser requires all of its Investment Advisory Personnel to make certain disclosures and affirmations that they are in compliance with the Adviser's compliance manual, including the Code of Ethics.

Under the Code of Ethics, the Adviser's supervised persons are expected to, among other things:

- Always observe their fiduciary duties to investment management clients;

- Not take personal opportunities that are discovered through the use of property or information of the company or through their role with Fairfield; and
- Protect the confidentiality of “non - public information” concerning the company, customers, clients, Investors, investments and others.

Cross Trades and Principal Trades:

When permitted by applicable law and subject to and in accordance with the terms of the Governing Documents of the applicable Funds, the Adviser can (i) cause a Fund to acquire or dispose of investments in cross trades among Funds or between a fund and other clients advised by the Adviser and (ii) effect principal transactions where the Adviser causes a Fund to purchase investments from or sell investments to the Adviser, any affiliate or any Fund in which the Adviser and/or certain of its related persons have significant interests. In certain cases, these transactions occur as part of the seed deal or warehousing process used by certain Funds to acquire property before the Fund has closed. The Governing Documents associated with Funds using a warehouse facility will specify the transfer price, which is generally expected to be for an amount equal to a 7% internal rate of return with respect to the equity invested in such investment. Additionally, certain real estate transactions involve the use of, and payments of commissions or other real estate transaction fees to, a Fairfield affiliate. These transactions create conflicts of interest and entail certain requirements under applicable law and/or Fund Governing Documents, which could impact the Adviser’s decision to engage in these transactions for the Funds, even where such transaction would be beneficial for all participants. In connection with a cross trade or a principal transaction, the Adviser and its affiliates would generally have a potentially conflicting division of loyalties and responsibilities between or among one or more Funds and, as applicable, other parties to trade. To mitigate conflicts of interest and to promote compliance with applicable law and the requirements set forth in relevant Governing Documents, the Adviser has adopted and implemented policies and procedures reasonably designed to assure that any cross trades or principal transactions will be effected in accordance with the relevant Governing Documents, the Adviser’s fiduciary duties and applicable law.

Investors or prospective Investors can request a copy of the firm’s Code of Ethics by contacting the Adviser’s Chief Compliance Officer at FairfieldCompliance@ffres.com.

ITEM 12 – BROKERAGE PRACTICES

Most advisers trade securities for their clients in markets involving the use of brokers, dealers or other market intermediaries to execute transactions, and such clients bear transaction costs (such as commissions or spreads) associated with those transactions. Such advisers are required to disclose, in Item 12 of their Form ADV, Part 2A, the adviser’s practices with respect to trading, including how they seek best execution and select intermediaries through which to trade, whether they receive any ancillary benefits from such intermediaries (commonly referred to as “soft dollars”), how they aggregate and allocate transactions among clients when executing on a “block” basis for multiple clients and whether they allow clients to dictate the intermediary to be used for trading. The Form also requires advisers to disclose certain associated conflicts of interest that arise from such activities.

The Funds do not conduct transactions in publicly traded securities or which otherwise require the use of a broker, dealer or other securities intermediary. Rather, the Funds acquire and dispose of

investments through privately negotiated transactions between the relevant Fund and the transaction counterparty or counterparties, without the use of a broker, dealer or other securities intermediary. While the Adviser seeks best execution in such transactions by seeking to maximize proceeds and minimize costs and expenses (including real estate commissions or other real estate transaction fees, which, as discussed above, will be paid to a Fairfield affiliate if the Adviser selects such affiliate to act as a real estate broker or the Funds acquire properties where the seller has engaged such affiliate), such transactions are of an inherently different nature than those undertaken by traditional advisers. As a result, the Adviser does not, nor does it anticipate that in the future it will, (i) engage in “soft dollar” arrangements; (ii) accept brokerage directives from the Funds or any Investor; or (iii) transact on a block basis for the Funds. Consequently, the disclosures contemplated by this Item 12 are currently not applicable to the Adviser.

Please see Item 5 – *Fees and Compensation* for a discussion of certain fees and expenses incurred in connection with Fund investments.

ITEM 13 – REVIEW OF ACCOUNTS

Portfolio management is performed by a portfolio manager and a team of analysts. Those personnel coordinate with the various business units. In addition, the portfolio management team is responsible for certain aspects of investor reporting and investor relations. The Investment & Operational Team monitors each portfolio investments in accordance with the Fund’s portfolio and asset management procedures. This includes monitoring its performance relative to initial underwriting assumptions and annual budget, rent and occupancy levels, capital renovation programs and overall net operating income growth during the hold period. All major decisions within the portfolio are reviewed and approved by the Adviser’s portfolio committee (“Portfolio Committee”), which consists of the CEO of Fairfield and other members of the Investment & Operational Team.

On a quarterly basis, the Adviser’s Portfolio Committee will perform a comprehensive review of the status and performance of each investment and each Fund’s portfolio as a whole, including evaluation of the strategy, specific markets and key investment objectives and restrictions of each Fund. This review will involve a detailed review of construction status and costs, analysis of recent property operating statements for operating properties, progress reports on capital expenditure and renovation programs, occupancy reports, operational reports, measurement of key performance indicators, marketing initiatives, third-party market research reports and revised long-term forecasts. Further, the Adviser will communicate directly with real estate brokers to continually keep abreast of the latest information on each market and general market trends and to perform an internal hold/sell analysis on each asset quarterly. This hold/sell analysis begins once an asset is nearing completion of its strategy and evaluated for sale. The Adviser could determine to review assets or portfolios more frequently if the Adviser believes that a material event has occurred that would materially impact the asset or portfolio.

The Funds are audited on a yearly basis by a firm of independent public accountants. The Adviser makes available the books and records of each Fund to its Investors as provided in its Governing Documents. In addition, the Adviser provides the following written reports to each Investor in a Fund pursuant to the terms of the relevant Fund’s Governing Documents:

- Within a period ending no later than 120th day after the end of the fiscal year an annual report with audited financial statements of the Fund including an overview of the investment activities of the Fund during the fiscal year covered by the annual report; and
- Within a period generally ending no later than the 60th day after the end of each of the first three fiscal quarters of each fiscal year, (i) an overview of the Fund's investments, (ii) a statement showing the distributions to each Investor during the applicable fiscal quarter, (iii) a reconciliation of changes in the capital accounts of the Investors during the immediately preceding fiscal quarter and (iv) a description of any material event regarding the business of the Fund or dispositions of investments during the quarter covered by the report.
- Tax reporting information and other relevant documentation will be provided to Investors pursuant to the terms of the relevant Fund's Governing Documents.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

The Adviser does not have any arrangements pursuant to which someone other than a Fund provides an economic benefit to the Adviser for providing investment advisory services to the Fund. See the discussion under Item 5 – *Fees and Compensation*, above, of compensation earned by the Adviser or an affiliate in connection with certain transactions and under Item 10 – *Other Financial Industry Activities and Affiliations*, above, of other services that can be provided by the Adviser or an affiliate in connection with a Fund's investments for which the Adviser or an affiliate is compensated.

The General Partners from time to time engage placement agents to introduce prospective Investors to the Funds. Placement agents are paid fees by Funds or their affiliates to assist in the placement of interests in those Funds, but such fees are typically borne by the General Partner in accordance with the Governing Documents. Third-party placement agents in the U.S. will be registered as broker-dealers with the SEC.

ITEM 15 – CUSTODY

Because affiliates of the Adviser serve as general partners of the Funds, the Adviser is considered to have "custody" of the Funds' cash and securities for purposes of the Advisers Act. All such cash is held with qualified custodians. Any certificated privately offered securities that are held by the Adviser in its possession are held in accordance with the Custody Rule and the SEC Staff's related IM Guidance Update released in August 2013. Further information about each Fund's custody arrangements is provided in the Governing Documents.

Financial statements for all Funds are (i) prepared in accordance with U.S. Generally Accepted Accounting Principles, for Funds organized outside of the U.S. financial statements can instead be prepared under local principles determined to contain information substantially similar to U.S. GAAP Financials, and in this case any material differences with U.S. GAAP will be reconciled for U.S. investors, (ii) audited in accordance with U.S. Generally Accepted Auditing Standards, and (iii) distributed to the Fund's Investors within 120 days after the Fund's fiscal year-end.

Investors should contact the Adviser's Chief Compliance Officer at FairfieldCompliance@ffres.com if they have any questions about the financial statements or fail to receive them on a timely basis.

ITEM 16 – INVESTMENT DISCRETION

Each Fund's Governing Documents (including, as relevant, the investment management agreement applicable to the Fund) set forth the level and type of authority granted to the Adviser to manage the Fund's assets. In some cases, the Adviser acts with discretion to determine the investments that will be purchased and sold for the Fund and to implement those decisions. In other cases, the Adviser makes recommendations but decisions must, in all or certain cases, be approved by another person or body on behalf of the Fund prior to being implemented by the Adviser.

For each Fund where the Adviser acts as the only or primary investment adviser, the Adviser expects to be granted discretionary authority to manage the Fund's portfolio, subject to the Fund's investment objectives and restrictions as set out in its Governing Documents. Consent from the Investors or a committee of representatives of Investors is required for a Fund to invest in securities or interests outside of its investment objectives, and otherwise indicated by a Fund's investment management agreement or other Governing Documents.

The Adviser will also act as a sub-adviser to certain Funds and will generally manage those Funds' assets on a non-discretionary basis. All investment recommendations made by the Adviser as a sub-adviser to such Funds must be approved by the respective Fund's Investment Committee, or other person or body, as required by the Governing Documents of those Funds. Upon receiving such approval, the Adviser would be responsible for effecting the purchase or sale of the investment.

ITEM 17 – VOTING CLIENT SECURITIES

This Item 17 does not apply to the Adviser because the Funds do not invest in any publicly-traded securities (or other securities) that require the voting of proxy proposals, amendments, consents or resolutions.

ITEM 18 – FINANCIAL INFORMATION

Not applicable.