



Form ADV Part 2A: Firm Brochure

Waterton Investment Adviser, L.L.C.

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This brochure (this “Brochure”) provides information about the qualifications and business practices of Waterton Investment Adviser, L.L.C. (“Investment Manager”) and its affiliates (collectively “Waterton”). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer, Todd Joseph at 312-476-2383 or email (Todd.Joseph@Waterton.com) Additional information about Waterton is also available on the SEC’s website at: www.adviserinfo.sec.gov.

The Investment Manager is registered as an investment adviser with the United States Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940 (the “Advisers Act”). Registration as an investment adviser with the SEC does not imply a certain level of skill or training. In addition, the information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

Item 2: Material Changes

Waterton's most recent update to the Part 2A was made on March 26, 2019. Waterton's business activities have not materially changed since the time of that update.

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Item 4: Advisory Business

Waterton Investment Adviser, L.L.C. is a private equity real estate investment firm organized as a limited liability company under the laws of the State of Delaware. David R. Schwartz and Peter M. Vilim co-founded the Investment Manager's parent company, Waterton Associates L.L.C. in 1995. The firm's current ownership structure is as follows: (i) 90% by affiliate entities which are controlled by Mr. Schwartz and (ii) 10% by affiliate entities which are controlled by Mr. Vilim.

Waterton serves as an investment adviser to two private funds (the "Freddie Mac Bond Fund I" and "Freddie Mac Bond Fund II"; collectively "Freddie Mac Funds") that invest in a series of bonds issued as part of Freddie Mac's securitization of supplemental multifamily mortgage loan pools. The securitization is accomplished through offerings of K-Series Multifamily Pass-Through Certificates. The securitized loans are split up into tranches ranging from guaranteed senior bonds (rated AAA) to subordinate bonds (non-investment grade). The Freddie Mac Funds invest in supplemental loans that are securitized and offered through Freddie Mac as the ("KJ-Deals"). Freddie Mac splits the KJ-Deals into multiple tranches – senior tranches totaling 80% and a subordinate tranche of 20% ("KJ B-Pieces"). The KJ B-Pieces, while secured, are the riskiest pieces of the combined securitization and have limited rights. As of December 31, 2019, Waterton manages \$107,830,112 million in assets on behalf of the Freddie Mac Funds. Waterton also serves as an investment manager to commingled investment vehicles, together with any respective parallel funds, co-investment entities, joint ventures, and/or sidecars, as well as certain special purpose vehicles, (collectively the "Commingled Funds") which invest in multifamily, senior living and hospitality real estate investments. In limited instances Waterton will, on behalf of the Commingled

Funds, pursue investments in debt (both loan to own and yield to maturity strategies) secured by real estate assets and equity in publicly traded REITs.

The Freddie Mac Funds and the Commingled Funds (collectively, the “Funds”) are managed either by a managing member entity affiliated with Waterton or a general partner entity affiliated with Waterton (the “Managing Member(s)” or “General Partner(s)”). Unless and only to the extent that the context otherwise requires, references to Waterton in this Brochure include the Managing Member(s) or General Partner(s).

In providing services to the Funds, Waterton formulates each Fund’s investment objectives, directs and manages the investment of each Fund’s assets, and provides reports to investors. Investment advice is provided directly to the Funds and not individually to the limited partners or shareholders of the Funds (the “Investors” or “Limited Partners”). Waterton manages the assets of the Funds in accordance with the terms of each Fund’s applicable confidential offering and/or private placement memorandum, limited liability company agreements, individual limited partnership or shareholder agreements and other governing documents applicable to each Fund (the “Governing Fund Documents”). Approval is required of the respective Fund’s Limited Partners or Investor Advisory Committee (“IAC”), which consists of select appointed representatives of Investors in the Fund that meet either certain specified minimum investment thresholds (as set out in the Governing Fund Documents) or meet other qualifications who are independent of Waterton, for any certain major actions specified in the respective Fund’s Governing Fund Documents.

In January 2019, Waterton increased its ownership in Pathway Management, LLC (“Pathway”) (dba Pathway to Living) from 50% to 80%, resulting in Waterton owning a majority interest in Pathway and became a 90% owner of future Pathway real estate investments. The Pathway entities do not hold securities and therefore are not clients of Waterton or Pathway.

Item 5: Fees and Compensation

General

Waterton typically receives compensation from fees based on capital commitments, total capitalizations, current valuations, carried interest allocations, annual fixed fees, and certain other fees or expenses related to transactions (see below). Each Fund assesses fees and expenses in a specific manner pursuant to its Governing Fund Documents and Investors are required to review the Governing Fund Documents for the respective Fund to understand all fees and expenses charged by Waterton.

Management Fees

Waterton’s affiliated entity is entitled to receive a monthly asset management fee from each Freddie Mac Fund equal to the greater of (i) 1/12th of 50 basis points on aggregate unreturned capital contributions of the members of the respective Freddie Mac Fund as of the last day of the prior month or (ii) \$10,000 month.

Certain Funds pay Waterton or its affiliated entities an annual management fee (the “Management Fee”) which is payable quarterly in advance based on a range of 0.75% to 1.25% of committed capital during the investment period and a range of 0.50% to 1.50% of invested capital after the expiration of the applicable investment period. Asset management fees for co-investments range

from 0.65% to 1.40% of capital. Certain other Funds pay a Management Fee based on the current valuation of portfolio of assets in the Fund, in which case it is assessed at 0.30% of the value and is paid in arrears. Waterton will, in its sole discretion, waive or reduce Management Fees. For other Funds, Waterton charges a flat fee that can range from \$25,000 to \$100,000 a month.

Carried Interest Allocations

A portion of each Fund's distributable proceeds will be allocated to the capital account of Waterton or an entity affiliated with Waterton as "carried interest." The manner of calculation of such carried interest is disclosed in the Governing Fund Documents, and varies by Fund. Generally, however, between 10 - 30% of the investment profits of the Funds are allocated as carried interest to such Fund's General Partner or Managing Members after the Fund achieves a preferred return between 8 - 20%. Incentive distributions to Waterton or its affiliates are at times subject to claw back provisions which include the return of any incentive based distributions received by Waterton for re-distribution to Investors.

Acquisition and Refinancing Fees

Certain Funds, joint ventures, and/or deals will pay Waterton an acquisition fee of 0.25% to 1% of the initial total acquisition cost of each project purchased on behalf of the Funds. This fee is payable upon the acquisition of each property. In certain instances, certain joint ventures and/or deals will pay Waterton a refinancing fee.

Property Management Fees

An affiliate of Waterton will receive property management fees with respect to each approved project for which it provides property management services. The property manager will receive a fee equal to between 2.0% - 3.75% of gross collected revenues, plus reimbursement for expenses. The fees are subject to change and vary depending on the location of the property, the type of asset that is being managed and the asset-level occupancy. In some instances, Waterton will also receive an incentive property management fee whereby it will receive an additional fee if the property exceeds certain performance hurdles as defined in the respective property management agreement.

Construction Management Fees

An affiliate of Waterton will receive a fee equal to 5% of the renovation and capital improvement costs for each project acquired by a Fund. The fee will be paid as the renovation and capital improvement costs are actually paid. The fees rates are subject to change and vary depending on the location of the property and the type of asset that is being managed.

Annual Accounting Fees

An affiliate of Waterton will receive annual accounting fees to cover Waterton's overhead and related internal costs for performing accounting services at the joint venture or property level. This fee will be in addition to amounts paid by the Funds for any out of pocket costs for third party accounting services.

Joint Funds Partner Promote

Waterton periodically invests the assets of the Funds in other entities or pooled investment vehicles that specialize in particular real estate investments. In certain cases, such entities and other pooled investment vehicles are managed by unaffiliated third party managers (“JV Partners”). JV Partners engaged by a Fund or the General Partner will receive management fees, carried interest, or other compensation for their services that is paid by the property (and indirectly by the Funds). In certain instances, carried interest will only be paid to the JV Partner after achieving a certain performance return threshold.

Operating Expenses

The Funds will bear all costs and expenses relating to the activities and operations of the Funds, including, but not limited to: (i) all fees, costs, disbursements and expenses related to the operation and administration of the Funds including, without limitation, the following amounts payable by the General Partner and its affiliates for: fees, costs, disbursements and expenses of accountants, bookkeepers, consultants, tax advisors, third-party due diligence, third-party research services, lawyers and other professionals incurred in connection with the audits, data processing, tax returns, tax planning, tax projections, bookkeeping, engineering, investment-level management and servicing, hedging, environmental, legal compliance, financial reporting, legal or accounting opinions and tax return preparation and similar services, as well as expenses associated with the distribution of reports and notices to the Partners and expenses of verifying distributions, models, valuations and tax allocations; (ii) all fees, costs and expenses related to the investigation, acquisition, negotiating, structuring, holding, asset management, property management (to the extent reimbursement thereof is permitted under applicable property management agreements, including the cost of customary on-site employees), monitoring, redevelopment, financing, hedging, operating, refinancing, constructing, rehabilitating, zoning, marketing, advertising, sale or other disposition of, or appraisal or valuation of, investments and evaluation of potential investments (regardless of whether the potential investments are consummated), including, without limitation, any “dead deal”, financing, asset servicing, legal, due diligence, investment banking, valuation, accounting, advisory, reporting, projection, consulting, travel (which can include expenses for private transportation, including chartered airfare where reasonable) and other related fees, expenses and out-of-pocket costs and expenses in connection therewith; (iii) brokerage commissions, finders’ fees, custodial expenses and other investment costs actually incurred in connection with investments; (iv) principal, interest on and fees and expenses arising out of all borrowings made by the Funds (including any costs of negotiating, entering into, effecting, maintaining, varying and terminating any borrowing or guarantee permitted to be incurred under the respective Limited Partnership Agreement (“LPA”) including a subscription facility; (v) fees, costs and expenses related to making temporary investments and any interest or hedging expenses; (vi) expenses of winding up and liquidating the Funds; (vii) any taxes, fees or other governmental charges levied against the Funds and all costs and expenses incurred in connection with any tax audit, investigation, settlement or review of the Funds; (viii) the expenses of the IAC and Partner meeting (and any additional meetings of the Partners) (which shall not include admission fees at industry conferences); (ix) any costs of agents, attorneys and advisors, and charges for risk management services or similar expenses incurred by the Funds or the General Partner or Waterton in connection with the activities and management of the Funds (including director and officer liability or other insurance and extraordinary administrative or operating fees or expenses (including, without limitation, all extraordinary administrative or operating fees or expenses

(including without limitation, all litigation-related and indemnification expenses)); (x) expenses related to organizing entities through or in which investments are made; (xi) extraordinary administrative or operating fees or expenses, including litigation and indemnification expenses; (xii) all U.S., state, local and municipal income taxes that are not partner specific taxes that are payable by the Funds or any direct or indirect subsidiary of the Funds; (xiii) amounts to be contributed or advanced to any entity or investment for the purpose of such entity or investment paying any cost of the type described in the foregoing clauses (i) through (xiii); (xiv) all costs and expenses incurred in relation to obtaining waivers, consents or approvals pursuant to the respective LPA and all reasonable costs and expenses of, and/or incidental to, the preparation of amendments to the respective LPA; (xv) all costs and expenses of, and/or incidental to, the preparation and dispatch to the Partners of all checks, reports, circulars, forms and notices and any other documents necessary or desirable in connection with the business and administration of the Funds; (xvi) all costs and expenses incurred in relation to maintaining custody of any and all Funds documents that the General Partner deems appropriate in connection with the business activities of the Funds (including bank charges, insurance of documents of title against loss in shipment, transit or otherwise), and charges by the General Partner or Waterton for document retention; (xvii) costs and expenses associated with third-party investment level hedging, environmental and other services; (xviii) any broken deal expenses not otherwise borne by another party; and (xix) information technology and related costs of integration into Waterton's existing technology infrastructure.

Organizational Expenses

Each Fund will bear all reasonable legal and other organizational and offering expenses incurred in the formation of each Fund and related entities (the "Organizational Expenses"). The Organizational Expenses will include travel and accommodation expenses, legal and accounting expenses, filing fees and expenses and printing costs, or other similar amounts, paid by Waterton with respect to the offering of and subscription for interests in the Funds. Certain Funds limit the amount of Organizational Expenses payable by each respective Fund, as described in the respective Governing Fund Documents. To the extent this limit is exceeded, the excess Organization Expenses will offset the management fees described above.

Placement Fees

Certain Funds will have fees due to placement agents, which will be offset by the Management Fees otherwise payable to Waterton or its affiliates by an identical amount.

Administrative Expenses

Waterton and its affiliates will pay all of their respective ordinary administrative and overhead expenses in managing Fund investments (including compensation of officers and employees and general office overhead).

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

As described in Item 5 above, Waterton receives performance-based compensation in the form of "carried interest," which calculation is based on the profits generated on the sale or disposition of Fund assets. Investors receive a preferential return on their investments prior to any incentive compensation paid to Waterton or its affiliates. Any incentive compensation paid to Waterton or its affiliates can be subject to claw back or holdback provisions, if applicable. The details of the

claw back and holdback provisions together with distribution mechanisms are further described in the respective Governing Fund Documents which is typically drafted to create an alignment of interest between the Investors and Waterton with respect to the management of Funds investments and further, to reduce any conflicts of interest for Waterton in the management of the Funds. However, since Waterton and its affiliated entities or personnel are entitled to receive compensation that is directly computed on the basis of profits generated by the sale or disposition of Fund assets, an incentive to make more speculative investments can be perceived to exist.

Item 7: Types of Clients

Waterton provides management and advisory services to the Funds, subject to the direction and control of the Managing Members and General Partners. Investors in the Funds include, but are not limited to, high net worth individuals, trusts, foundations, pension plans (corporate and government), endowments, pooled investment vehicles, insurance companies, foreign investors, and corporate or business entities.

Certain Funds have a minimum investor commitment requirement. The minimum investment amount in the Freddie Mac Bond Fund I and the Freddie Mac Bond Fund II is \$25,000. The minimum investor commitment is generally \$25 million for pension plans, except in instances where the Funds permit investments from high net worth individuals, trusts, and foundations. Waterton maintains discretion to accept less than the minimum investment threshold.

Investors will be required to meet certain suitability qualifications. Details concerning applicable Investor suitability criteria are set forth in the respective Governing Fund Documents and subscription materials, which are furnished to each Investor.

Waterton, through its status either as Managing Member or General Partner of the Funds, will enter into side letters or other writings with Investors which have the effect of establishing rights under, or altering or supplementing, the terms of, the Governing Fund Documents. Any rights established, or any terms of the applicable Governing Fund Documents altered or supplemented in a side letter or other writing with an Investor will govern solely with respect to such Investor notwithstanding any other provision of such Governing Fund Document.

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

The Freddie Mac Funds' investment objective is to invest in securitized multifamily loan pools offered by Freddie Mac. The other Funds' investment objectives are to acquire, renovate, manage, reposition and dispose of existing multi-family properties located in targeted U.S. geographic areas and includes the purchase of underlying debt encumbering multifamily properties and equity investments in publically traded REITs.

Associated Risks

All investing involves a risk of loss and the investment strategy offered by Waterton could lose money over short or even long periods. An investment in the Funds should be deemed to be a speculative investment and is not intended as a complete investment program. It is designed for sophisticated investors who fully understand and are capable of bearing the risk of an investment in the Funds. No guarantee or representation is made that a Fund will achieve its investment objective or that Limited Partners will receive a return of their capital.

The descriptions contained below are a brief overview of different risks related to Waterton's investment strategies; however, it is not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that will arise in connection with the management and operations of the Funds. Limited Partners should review the risks listed in the Fund Governing Documents prior to investing.

General Real Estate Risks

Real estate investments are subject to varying degrees of risk. Real estate values are affected by a number of factors, including: (i) changes in the general economic climate or in national or international economic conditions; (ii) local conditions (such as an oversupply of space or a reduction in demand for space); (iii) the quality and philosophy of management; (iv) competition based on rental rates; (v) attractiveness and location of the properties and changes in the relative popularity of property types and locations; (vi) financial condition of tenants, buyers and sellers of properties; (vii) quality of maintenance, insurance and management services; (viii) changes in real estate tax rates and other operating costs and expenses; (ix) energy and supply shortages; (x) changes in interest rates and the availability of debt financing; (xi) uninsured losses or delays from casualties or condemnation; (xii) government regulations (including those governing usage, improvements, zoning and taxes) and fiscal policies; (xiii) potential liability under changing environmental and other laws; (xiv) construction and development risk, and operating problems arising out of the presence of certain construction materials; (xv) structural or property level latent defects; and (xvi) acts of God, acts of war (declared or undeclared), terrorist acts, strikes and other factors beyond the control of Waterton and its affiliates. Investments in existing entities (*e.g.*, buying out a distressed partner or acquiring an interest in an entity that owns a real property) could also create risks of successor liability.

Real Estate Securities Investment Risk

The real estate industry has been subject to substantial fluctuations and declines on a local, regional and national basis in the past and may continue to be in the future. Also, the value of a REIT or similar investment can be hurt by economic downturns or by changes in real estate values, rents, property taxes, interest rates, tax treatment, regulations, or the legal structure of the REIT or similar investment. Certain of the Funds invest in REITs. Equity REITs will be affected by changes in the value of and income from the properties they own, while mortgage REITs may be affected by the credit quality of the mortgage loans they hold. REITs are also dependent on specialized management skills, which may affect their ability to generate cash flow for operating purposes and to pay distributions. Additionally, REITs may have limited diversification and are subject to the risks associated with obtaining financing for real property.

Investments in Real Estate Debt

In addition to the risks of borrower default (including loss of principal and nonpayment of interest) and the risks associated with real estate investments generally, real-estate related debt investments are subject to a variety of risks, including the risks of illiquidity, lack of control, mismanagement or decline in value of collateral, contested foreclosures, early payment on certain floating rate loans, bankruptcy of the debtor, claims for lender liability, violations of usury laws and the imposition of common law or statutory restrictions on the exercise of contractual remedies for defaults of such investments. Debt investments have special inherent risks relative to collateral value. In certain circumstances, the Funds' loans will not be secured by a mortgage, but instead by partnership

interests or other collateral that provides weaker rights than a mortgage. In any case, in the event of default, the source of repayment is limited to the value of the collateral and may be subordinate to other lien holders (and the collateral value of the property will be less than the outstanding amount of the investment). Returns on an investment of this type depend on the borrower's ability to make required payments and, in the event of default, the ability of the loan's servicer to foreclose and liquidate the mortgage loan.

Credit Risk

The securities in the Freddie Mac Funds will be subject to credit risk, which is the risk that the borrower or guarantor of a loan related to the securities will be unable or unwilling to make timely payments of interest or principal, or to otherwise honor its obligations.

Risks of Non-Performing Loans

Some of the loans related to the securities in the Freddie Mac Funds could become nonperforming and possibly enter into default. Furthermore, the borrower could also declare bankruptcy or enter into a liquidation. There can be no assurance as to the amount and timing of payments with respect to these loans.

Use of Leverage

The Funds expect to leverage its investments with debt financing at the property or operating company level. Although the use of leverage can enhance returns and increase the number of investments that can be made, it increases the exposure of the Funds' investments to adverse economic factors such as rising interest rates, downturns in the economy or deterioration in the condition of the investments and substantially increases the risk of loss of principal. Debt service requirements will deplete cash flows and changes in the overall value of investments will have an impact on the value of the equity of the Funds. While the use of leverage by the Funds has the potential to enhance overall returns that exceed the Fund's cost of borrowing, it will further diminish returns (or increase losses on capital) to the extent overall returns are less than the Fund's cost of borrowing.

Illiquid Investments

The majority of the investments made by the Funds are expected to be illiquid. Given the nature of the investments contemplated by the Funds, there is a significant risk that the Funds will be unable to realize their investment objectives by sale or other disposition at attractive prices or will otherwise be unable to complete any exit strategy within any given period of time.

Interest Rate Risks

The Funds will have exposure to interest rate risks, meaning that changes in prevailing interest rates could negatively affect the value of the Funds. Changes in the general level of interest rates can affect the Funds' income by affecting the spread between the income on its assets and the expense of its interest-bearing liabilities, as well as, among other things, the value of its interest earning assets, the capitalization rate at which its assets are valued in the market and its ability to realize gains from the sale of investments. Interest rates are highly sensitive to many factors, including governmental, monetary and tax policies, domestic and international economic and political considerations, fiscal deficits, trade surpluses or deficits, regulatory requirements and other factors beyond the control of Waterton and its affiliates. The Funds finance investments with both fixed

and floating rate leverage. With respect to its floating rate leverage, the Funds' performance will be affected adversely if the Funds fails to limit the effects of changes in interest rates on its operations by employing an effective hedging strategy, including engaging in interest rate swaps, caps, floors or other interest rate contracts, or buying and selling interest rate futures or options on such futures. Should the Funds so elect, the use of these instruments to hedge a portfolio carries certain risks, including the risk that losses on a hedge position will reduce the Funds' earnings and funds available for distribution to its investors and that such losses will exceed the amount invested in such instruments. There is no perfect hedge for any investment, and a hedge may not perform its intended purpose of offsetting losses on an investment and, in certain circumstances, could increase such losses. The Funds will also be exposed to the risk that the counterparties with which the Funds trade may cease making markets and quoting prices in such instruments, which will render the Funds unable to enter into an offsetting transaction with respect to an open position.

Valuation of Assets

Most of the securities owned by the Funds are not publicly traded and are required to be fair valued by Waterton. When estimating fair value, Waterton will apply a methodology based on its best judgment that is appropriate in light of the nature, facts and circumstance of the investments. Valuations are subject to review to ensure portfolio investments are fairly valued. Further, Waterton will obtain third party appraisals to value assets for all existing Funds.

Tax Risks

No responsibility is assumed by the Waterton, Pathway, its affiliates, or tax counsel with respect to the tax consequences of any transaction to any Investor. The tax risks associated with transactions in any of the Funds are complicated and may not apply in the same manner to all Investors. Each investor should obtain the advice of its own tax advisor regarding the effect of an investment in the Funds on its specific situation. There can be no assurance that any of the tax benefits to be claimed by the Funds or the allocation of items of income, gain, loss, deduction and credit among its Investors will not be challenged by the Internal Revenue Service (the "IRS") and that such challenge will not be sustained by the courts.

Cybersecurity Risk

The information and technology systems of Waterton, Waterton's portfolio companies and of key service providers to Waterton may be vulnerable to potential damage or interruption from cybersecurity breaches, computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and other security breaches, usage errors by their respective professionals or service providers. Cybersecurity breaches may allow an unauthorized party to gain access to client, investor or proprietary information or cause data corruption or loss of operational functionality. Waterton does not control the cybersecurity plans and systems put in place by third party service providers, and such third party service providers may have limited indemnification obligations to Waterton, its affiliates, the Funds, the Limited Partners and/or a portfolio company, each of whom could be negatively impacted as a result. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of Waterton, a Fund and/or one or more portfolio companies and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to limited partners (and their beneficial owners) and the intellectual property and trade secrets and other sensitive information of Waterton and/or portfolio companies.

Force Majeure and Climate Change Risks

Investments may be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism, labor strikes, major plant breakdowns, pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, demographic changes, government macroeconomic policies, social instability, etc.). Some force majeure events may adversely affect the ability of a party (including a portfolio investment or other service provider) to perform its obligations until it is able to remedy the force majeure event. Force majeure events that are incapable of or are too costly to cure may have a permanent adverse effect on portfolio investments. Certain force majeure events (such as war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which Waterton Funds may invest specifically. Additionally, a major governmental intervention into industry, including the nationalization of an industry or the assertion of control over one or more portfolio companies or its assets, could result in a loss to Waterton Funds, including if the investment is canceled, unwound or acquired (which could be without adequate compensation). Prolonged changes in climatic conditions may have significant impact on the revenues, expenses and conditions of certain Waterton Fund investments. While the precise future effects of climate change are unknown, it is possible that climate change could affect precipitation levels, droughts, wind levels, annual sunshine, sea 48 levels and the severity and frequency of storms and other severe weather events. These natural occurrences could cause certain portfolio investments and other service providers to incur expenses to prevent damages. Any of the foregoing may therefore adversely affect the performance of Waterton Fund and their investments, and could render insurance coverage unavailable or cost prohibitive.

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 a client's or investor's evaluation of the adviser or the integrity of the adviser's management. Neither Waterton nor any of its officers, directors, employees or other management persons, have been involved in any legal or disciplinary events in the past 10 years that would require disclosure in response to this item.

Item 10: Other Financial Industry Activities and Affiliations

Waterton Residential, L.L.C. (and its wholly owned subsidiaries) (collectively, "Waterton Residential") is a wholly owned subsidiary of Waterton that provide property management services to the majority of the multifamily properties owned by the Funds. Waterton Hospitality, L.L.C. will concentrate its efforts on real estate investment management and new hotel investment opportunities while Waterford Hotel Group assumes management of eight hotels which were previously operated by Waterton.

As described in Item 5 above, these entities will earn property management and/or construction management and/or accounting fees in connection with the services that they provide to the properties that are owned by the Funds. Waterton Residential is also responsible for leasing the apartment units within the properties that it manages on behalf of the Funds. Waterton is also

responsible for leasing commercial space, if any, within the properties that it manages on behalf of the Funds.

Waterton faces a conflict of interest in hiring its affiliates to provide these additional services to properties owned by the Funds, because the fees paid to these affiliates are in addition to the fees Waterton receives directly from the Funds, and the fees charged by Waterton's affiliates may be higher than those charged by unaffiliated third parties. However, Waterton believes that the services provided by its affiliates are comparable in quality to those that would be provided by third-party service providers providing similar services. By investing in the Fund, each Limited Partner acknowledges that these and other services will be provided by affiliates without necessarily the objectivity in evaluating quality that would apply if unaffiliated entities performed these services. Retention of such affiliates by a Fund will not be on an arm's length basis given such affiliation. In each case, Waterton believes the fees charged by its affiliates are commercially reasonable, but cannot confirm, undertakes no minimum amount of benchmarking and does not make any assurances that, such fees are at or below market rates, or will remain so during the term of a Fund. On an annual basis, the IAC of each Fund has the opportunity to review all fees paid to affiliated service providers. The use of Waterton's affiliates for these services, and the fees paid to such affiliates, are part of the overall investment in a Fund which Investors accept if they invest with Waterton.

Waterton has a majority ownership interest in Pathway and certain Waterton executives vote on major decisions regarding Pathway, including investment decisions. Currently, Waterton does not use Pathway as a service provider for any Fund properties, but could do so in the future. In some circumstances, Waterton's employees work on Pathway-related matters. Pathway's investment strategy solely targets seniors housing.

Mr. Schwartz is also an investor in several other companies including the following real estate technology platforms: CFX Markets, Mobile Doorman and The Minte. The Minte is used at Waterton owned and managed properties. As such, Mr. Schwartz may profit from Waterton's election to use client funds to pay for such services. While this may present a conflict of interest, Waterton has selected this company to provide heightened service to the property level tenants.

In addition, Waterton has an internal focus on real estate industry innovation. Although Waterton no longer invests in a Chicago based real estate technology accelerator called Elmspring, Waterton still maintains an ownership interest in several cohort companies that came out of the accelerator. Waterton and/or Waterton executives will make a profit to the extent its cohort companies are ultimately successful.

During 2019, Waterton committed to making an investment in Real Estate Technology Fund 2 which is a real estate prop tech fund with a focus on rent tech investments. This fund which is managed by another manager will provide Waterton and its affiliates pricing discounts on certain products it invests in and an enhanced vetting process on new technology.

Mr. Vilim serves on the Board of Directors, and is Chairman of Finance Committee for the Housing Partnership Equity Trust ("HPET"). HPET is a social purpose real estate investment trust created by nonprofits to raise capital for affordable housing. Additionally, Mr. Vilim is on the Board of

Directors of All Chicago Making Homelessness History, the Collaborative Applicant for HUD funding of homeless services in Chicago. On occasion, these organizations may support initiatives which may be contrary to his fiduciary duty to Waterton's investors. In such circumstances, Mr. Vilim will recuse himself from the specific issue or campaign and disclose any such conflict to the investors.

Mr. Jerome Finis ("Finis") is the CEO of Pathway and a shareholder and/or member in several seniors housing investment and operating entities that were developed prior to Waterton becoming a majority owner of Pathway.

Attuned Care Holdings, LLC ("Attuned") is a preferred health care provider at most of Pathway's communities. Attuned is primarily owned by a former Pathway principal but current Pathway principals also have an ownership interest. However, it ceased operations in the fourth quarter of 2019 but still collects its Medicare receivables.

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

Waterton has adopted a written Code of Ethics designed to address and avoid potential conflicts of interest as required under Rule 204A-1 under the Advisers Act.

This Rule requires Waterton to adopt a Code of Ethics that sets forth a standard of business conduct and compliance with federal securities laws by our employees. Our Code of Ethics contains policies and procedures that require the following: (i) pre-clearance before purchasing REITs in the multifamily, senior living, mortgage or lodging / resorts sectors along with specific non-REIT real estate securities or any securities in initial public offerings or private placements; (ii) periodic reporting of employees' personal securities transactions and holdings; and (iii) prompt internal reporting of any violations of the Code of Ethics.

Waterton will provide a copy of our Code of Ethics to clients or prospective clients, upon request. Please contact Todd Joseph by telephone at 312-476-2383 or email (Todd.Joseph@Waterton.com) should you have any questions concerning our Code of Ethics or wish to obtain a copy.

Waterton, its related persons and affiliated entities will have an investment in each Fund. For example, the General Partner or Managing Member for each Fund is comprised of related persons of the Adviser and its affiliated entities. Waterton and its shareholders and employees will participate in the Fund's investment program by agreeing to commit a certain percentage of the Fund's total capital commitments or a certain amount as defined in the Fund's governing documents. Therefore, Waterton and/or its related entities participate in transactions effected for Funds.

Affiliate Management Company Leadership Learning Conference Sponsored by Third Party Vendors

Waterton's management company affiliate ("Waterton Residential") hosts leadership learning conference(s) consisting of training sessions for Waterton Residential's site-level property management personnel ("Conference"). Third party vendors will attend and sponsor a portion of the costs associated with the Conference. The Conference will also include meals, entertainment

and transportation for Waterton Residential's employees. Waterton believes that vendor sponsorship and participation in the Conference is beneficial to the Funds because it provides Waterton Residential employees direct access to training and education on the services and systems used to benefit the assets. However, the sponsorship by these third party vendors may create a potential conflict of interest in that Waterton Residential's retention of such third party service providers could be viewed as a form of reimbursement for sponsoring the Conference. Waterton recognizes and acknowledges our fiduciary duty to the Funds. As such, no such events sponsored or received by Waterton are permitted to influence our due diligence process in selecting appropriate vendors for our Funds and properties or fulfilling our fiduciary duty to the Funds.

Discounted Rates on Housing for Waterton's Employees

Waterton offers both corporate and property level employees a discount on its rental rates to create an incentive for employees to live at properties owned by the Funds. This practice creates a potential conflict of interest because discounted rates paid by Waterton employees may indirectly lead to lower income to the Fund owning the property. However, Waterton considers it a benefit to the Funds to have its employees living onsite at its properties, especially in the case of property management employees who will be available to provide assistance and oversight to the property. Moreover, the discounted rates are subject to market availability and associate occupancy limitations.

Finally, some union labor agreements may require that Waterton offer discounted housing for property-level union labor associates.

Item 12: Brokerage Practices

Best Execution

To the limited extent Waterton transacts in public securities, debt investments, or other non-private equity investments (e.g., hedging transactions), Waterton will seek to obtain best execution. In general, best execution is obtaining a price in a transaction that is as favorable to the Funds under prevailing market conditions as can reasonably be obtained elsewhere. Besides price, several things will be considered in this analysis, such as the promptness and overall quality of execution, maintenance of confidentiality, the broker-dealer's settlement capabilities, and the broker-dealer's financial condition. As feasible, Waterton will seek competitive quotes on all trades. With respect to transactions and holdings of real property, Waterton utilizes the services of several of its affiliates, as described in Item 5 and Item 10.

Soft Dollars

Waterton receives real estate market data research from real estate brokers. Waterton also uses the services of those real estate brokers to buy or sell real estate investments for the Funds. Waterton and its affiliates do not have any formal soft dollar arrangements to compensate the brokers for the research that is provided. Waterton and its affiliates receive real estate-related research and market data from third party service providers. Waterton and/or the Funds will bear the expense for the research obtained from such third parties.

Principal or Cross Transactions

Waterton generally does not cause the Funds to engage in any principal or cross transactions. In the event that Waterton does so, Waterton will first consider and determine that the transaction is in the best interests of both participating Funds. Waterton will obtain consent from the IAC or the

limited partners of the Funds engaging in such principal or cross transaction, to the extent deemed necessary or appropriate.

Allocation of Investment Opportunities

Waterton is aware of the importance of treating all clients fairly. As a general practice, Waterton allocates investment opportunities to a Fund(s), or client(s), until the earlier of such time as seventy-five to eighty percent (75% to 80%, depending on Fund offering documents) of the current Fund's or client's capital has been committed to real estate investments, the acquisition period has expired or the investment does not meet the defined criteria. Waterton will not organize a multiple-investor fund or other managed client account of a substantially similar blind-pool nature and with substantially similar investment objectives that competes directly with the investment strategy of the current Fund or client. Waterton maintains an investor allocation policy for such investment opportunities which aims to prioritize our multifamily value-add fund and then offer an opportunity to other funds or clients. If an investment opportunity has return characteristics that could fit more than one fund and/or client, Waterton's Investment Committee will offer the opportunity to a fund or client in accordance with the investor allocation policy.

Under certain circumstances, however, an opportunity to make an investment may be allocated to other Funds that may co-invest together in a large investment opportunity. The decision to so allocate will be based upon a review of the investment portfolio of the current Fund or Client and relevant Funds or Clients and upon such other factors as Waterton and/or the Co-Chairmen deem relevant, or with investor consent if applicable/necessary.

Client Referrals

As described in further detail in Item 14 below, Waterton engages placement agents from time to time to introduce investors to the Funds. However, such placement agents are not used to effect transactions in real estate or publicly traded securities on behalf of the Funds.

Item 13: Review of Accounts

All investments are carefully reviewed and approved by the Waterton Investment Committee. The acquisitions team observes transactions daily in the target markets to identify potential transactions. Potential investments, dispositions and financings are reviewed typically on a weekly basis in the transactions meetings.

Waterton provides Limited Partners with reporting information in accordance with the terms of the applicable Governing Fund Documents for each respective Fund. Examples of such reports include the following: (i) Fund audited annual financial statements; (ii) Fund unaudited quarterly financial statements together with a comprehensive investment memorandum describing the major events that occurred and an overview of general market conditions; (iii) quarterly and annual capital account statements and (iii) annual tax information necessary to complete any applicable tax returns.

Item 14: Client Referrals and Other Compensation

Waterton will periodically engage third party placement agents (i.e., solicitors) to introduce prospective investors to the Funds. The fees and expenses of any third-party placement agents will be paid by the Funds, but will be reimbursed to the Funds by Waterton by offsetting its Management Fees.

Third party brokers will typically earn a fee payable by the Funds when Waterton sells an asset or obtains financing through a mortgage broker.

As described in Item 10 above, Waterton Residential, an affiliated entity of Waterton will receive property management fees and construction management fees in connection with providing services to the properties it manages which are owned by the Funds.

Item 15: Custody

Waterton has access to client accounts (i.e., the Commingled Funds) since it or an affiliate serves as the General Partner of the Funds. Funds are subject to an annual audit by an independent public accountant and the audited financial statements are distributed to each Limited Partner. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of each Fund's fiscal year end.

Item 16: Investment Discretion

In accordance with the terms and conditions of the Governing Fund Documents, and subject to the direction and control of the General Partner or Managing Member of each Fund, Waterton generally has discretionary authority to determine, without obtaining specific consent from the Funds or its Limited Partners, the securities and the amounts to be bought or sold on behalf of the Funds, and to perform the day-to-day investment operations of the Funds. Approval is required of the respective Fund's Limited Partners or IAC for any certain major actions specified in the respective Fund's Governing Fund Documents.

Item 17: Voting Client Securities

The Funds primarily invest in equity and debt interests in real estate related assets which do not issue proxies. However, the Funds do conduct limited securities trading in publically traded REITs. Waterton has developed and implemented policies and procedures to vote such proxies in accordance with its fiduciary duty.

For any applicable proxies, Waterton has maintained a record of any proxy votes executed on behalf of the Funds. Investors can contact Todd Joseph by telephone at 312-476-2383 or email (Todd.Joseph@waterton.com) to obtain a copy of Waterton's proxy voting policy or to obtain information with respect to any applicable proxy votes submitted on behalf of the relevant Fund.

Item 18: Financial Information

A balance sheet is not required to be provided as Waterton (i) does not solicit fees more than six months in advance, (ii) does not have a financial condition that is likely to impair its ability to meet contractual commitments to clients, or (iii) has not been subject to any bankruptcy proceeding during the past 10 years.