



## **TAYLOR DERRICK CAPITAL, L.L.C.**

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### **FIRM BROCHURE**

March 27, 2020

This Firm Brochure (the “Brochure”) provides information about the qualifications and business practices of Taylor Derrick Capital, L.L.C. (the “Adviser”). If you have any questions about the contents of this Brochure, please contact Rocky Derrick at 855-702-5600 or rocky@taylorderrick.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Taylor Derrick Capital, L.L.C. is registered as an investment adviser with the SEC. Registration as an investment adviser does not imply a certain level of skill or training.

Additional information about Taylor Derrick Capital, L.L.C. is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 –Material Changes

The material changes in this Brochure since the last annual update of our Firm Brochure, dated March 28, 2019, are as follows:

- The Adviser has added one private fund that it manages: Mountain West Notes QP, LLC, a Utah limited liability company (“MWN QP”). MWN QP was formed for the purpose of raising debt capital to loan to an affiliated entity, Mountain West Debt Fund, LP, a Delaware limited partnership (the “Debt Fund”). An affiliated fund, Mountain West Notes, LLC, a Utah limited liability company (“MWN”), also raises debt capital to loan to the Debt Fund. The general business practices and disclosure items applicable to MWN QP in this Brochure, unless specifically noted herein, are the same as the general business practices and disclosure items applicable to MWN and the other funds managed by the Adviser as identified in this Brochure.
- The Debt Fund formed a subsidiary, Mountain West REIT, LLC, a Delaware limited liability company (the “REIT Sub”). The REIT Sub was organized as a real estate investment trust for federal income tax purposes to provide certain tax benefits for investors of the Debt Fund. The Debt Fund conducts its real estate based lending business primarily through the REIT Sub. The general business practices and disclosure items applicable to the REIT Sub in this Brochure, unless specifically noted herein, are the same as the general business practices and disclosure items applicable to the Debt Fund and the other funds managed by the Adviser as identified in this Brochure.
- Item 4 has been revised (i) to disclose that the Adviser is the investment manager of MWN QP; (ii) to include the investment objective of MWN QP; (iii) to disclose the inclusion of the REIT Sub as a subsidiary of the Debt Fund; and (iv) to disclose that the Adviser provides limited, non-discretionary advisory services to two non-affiliated, non-sponsored private fund clients (the “Non-Affiliated Clients”).
- Item 5 has been revised (i) to disclose that the Adviser is entitled to receive 1% per annum of the principal amount loaned from MWN QP to the Debt Fund; (ii) to include the agreement between the Debt Fund and MWN QP pursuant to which the Debt Fund will cover or reimburse MWN QP for all costs and expenses incurred by MWN QP in its business; (iii) to disclose the inclusion of the REIT Sub as a subsidiary of the Debt Fund; and (iv) to include the Non-Affiliated Clients with respect to the disclosures required by such item.
- Item 6 has been revised to include MWN QP and the Non-Affiliated Clients with respect to the disclosures required by such item.
- Item 7 has been revised to include MWN QP and the Non-Affiliated Clients with respect to the disclosures required by such item.

- Item 8 has been revised (i) to include MWN QP's investment strategy, which is to loan debt capital to the Debt Fund in return for a fixed rate of interest; and (ii) to disclose the intercreditor agreement entered into by MWN QP, MWN and the Debt Fund related to the rights of MWN QP and MWN as secured lenders with respect to the Debt Fund collateral.
- Item 10 has been revised (i) to disclose the successor general partner of the Debt Fund, the successor manager of MWN, the manager of the REIT Sub, and the manager of MWN QP; and (ii) to include the Non-Affiliated Clients with respect to the disclosures required by such item.
- Item 12 has been revised to include MWN QP (as one of the investment funds managed by the Adviser) and the Non-Affiliated Clients with respect to the disclosures required by such item.
- Item 13 has been revised (i) to disclose the timing and content of quarterly financial statements and reports by the Adviser to investors in MWN QP and the REIT Sub; and (ii) to report the review of accounts with respect to the Non-Affiliated Clients.
- Item 15 has been revised (i) to include MWN QP (as one of the investment funds managed by the Adviser); and (ii) to disclose the Adviser has no actual or deemed custody of any assets of the Non-Affiliated Clients.
- Item 16 has been revised (i) to include MWN QP (as one of the investment funds managed by the Adviser); and (ii) to disclose the Adviser has no discretionary or decision-making authority for the Non-Affiliated Clients.
- Item 17 has been revised (i) to include MWN QP (as one of the investment funds managed by the Adviser); and (ii) to include the Non-Affiliated Clients with respect to the disclosures required by such item.

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### **Item 3 -Table of Contents**

Item 2 – Material Changes .....	ii
Item 3 – Table of Contents.....	iv
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	3
Item 6 – Performance-Based Fees and Side-By-Side Management .....	10
Item 7 – Types of Clients.....	11
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	12
Item 9 – Disciplinary Information .....	15
Item 10 – Other Financial Industry Activities and Affiliations .....	15
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	17
Item 12 – Brokerage Practices .....	17
Item 13 – Review of Accounts.....	17
Item 14 – Client Referrals and Other Compensation.....	18
Item 15 – Custody .....	18
Item 16 – Investment Discretion.....	19
Item 17 – Voting Client Securities.....	19
Item 18 – Financial Information .....	19

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## Item 4 – Advisory Business

### A. The Adviser

Taylor Derrick Capital, L.L.C. (the “Adviser”) is a limited liability company organized in March, 2011 under the laws of the State of Utah. The Adviser has adopted a holding company structure pursuant to which the principal owner of the Adviser is TDC Holding, LLC, a Delaware limited liability company. The holding company is owned primarily by Derrick Development, Inc., a Utah corporation, which is owned solely by Rocky Derrick, the Managing Partner of the Adviser. Minority owners of the holding company consist of key management of the Adviser, including Andrew Menlove, Partner | Operations, Carie McNeil, Partner | Investor Relations, and Nick Etherington, Partner | Underwriting & Origination.

The Adviser provides investment advisory services to the following fund clients in its capacity as noted below:

- i. the Adviser is the investment manager of the Mountain West Debt Fund, LP, a Delaware limited partnership (the “Debt Fund”), and its subsidiary, Mountain West REIT, LLC, a Delaware limited liability company (the “REIT Sub”). The REIT Sub was formed as a real estate investment trust and subsidiary of the Debt Fund. The Debt Fund, organized for the purpose of investing in real estate secured debt instruments, conducts its business primarily through the REIT Sub.
- ii. the Adviser is the general partner and investment manager of MW Equity Fund I, LP, a Delaware limited partnership (the “Equity Fund”), organized for the purpose of investing in real estate investments.
- iii. the Adviser is the investment manager of MWEF 2 CDM, LP, a Delaware limited partnership (“MWEF 2”), organized for the purpose of investing in real estate investments in southern California.
- iv. the Adviser is the investment manager of MWEF 3 NWQ, LP, a Delaware limited partnership (“MWEF 3”), organized for the purpose of investing in real estate investments in northern Utah.
- v. the Adviser is the investment manager of MWEF 4 CDM, LP, a Delaware limited partnership (“MWEF 4”), organized for the purpose of investing in a high-end residential property in southern California.
- vi. the Adviser is the investment manager of TDEF 5 MHOZ, LP, a Delaware limited partnership (“TDEF 5”), organized as a qualified opportunity fund for the purpose of investing in a qualified opportunity zone business (the “QOZB”) that acquires mobile home properties located throughout the United States.
- vii. the Adviser is the investment manager and sole member of Mountain West Notes, LLC, a Utah limited liability company (“MWN”), organized for the purpose of making

secured loans to the Debt Fund.

- viii. the Adviser is the investment manager and sole member of Mountain West Notes QP, LLC, a Utah limited liability company ("MWN QP"), organized for the purpose of making secured loans to the Debt Fund.
- ix. the Adviser is the manager, investment manager and sole common member of MWDF Memorial Key, LLC, a Utah limited liability company ("MWDF Memorial Key"), organized for the purpose of holding an equity interest in Memorial Key, LLC.

The foregoing fund clients are collectively referred to in this Brochure as the "Investment Funds" and individually as an "Investment Fund."

The Adviser also provides limited, non-discretionary advisory services to two clients, each of which is a non-affiliated, non-sponsored private fund (collectively, the "Non-Affiliated Clients" and, individually, a "Non-Affiliated Client"). The Non-Affiliated Clients are managed by a family office which is also unrelated and not affiliated with the Adviser.

#### B. Investment Advisory Services

The Adviser provides discretionary investment advisory services and performs administration services for the Investment Funds, including research, underwriting and investment direction. The Adviser may form additional entities and partnerships in the future and may manage the investments of those entities and partnerships. The offering materials for certain of the Investment Funds contemplate that there may be parallel funds, which would be expected to invest in assets side-by-side on a pro-rata basis (based upon capital commitments) with the respective Investment Funds. Generally, parallel funds would be established to accommodate specific tax or term issues impacting certain types of investors. To date, the Adviser has not created a parallel fund as such term is used in the applicable offering materials, other than the formation of MWN QP which operates as a parallel fund to MWN in raising debt capital from investors and then lending that capital to the Debt Fund.

The advisory services provided by the Adviser to the Investment Funds are tailored to the investment objectives, strategies and limitations described in each Investment Fund's respective offering materials and operating agreement or limited partnership agreement, as applicable. Below is a summary of the general objective for each Investment Fund:

- It is the objective of the Debt Fund and the REIT Sub to invest in a diversified portfolio of real estate secured debt.
- It is the objective of MWN to raise capital through issuances of debt securities for the purpose of making secured loans to the Debt Fund to invest in real estate secured debt instruments.
- It is the objective of MWN QP to raise capital through issuances of debt securities for the purpose of making secured loans to the Debt Fund to invest in real estate secured debt instruments.
- It is the objective of the Equity Fund to invest in a diversified portfolio of real estate equity investments.

- It is the objective of MWEF 2 to invest in a targeted portfolio of real estate equity investments.
- It is the objective of MWEF 3 to invest in a targeted portfolio of real estate equity investments.
- It is the objective of MWEF 4 to invest in a targeted residential real estate equity investment.
- It is the objective of TDEF 5 to invest in a targeted portfolio of real estate equity investments.
- It is the objective of MWDF Memorial Key to provide capital to Memorial Key to repurpose a hospital into a multi-tenant facility that includes tenants in the healthcare and immigrant housing industries (the “MK Property”) and operate the MK Property as an income producing property.

The Adviser does not provide investment advisory services to the respective members, limited partners, or investors of the Investment Funds.

The Adviser does not participate in “wrap fee programs.”

With respect to the Non-Affiliated Clients, the Adviser provides limited, non-discretionary advisory services. These services include oversight and consultation regarding existing investments of the Non-Affiliated Clients in the QOZB.

As of December 31, 2019, the amount of client assets managed by the Adviser on a discretionary basis was \$449,262,177. Because the Adviser does not provide continuous and regular supervisory or management services to the Non-Affiliated Clients, the assets of these clients are not included in the Adviser’s assets under management.

## **Item 5 – Fees and Compensation**

Fees are determined and assessed in a manner specific to each client. The fees paid by the Investment Funds are typically not negotiable; however, the Adviser may agree to reduce or rebate some portion of a certain fee to certain investors or investor classes at the discretion of the Adviser. Certain fees payable by the Investment Funds may be deferred or waived from time to time at the discretion of the Adviser. The fees paid by the Non-Affiliated Clients are generally negotiable based upon the level and frequency of the advisory services requested by the Non-Affiliated Clients.

### **A. Management Fees and Certain Other Fees**

#### *Debt Fund*

*The Debt Fund operates its real estate lending business primarily through the REIT Sub. Accordingly, as used in this Brochure, the term “Debt Fund” refers in each instance to Mountain West Debt Fund, LP and its subsidiary, the REIT Sub (unless the context requires otherwise). For example, any references to the fees, assets, investments or operations of the Debt Fund include the fees, assets, investments or operations of Mountain West Debt Fund, LP and the REIT Sub on a consolidated basis (unless the context requires otherwise).*

In consideration for its services to the Debt Fund, the Adviser is entitled to a management fee (the “Debt Fund Management Fee”) in an amount equal to 2% per annum of the limited partner capital of the Debt Fund.

The Adviser is entitled to a debt fee in the amount of 1% of all debt capital secured by the Adviser in behalf of the Debt Fund (the “Debt Fee”), including the debt provided by MWN and MWN QP. The Debt Fee is applied only to the debt capital secured and is not applied to any capital covered by the Debt Fund Management Fee.

The Adviser is entitled to a syndication fee in the amount of 1% of all syndication amounts invested into Debt Fund assets (the “Syndication Fee”). The Syndication Fee is applied only to the syndicated amounts and is not applied to any capital covered by the Debt Fund Management Fee.

The Syndication Fee may reduce the return to limited partners of the Debt Fund generated through the syndications (co-investments with, or participation interests by, certain limited partners or third parties) and may create an incentive for the General Partner to enter into syndication agreements which may not be beneficial to the Debt Fund; however, the Adviser uses its best efforts to structure each syndication arrangement in a manner to provide a spread to the Debt Fund above the rate offered to the syndication parties. The Syndication Fee is also lower than the Debt Fund Management Fee to provide disincentive for the Adviser to enter into syndication arrangements that would not otherwise be beneficial to the Debt Fund.

The Debt Fund Management Fee, Debt Fee and Syndication Fee (collectively, the “Debt Fund Fees”), are paid monthly in arrears on the first day of the month based upon the limited partner capital, debt capital and syndication amounts, respectively, of the Debt Fund on the last day of the preceding month and such fees are deducted from invested capital or Debt Fund income. Debt Fund income is received in the form of (i) interest income earned on secured debt instruments originated by the Debt Fund, (ii) fees related to the loans extended by the Debt Fund, (iii) proceeds resulting from the disposition of an asset, including dispositions of real property resulting from foreclosure, or (iv) proceeds resulting from the sale of interests in an equity position received as an enhancement in connection with loans extended by the Debt Fund. In the event that income is not received by the Debt Fund in any given month and invested capital is not available, the Debt Fund Fees for such month will accrue and be paid in a month where there is sufficient income or invested capital to pay such fees. Since the Debt Fund only accepts capital contributions on the first day of the month, Debt Fund limited partners are not required to pay a pro-rated management fee in any given month.

Investments into the Debt Fund may be redeemed by the Debt Fund at the request of a limited partner, subject to a two-year lock-up period and other restrictions set forth in the Debt Fund limited partnership agreement. Redemptions allowed prior to the end of the lock-up period are subject to a withdrawal penalty equal to up to three percent (3%) of the redeemed amount.

### *Equity Fund*

In consideration for its services, the Adviser is entitled to a management fee (“Equity Fund Management Fee”) in an amount equal to 1% per annum of the aggregate capital commitments



during the Equity Fund commitment period (the “Equity Fund Commitment Period”); and, thereafter in an amount equal to 1% per annum of the aggregate capital contributions. The Adviser is entitled to receive the Equity Fund Management Fee quarterly in advance on the first day of each calendar quarter. The practice of the Adviser, however, is to receive the Equity Fund Management Fee quarterly in arrears on the first day of each calendar quarter based upon the aggregate capital commitments of the Equity Fund during the Equity Fund Commitment Period and aggregate capital contributions thereafter. The Equity Fund Management Fee is deducted from invested capital or Equity Fund income. Equity Fund income is received either in the form of disposition proceeds of the Equity Fund’s investments or operating income earned on the Equity Fund’s investments. In the event that income is not received by the Equity Fund in any given quarter and invested capital is not available, the Equity Fund Management Fee for such quarter will accrue and be paid in a quarter where there is sufficient income or invested capital to pay such fee. Since the Equity Fund Management Fee may occur at some time during a calendar quarter, the Equity Fund limited partners may be required to pay a pro-rated Equity Fund Management Fee.

Investments into the Equity Fund may not be terminated or withdrawn by an Equity Fund limited partner. Distributions from the Equity Fund may be made at any time subsequent to the completion of a one-year lock up period attributed to such investment.

## *MWEF 2*

In consideration for its services, the Adviser is entitled to a management fee (the “MWEF 2 Management Fee”) in an amount equal to 1% per annum of the aggregate capital commitments during MWEF 2’s commitment period (the “MWEF 2 Commitment Period”); and, thereafter in an amount equal to 1% per annum of the aggregate capital contributions. The Adviser is entitled to receive the MWEF 2 Management Fee quarterly in advance on the first day of each calendar quarter. The practice of the Adviser, however, is to receive the MWEF 2 Management Fee quarterly in arrears on the first day of each calendar quarter be based upon the aggregate capital commitments of MWEF 2 during the MWEF 2 Commitment Period and aggregate capital contributions thereafter. The MWEF 2 Management Fee is deducted from invested capital or MWEF 2 income. MWEF 2 income is received either in the form of disposition proceeds of the MWEF 2’s investments or operating income earned on the MWEF 2’s investments. In the event that income is not received by the MWEF 2 in any given quarter and invested capital is not available, the MWEF 2 Management Fee for such quarter will accrue and be paid in a quarter where there is sufficient income or invested capital to pay such fee. Since the MWEF 2 Management Fee may occur at some time during a calendar quarter, the MWEF 2 limited partners may be required to pay a pro-rated MWEF 2 Management Fee.

Investments into MWEF 2 may not be terminated or withdrawn by a MWEF 2 limited partner. Distributions from MWEF 2 may be made at any time subsequent to the completion of a one-year lock up period attributed to such investment.

## *MWEF 3*

In consideration for its services, the Adviser is entitled to a management fee (the “MWEF 3 Management Fee”) in an amount equal to 1% per annum of the aggregate capital commitments

during MWEF 3's commitment period (the "MWEF 3 Commitment Period"); and, thereafter in an amount equal to 1% per annum of the aggregate capital contributions. The Adviser is entitled to receive the MWEF 3 Management Fee quarterly in arrears on the first day of each calendar quarter for the prior quarter. The MWEF 3 Management Fee is deducted from invested capital or MWEF 3 income. MWEF 3 income is received either in the form of disposition proceeds of the MWEF 3's investments or operating income earned on the MWEF 3's investments. In the event that income is not received by MWEF 3 in any given quarter and invested capital is not available, the MWEF 3 Management Fee for such quarter will continue to accrue and be paid in a quarter when there is sufficient income or invested capital to pay such fee. Since the MWEF 3 Management Fee may occur at some time during a calendar quarter, the MWEF 3 limited partners may be required to pay a pro-rated MWEF 3 Management Fee.

Investments into MWEF 3 may not be terminated or withdrawn by a MWEF 3 limited partner. Distributions from MWEF 3 may be made at any time subsequent to the completion of a one-year lock up period attributed to such investment.

#### *MWEF 4*

In consideration for its services, the Adviser is entitled to a management fee (the "MWEF 4 Management Fee") in an amount equal to 1% per annum of the aggregate capital commitments during MWEF 4's commitment period (the "MWEF 4 Commitment Period"); and, thereafter in an amount equal to 1% per annum of the aggregate capital contributions. The Adviser is entitled to receive the MWEF 4 Management Fee quarterly in arrears on the first day of each calendar quarter for the prior quarter. The MWEF 4 Management Fee is deducted from invested capital or MWEF 4 income. MWEF 4 income is received either in the form of disposition proceeds of the MWEF 4's investments or operating income earned on the MWEF 4's investments. In the event that income is not received by MWEF 4 in any given quarter and invested capital is not available, the MWEF 4 Management Fee for such quarter will continue to accrue and be paid in a quarter when there is sufficient income or invested capital to pay such fee. Since the MWEF 4 Management Fee may occur at some time during a calendar quarter, the MWEF 4 limited partners may be required to pay a pro-rated MWEF 4 Management Fee.

Investments into MWEF 4 may not be terminated or withdrawn by a MWEF 4 limited partner. Distributions from MWEF 4 may be made at any time subsequent to the completion of a one-year lock up period attributed to such investment.

#### *TDEF 5*

In consideration for its services, the Adviser is entitled to a management fee (the "TDEF 5 Management Fee") in an amount equal to 1% per annum of the aggregate capital commitments during TDEF 5's commitment period (the "TDEF 5 Commitment Period"); and, thereafter in an amount equal to 1% per annum of the aggregate capital contributions. The Adviser is entitled to receive the TDEF 5 Management Fee quarterly in arrears on the first day of each calendar quarter for the prior quarter. The TDEF 5 Management Fee is deducted from invested capital or TDEF 5 income. TDEF 5 income is received either in the form of disposition proceeds of the TDEF 5's investments or operating income earned on the TDEF 5's investments. In the event that income is not received by TDEF 5 in any given quarter and invested capital is not available, the TDEF 5

Management Fee for such quarter will continue to accrue and be paid in a quarter when there is sufficient income or invested capital to pay such fee. Since the TDEF 5 Management Fee may occur at some time during a calendar quarter, the TDEF 5 limited partners may be required to pay a pro-rated TDEF 5 Management Fee.

Investments into TDEF 5 may not be terminated or withdrawn by a TDEF 5 limited partner. Distributions from TDEF 5 are expected to be made on a quarterly basis.

#### *MWN*

In consideration for its services, the Adviser is entitled to receive 1% per annum of the principal amount loaned from MWN to the Debt Fund, paid on a monthly basis.

#### *MWN QP*

In consideration for its services, the Adviser is entitled to receive 1% per annum of the principal amount loaned from MWN QP to the Debt Fund, paid on a monthly basis.

#### *MWDF Memorial Key*

In consideration for its services, the Adviser is entitled to a fixed management fee, equal to \$150,000 per annum (the “MWDF Memorial Key Management Fee”). The MWDF Memorial Key Management Fee is paid quarterly in arrears on the last day of each calendar quarter. The MWDF Memorial Key Management Fee will be deducted from MWDF Memorial Key income or additional mandatory contributions by the members holding Series A Units of MWDF Memorial Key (“Series A Members”). The MWDF Memorial Key Management Fee is payable from the income received from distributions from Memorial Key, LLC (“Memorial Key”), which receives income from the operations of the MK Property on a quarterly basis. In the event that income is not received by MWDF Memorial Key in any given quarter, the MWDF Memorial Key Management Fee for such quarter will be paid from additional mandatory contributions by Series A Members.

#### *Non-Affiliated Clients*

In consideration for its services, the Adviser is entitled to a management fee with respect to each Non-Affiliated Client in an amount equal to 0.5% per annum of such client’s capital contributions to the QOZB. As set forth in the advisory agreement with each Non-Affiliated Client, the management fee accrues quarterly in arrears, adjusted for any intra-quarter activity at the end of such quarter on a pro-rata basis. Accrued fees are generally paid to the Adviser within five business days after the receipt by the client of cash distributions from the QOZB to the extent of available cash distributions. If there are insufficient cash distributions from the QOZB to pay the management fee, the management fee will continue to accrue and be payable only when sufficient cash distributions from the QOZB are received by the client.

#### B. Performance-Based Compensation

With respect to certain Investment Funds, as set forth below, the Adviser or its affiliates may receive a portion of the net income of such Investment Fund as an incentive fee, which such fee

is deducted from such Investment Fund's distributable proceeds. The incentive compensation is generally, dependent on the Investment Fund's performance, a percentage of the amount of profits otherwise distributable to investors.

In accordance with the terms of the limited partnership agreement of the Debt Fund, MWDF GP, LLC, the general partner of the Debt Fund and wholly-owned subsidiary of the Advisor, is entitled to receive a "performance-based" fee equal to 15% of the net income of the Debt Fund. Net income is equal to all income earned with respect to partnership investments less any partnership expenses, management fees and recognized losses.

In accordance with the terms of the limited partnership agreement of the Equity Fund, the Adviser is entitled to receive a "carried interest" equal to 20% of the net income of the Equity Fund. Net income is equal to all income earned with respect to Equity Fund investments less any Equity Fund expenses, management fees and recognized losses. In accordance with the terms of the limited partnership agreement of the Equity Fund, the investors are entitled to an 8% preferred return on their investment prior to the distribution of any carried interest to the Adviser.

In accordance with the terms of the limited partnership agreement of MWEF 2, TDEF 2, LLC, the general partner of MWEF 2 and wholly-owned subsidiary of the Adviser, is entitled to receive a "carried interest" equal to 20% of the net income of MWEF 2. Net income is equal to all income earned with respect to MWEF 2 investments less any MWEF 2 expenses, management fees and recognized losses. In accordance with the terms of the limited partnership agreement of MWEF 2, the investors are entitled to an 8% preferred return on their investment prior to the distribution of any carried interest to TDEF 2, LLC.

In accordance with the terms of the limited partnership agreement of MWEF 3, TDEF 3, LLC, the general partner of MWEF 3 and wholly-owned subsidiary of the Adviser, is entitled to receive a "carried interest" equal 20% of the net income of MWEF 3. Net income is equal to all income earned with respect to MWEF 3 investments less any MWEF 3 expenses, management fees and recognized losses. In accordance with the terms of the limited partnership agreement of MWEF 3, the investors are entitled to an 8% preferred return on their investment prior to the distribution of any carried interest to TDEF 3, LLC.

In accordance with the terms of the limited partnership agreement of MWEF 4, TDEF 4, LLC, the general partner of MWEF 4 and wholly-owned subsidiary of the Adviser, is entitled to receive a "carried interest" equal to 20% of the net income of MWEF 4. Net income shall be equal to all income earned with respect to MWEF 4 investments less any MWEF 4 expenses, management fees and recognized losses. In accordance with the terms of the limited partnership agreement of MWEF 4, the investors are entitled to an 8% preferred return on their investment prior to the distribution of any carried interest to TDEF 4, LLC.

In accordance with the terms of the limited partnership agreement of TDEF 5, TDEF 5, LLC, the general partner of TDEF 5 and wholly-owned subsidiary of the Adviser, is entitled to receive a "carried interest" ranging from 10% to 20% (depending on the amount of the investor capital contribution) of the net income of TDEF 5. Net income is equal to all income earned with respect to TDEF 5 investments less any TDEF 5 expenses, management fees and recognized losses. In accordance with the terms of the limited partnership agreement of TDEF 5, the investors are

entitled to a preferred return on their investment prior to the distribution of any carried interest to TDEF 5, LLC. The preferred return applicable to operating cash flow is 6%, and the preferred return applicable to capital proceeds is 9%.

In accordance with the terms of the operating agreement of MWDF Memorial Key, the Adviser is entitled to receive a “performance-based” fee equal to 15% of the net income of MWDF Memorial Key. Net income is equal to all income earned with respect to company investments less any company expenses, management fees and recognized losses.

With respect to the Non-Affiliated Clients, the Adviser is entitled to receive, in accordance with the terms of the advisory agreement with each Non-Affiliated Client, an “incentive fee” equal to 10% of the “excess distributions” received by the client from the QOZB. The term “excess distributions” means distributions in excess of the sum of (i) the client’s preferred return of 10% applicable to the QOZB, (ii) the return of the client’s capital contributions to the QOZB, and (iii) any write-downs or losses associated with the QOZB.

### C. Operational Fees and Expenses

Each Investment Fund must pay or reimburse the Adviser for all expenses connected to the ongoing management and operation of the applicable Investment Fund. Such expenses may include applicable management fees; third-party fees and expenses; legal fees and expenses; marketing expenses; appraisal and valuation fees and expenses; accounting fees (including audit expenses and expenses incurred in connection with the preparation of tax returns); any taxes imposed on the fund; all costs and expenses related to the sourcing, evaluation, development, negotiation, acquisition, implementation, ownership, disposition, hedging or financing of any potential or actual investment, including related travel expenses (whether or not the potential investment is acquired by the fund); administrator and administrative fees and expenses; software, online platform and other expenses; meeting costs; travel costs; property management fees (which may be paid to the fund general partner/manager or its affiliates for services rendered); insurance (including liability insurance and other coverage for the benefit of the fund, the general partner/manager and its personnel); the costs and expenses of any litigation involving the fund and the amount of any judgments or settlements paid in connection therewith; and any other expenses attributable to the fund’s business or expenses for which the fund is liable under the applicable governance document (including indemnification expenses).

In addition to the expenses related to the ongoing management and operation of the Debt Fund, the Debt Fund has agreed, pursuant to the terms of the secured loans made by MWN and MWN QP to the Debt Fund, to cover or reimburse MWN and MWN QP for all costs and expenses incurred by MWN and MWN QP in their businesses. These costs and expenses include annual audit fees, third-party fund administration fees, legal fees, expenses related to the administration of the secured loans made to the Debt Fund and the investment notes issued by MWN and MWN QP to their investors, and other costs and expenses. The Debt Fund is also obligated to indemnify MWN and MWN QP for any liabilities of MWN or MWN QP incurred in their businesses. As noted above, the Adviser is the investment manager and sole member of MWN and MWN QP.

The Adviser is responsible for its own general operating and overhead expenses associated with its providing of investment management services to the Investment Funds, including, but not

limited to, salaries and other compensation payable to the Adviser's employees, offices expenses, travel expenses and all expenses related to the marketing of the Investment Funds.

Generally, the Investment Funds are responsible for the payment of any broker's fees, transaction costs, or commissions incurred in relation to their investments. To the extent the Adviser chooses to select or recommend securities broker-dealers for the Investment Funds, it will be disclosed in Item 12 of this Brochure.

#### **D. Side Letters**

The Adviser, at its sole discretion, may enter into side letters or other similar arrangements with certain Investment Fund investors that may waive or modify the application of any provision in the respective governance agreement with respect to such investor. Such side letters may have the effect of establishing or otherwise benefiting such investor in a manner more favorable than the rights and benefits described in the applicable offering documents and governance agreement. The same favorable rights and benefits may be extended, or not, to other investors in accordance with each respective Investment Fund's offering materials. These rights and benefits may include differing terms with respect to management fees, fee rebates, tax considerations, capacity allowances, subscription privileges, redemption rights, placement fees, minimum and maximum subscription amounts, and other terms and conditions.

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

Please see the section above entitled "Performance-Based Compensation" under Item 5 above for a description of the performance-based fees payable to the Adviser.

Performance-based fee arrangements may create an incentive for the Adviser to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying clients and investors over other clients and investors in the allocation of opportunities.

Certain investors in the Debt Fund may also be borrowers of the real estate backed loans made by the Debt Fund. Additionally, certain investors in the Investment Funds may provide services to the Adviser or the Investment Funds. The Adviser does not provide preferential treatment or terms to any such investors based on those relationships. The Adviser has procedures designed and implemented to ensure that all limited partners or members in each fund are treated fairly and equally, in accordance with the terms of the applicable offering materials and governance documents. The period which will be used to measure the investment performance in the Investment Funds will be on an annual basis.

Investors in all of the Investment Funds, other than MWN and MWN QP, and investors in the Non-Affiliated Clients will consist solely of investors which meet the definition of (i) an "accredited investor" in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the "Securities Act"), and (ii) a "qualified client" in Rule 205-3(d)(1) of the Investment Advisers Act of 1940, as amended (the "Investment Advisers Act"). Investors in MWN will consist solely of investors which meet the definition of an "accredited investor" in Rule 501(a) of Regulation D under the Securities Act. Investors in MWN QP will consist solely of investors which meet the

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definition of (i) an “accredited investor” in Rule 501(a) of Regulation D under the Securities Act and (ii) a “qualified purchaser” as such term is defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “Investment Company Act”).

The Adviser recognizes its fiduciary duty to act in the best interest of each of the Investment Funds. The Adviser uses its best efforts to structure each of the Investment Funds in a way to avoid conflicts with respect to allocation of investment opportunities. In infrequent instances when the Adviser may be in the position to allocate investment opportunities to more than one Investment Fund at a time, it will use its best efforts to structure such opportunities in a way that is fair and equitable to each Investment Fund over time.

The Adviser further recognizes that transactions between the Debt Fund and MWN, and between the Debt Fund and MWN QP, create potential conflicts of interest, particularly in a default scenario. The Adviser will act in a manner consistent with the policies disclosed in the applicable offering materials and governance agreements and, to the extent possible, in the best interests of the Debt Fund, on the one hand, and MWN and MWN QP, on the other hand.

Potential conflicts of interest may arise in transactions between the Debt Fund and certain other Investment Funds, including the Equity Fund, MWEF 2, MWEF 3, MWEF 4 and TDEF 5, with respect to loans made by the Debt Fund to such funds. The Adviser will act in a manner consistent with the policies disclosed in the applicable offering materials and governance agreements and, to the extent possible, in the best interests of both the Debt Fund and an Investment Fund obtaining loans from the Debt Fund.

Other potential conflicts of interest include those disclosed in the applicable offering materials of the Investment Funds. The Adviser will act in a manner to reduce the impact of such conflicts in a way that is fair and equitable to each Investment Fund and its investors.

## **Item 7 – Types of Clients**

The Adviser currently provides discretionary investment advisory services exclusively to the Investment Funds and limited, non-discretionary advisory services exclusively to the Non-Affiliated Clients. As mentioned above, the Adviser may form additional entities and partnerships in the future and may manage the investments of those entities and partnerships. The Adviser may also provide limited, non-discretionary advisory services to private fund clients other than the two existing Non-Affiliated Clients.

All investors in the Investment Funds are subject to applicable suitability requirements. Each investor in the Investment Funds must be an “accredited investor” as defined in Rule 501(a) of Regulation D under the Securities Act. Moreover, each investor in the Investment Funds, other than MWN and MWN QP, must be a “qualified client” as defined in Rule 205-3(d)(1) of the Investment Advisers Act. Investors in MWN QP must also be a “qualified purchaser” as defined in Section 2(a)(51) of the Investment Company Act.

The Debt Fund, MWN and MWN QP require minimum investment amounts as follows:

- Debt Fund – \$250,000
- MWN – \$100,000

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- MWN QP – \$500,000

The applicable general partner/manager of the respective Investment Fund has the authority to accept investments in lesser amounts in its sole discretion.

Since Equity Fund, MWEF 2, MWEF 3, MWEF 4, TDEF 5 and MWDF Memorial Key are closed to new investments, aspects of this disclosure item requesting information regarding requirements for investment, such as a minimum investment amount, are not applicable.

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

### **A. Debt Fund**

The Debt Fund's investment strategy is to create and actively manage a portfolio of real estate debt investments, diversified by asset type, size, market and geographic location. The Adviser anticipates these will be located primarily in the West and Intermountain West regions of the United States. While the Adviser will retain discretion over the size of a particular investment and the aggregate number of real estate investments over the life of the Debt Fund, the Adviser currently expects that the majority of transactions are expected to be secured loans and debt instruments of between \$1 million and \$25 million. The Debt Fund seeks to achieve favorable returns primarily through interest and fees earned on short-term real estate secured notes.

The Adviser's analysis methods for the investments made at its direction consist of advanced research into subject asset markets; determination of debt to value based upon appraisals and third party and in house verifications; determination of financial strength and creditworthiness and experience of borrowers; subject market conditions; analysis of product; analysis and verification of take-out strategies; analysis of value upon foreclosure and other analysis based upon subject specific criteria.

### **B. Equity Fund**

The Equity Fund's investment strategy is to create and actively manage a portfolio of real estate investments in the western United States. The Equity Fund's investment portfolio consists primarily of western U.S. residential and commercial real estate assets. The real properties may be in various stages of improvement, from unimproved real property in various stages of entitlement to fully completed (and in some instances, occupied) residential and commercial properties. Real estate portfolio investments will each be held in separate entities, the majority of which will be owned in joint venture relationships with developers and/or operators. While the Adviser will retain discretion over the size of a particular investment and the aggregate number of real estate investments made over the life of the Equity Fund, the Adviser expects that the majority of transactions will involve a gross asset value (including any leverage which may be incurred on a particular property) of between \$2 million and \$20 million. The Equity Fund seeks to achieve favorable returns primarily through appreciation of the real estate purchased.

The Adviser's analysis methods for the investments made at its direction consist of advanced research into subject asset markets. Also, the Equity Fund will seek top tier real estate professionals and provide equity capital for the acquisition, development, improvement, and liquidation of real properties. The Adviser will typically form a joint venture agreement with



operating partners that will include various agreed upon provisions. Equity Fund is a closed-end fund that will allow no additional investment nor any new investor.

#### C. MWEF 2

MWEF 2's investment strategy is to create and actively manage a portfolio of real estate investments in southern California. MWEF 2's investment portfolio will consist primarily of residential real estate assets located in southern California. The real estate properties will be previously inhabited homes. Real estate portfolio investments will each be held in separate entities, the majority of which will be owned in joint venture relationships with developers and/or operators. While the Adviser will retain discretion over the size of a particular investment and the aggregate number of real estate investments made over the life of MWEF 2, the Adviser currently expects that the majority of transactions will involve a gross asset value (including any leverage which may be incurred on a particular property) of between \$6 million and \$8 million. MWEF 2 seeks to achieve favorable returns primarily through appreciation of the real estate purchased.

The Adviser's analysis methods for the investments made at its direction consist of advanced research into subject asset markets. Also, MWEF 2 will seek top tier real estate professionals and provide equity capital for the acquisition, improvement, and liquidation of real properties. The Adviser will typically form a joint venture agreement with operating partners that will include various agreed upon provisions. MWEF 2 is a closed-end fund that will allow no additional investment nor any new investor.

#### D. MWEF 3

MWEF 3's investment strategy is to create and actively manage a portfolio of real estate investments in northern Utah. MWEF 3's investment portfolio will consist primarily of developable raw ground and commercial real estate assets located in northern Utah. Real estate portfolio investments will each be held indirectly in separate entities, the majority of which will be owned in joint venture relationships with developers and/or operators. While the Adviser will retain discretion over the size of a particular investment and the aggregate number of real estate investments made over the life of MWEF 3, the Adviser currently expects that the majority of transactions will involve a gross asset value (including any leverage which may be incurred on a particular property) of between \$2 million and \$50 million. MWEF 3 seeks to achieve favorable returns primarily through appreciation of the real estate purchased.

The Adviser's analysis methods for the investments made at its direction consist of advanced research into subject asset markets. Also, MWEF 3 will seek top tier real estate professionals and provide equity capital for the acquisition, improvement, and liquidation of real properties. The Adviser will typically form a joint venture agreement with operating partners that will include various agreed upon provisions. MWEF 3 is a closed-end fund that will allow no additional investment nor any new investor.

#### E. MWEF 4

MWEF 4's investment strategy is to actively manage a high-end residential property investment located in southern California. MWEF 4's investment portfolio consists of one residential real

estate asset. MWEF 4's investment strategy involves tapping into an existing relationship with a top tier real estate developer and providing equity capital for the acquisition, development, improvement, and liquidation of the asset. The property will be held indirectly in a separate joint venture entity with the developer of the property. The Adviser currently expects that the property will involve a gross asset value (including any leverage which may be incurred on the property) of between \$6 million and \$8 million. MWEF 4 seeks to achieve favorable returns primarily through appreciation of the real estate purchased.

The Adviser's analysis methods for the investments made at its direction consist of advanced research into the subject asset market, which market is the same as, or similar to, the market for investment properties held by MWEF 2. As indicated above, the Adviser has formed a joint venture agreement with the developer that will include various agreed upon provisions. MWEF 4 is a closed-end fund that will allow no additional investment nor any new investor.

#### F. TDEF 5

TDEF 5's investment strategy, as a qualified opportunity fund, is to invest in the acquisition and development of mobile home communities located throughout the United States. The predominant majority of these communities will be in qualified opportunity zones. TDEF 5's strategy will be accomplished through co-investing with OZ Impact Mobile Fund I, L.P. ("OZ Impact Fund") in mobile home community properties. OZ Impact Fund is a non-affiliated private investment fund, the principals of which have established a strong track record of investing in commercial real estate assets. TDEF 5's investment portfolio will consist primarily of mobile home properties. Real estate portfolio investments will each be held indirectly in separate entities controlled by OZ Impact Fund and its affiliates. TDEF 5 seeks to achieve favorable returns primarily through appreciation of the mobile home properties purchased.

The Adviser's analysis methods for the investments made at its direction consist of advanced research into subject asset markets, together with reliance on the expertise and experience of the OZ Impact Fund and its principals. TDEF 5 is a closed-end fund that will allow no additional investment nor any new investor.

#### G. MWN

MWN's investment strategy is to make secured loans to the Debt Fund. These secured loans will be subordinated to any senior, first priority loans (including revolving lines of credit) obtained by the Debt Fund. The Debt Fund will invest such loaned funds pursuant to its investment strategy discussed above. Because MWN and MWN QP are both secured lenders with respect to the same Debt Fund collateral, the parties have entered into an intercreditor agreement with the Debt Fund. The intercreditor agreement provides, among other things, that MWN and MWN QP will be treated on an equal basis with respect to their positions regarding the payments and collateral of the Debt Fund.

#### H. MWN QP

MWN QP's investment strategy is to make secured loans to the Debt Fund. These secured loans will be subordinated to any senior, first priority loans (including revolving lines of credit) obtained by the Debt Fund. The Debt Fund will invest such loaned funds pursuant to its investment strategy

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discussed above. As noted above, MWN QP and MWN have entered into an intercreditor agreement with the Debt Fund that provides, among other things, that MWN QP and MWN will be treated on an equal basis with respect to their positions regarding the payments and collateral of the Debt Fund.

#### **I. MWDF Memorial Key**

MWDF Memorial Key's investment strategy is to hold ownership interests in Memorial Key, a hospital that will be repurposed into a multi-tenant facility that will include tenants in the healthcare and immigrant housing industries, and operate the MK Property as an income-producing property. MWDF Memorial Key is a closed-end fund that will allow no additional investment nor any new investor.

#### **J. Risks**

With respect to each Investment Fund's investment strategy and method of analysis discussed above, there are materials risk related primarily to the underlying real property assets, the valuation of such assets and changing market conditions. Investments in real estate and real estate debt are also subject to risks related to the following factors: lack of liquidity, national, regional and local trends, development and entitlement risks, borrower risk, fluctuating interest rates, credit risk and various other factors unique to real estate and real estate debt. Investing in securities, interests in real estate and other illiquid investments involves a significant risk of loss that the Investment Funds and the investors should be prepared to bear.

Investors should also refer to the risks described in the offering materials for each respective Investment Fund.

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an evaluation of the Adviser or the integrity of the Adviser's management. The Adviser has no information applicable to this Item.

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

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

TDEF 2, LLC is the general partner of MWEF 2 and has engaged the Adviser for investment advisory services for MWEF 2. TDEF 2, LLC is 100% owned by the Adviser.

TDEF 3, LLC is the general partner of MWEF 3 and has engaged the Adviser for investment advisory services for MWEF 3. TDEF 3, LLC is 100% owned by the Adviser.

TDEF 4, LLC is the general partner of MWEF 4 and has engaged the Adviser for investment advisory services for MWEF 4. TDEF 4, LLC is 100% owned by the Adviser.

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TDEF 5, LLC is the general partner of TDEF 5 and has engaged the Adviser for investment advisory services for TDEF 5. TDEF 5, LLC is 100% owned by the Adviser.

MWDF GP, LLC is the general partner of the Debt Fund and has engaged the Adviser for investment advisory services for the Debt Fund. MWDF GP, LLC is 100% owned by the Adviser.

MWDF GP, LLC is also the manager of the REIT Sub and has engaged the Adviser for investment advisory services for the REIT Sub. As noted above, MWDF GP, LLC is 100% owned by the Adviser.

MWN Management, LLC is the manager of MWN and has engaged the Adviser for investment advisory services for MWN. MWN Management, LLC is 100% owned by the Adviser.

MWN QP Management, LLC is the manager of MWN QP and has engaged the Adviser for investment advisory services for MWN QP. MWN QP Management, LLC is 100% owned by the Adviser.

Except as otherwise disclosed in this Brochure, neither the Adviser, nor any of its management persons, have a relationship with any of the following that is material to the advisory business or to the Investment Funds or the Non-Affiliated Clients:

- broker-dealer, municipal securities dealer, or government securities dealer or broker;
- other than the Investment Funds and the Non-Affiliated Clients, an investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund);
- other investment adviser or financial planner;
- futures commission merchant, commodity pool operator, or commodity trading adviser;
- banking or thrift institution;
- accountant or accounting firm;
- lawyer or law firm;
- insurance company or agency;
- pension consultant; or
- sponsor or syndicator of limited partnerships.

The Adviser does not recommend or select other investment advisers for any Investment Fund or Non-Affiliated Client and does not receive compensation directly or indirectly from any advisers that creates a material conflict of interest.

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

Pursuant to Rule 204A-1 of the Investment Advisers Act, the Adviser has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its private fund clients. The Code of Ethics includes provisions relating to the confidentiality of client and investor information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons of the Adviser must acknowledge the terms of the Code of Ethics annually, or as amended.

Investors of the Investment Funds may request a copy of the Adviser's Code of Ethics by contacting Rocky Derrick.

Certain management persons or other personnel (including their respective family members) of the Adviser have made personal investments in the Investment Funds alongside the other investors. As previously described, the Adviser is entitled to performance-based fees from certain of the Investment Funds. Personal investments in any of the Investment Funds made by management persons or other personnel of the Adviser are subject to the provisions and restrictions set forth in the Adviser's Code of Ethics.

Neither the Adviser nor any of its management persons anticipates making investments alongside the Investment Funds. Such investment would be a conflict of interest as the Adviser or its management persons may have individual investment objectives which are different from or in conflict with those of the Investment Funds. To address potential conflicts, the Adviser and its management persons place the Investment Fund's investment objectives ahead of those of the Adviser, its management persons and its representatives and the Adviser will provide any disclosure it deems appropriate, necessary or required to the Investment Funds (or their respective investors) with respect to such potential conflicts.

## **Item 12 – Brokerage Practices**

The Adviser does not select or recommend securities broker-dealers for the Investment Funds or the Non-Affiliated Clients. The Investment Funds do not presently intend to engage in investment transactions involving broker-dealers.

The Adviser does not receive compensation for research or other products or services or other soft dollar benefits.

## **Item 13 – Review of Accounts**

The Adviser reviews Investment Fund investments on a regular basis, no less than monthly. The investment reviews are conducted by Rocky Derrick, the Managing Partner of the Adviser. Additional information about Mr. Derrick is available in the Adviser's supplement to this Brochure and on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The Adviser provides monthly statements and quarterly reports to the Debt Fund limited partners and the note holders of MWN and MWN QP. Such quarterly reports provide information

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regarding returns, interest and principal payments and capital account balance, as applicable. Quarterly reports a review of fund performance and details on the fund investments. These reports are provided in written form electronically through email or are made available by email notice and posting on a secure website.

The REIT Sub has two classes of members: the common members, of which the Debt Fund is the sole common member, and the preferred members, consisting of 125 individuals (in accordance with federal tax law and regulations applicable to real estate investment trusts) who are not affiliates of the Adviser or limited partners of the Debt Fund. The preferred members receive in the aggregate a fixed return of approximately \$15,000 per annum and have no other rights to receive distributions from the REIT Sub (other than a return of their original invested capital and a 10% premium if redeemed on or before December 31, 2021). The Adviser provides quarterly statements to the preferred members of the REIT Sub. Such quarterly statements provide information regarding interest payments and capital account balances. These statements are provided in written form electronically through email or are made available by email notice and posting on a secure website.

The Adviser provides quarterly statements and quarterly reports to the limited partners of the Equity Fund, MWEF 2, MWEF 3, MWEF 4 and TDEF 5. Such quarterly reports provide information regarding returns, income received, capital account balance, a review of fund performance and details on the fund investments. These reports are provided in written form electronically through email or are made available by email notice and posting on a secure website.

The Adviser provides quarterly statements and quarterly reports to the Series A Members of MWDF Memorial Key. Such quarterly reports provide information regarding income received and expenses paid. Such quarterly reports also review the MK Property's performance. These reports are provided in written form electronically through email or are made available by email notice and posting on a secure website.

The Adviser reviews the designated investments in the QOZB with Non-Affiliated Clients on a quarterly basis, in accordance with the provisions of the advisory agreement with each Non-Affiliated Client. The reviews are conducted by Rocky Derrick, the Managing Partner of the Adviser. Additional information about Mr. Derrick is available in the Adviser's supplement to this Brochure and on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

In the event that any Investment Fund elects to contract with licensed broker-dealers and placement agents to raise capital, such individuals or entities may be compensated for referring potential investors to such Investment Fund. Payment of commissions to licensed broker-dealers or placement agents will, in most cases, be made by the investor being introduced by such broker-dealer or placement agent. However, each Investment Fund reserves the right to pay such fees directly where it is in the best interest of such entity.

#### **Item 15 – Custody**

The Adviser has custody or is deemed to have custody of certain assets of the Investment Funds.

Cash assets of all the Investment Funds are held by unaffiliated banks acting in the capacity as a qualified custodian.

The Investment Funds are audited annually and the audited financial statements, which are prepared in accordance with generally accepted accounting principles, are distributed to the Investment Funds within 120 days of the Investment Fund's fiscal year end. Such audited financial statements are also distributed to the investors of the Investment Funds. Such investors are encouraged to review these audited financial statements carefully.

With respect to the Non-Affiliated Clients, the Adviser does not have any actual or deemed custody, directly or indirectly, of any assets of these clients.

#### **Item 16 – Investment Discretion**

The Adviser has discretionary investment and decision-making authority for each of the Investment Funds in accordance with the respective governance agreement, offering materials and investment guidelines for the Investment Fund, as applicable. Investment Fund investors may enter into side letter agreements with the Adviser as described in Item 5 above.

The Adviser's authority to invest on behalf of the Investment Funds may be limited by certain federal securities and tax laws.

The Adviser has no discretionary investment or decision-making authority for the Non-Affiliated Clients.

#### **Item 17 – Voting Client Securities**

The Adviser does not have proxy voting authority for any of the Investment Funds or Non-Affiliated Clients. If in the future such practices become applicable to the Adviser with respect to the Investment Funds, in accordance with its fiduciary duty to the Investment Funds and Rule 206(4)-6 of the Investment Advisers Act, the Adviser will adopt and implement written policies and procedures governing proxy voting.

#### **Item 18 – Financial Information**

The Adviser is not subject to any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. The Adviser has not been the subject of a bankruptcy petition at any time.