



Form ADV Part 2A: Firm Brochure

Waterton Investment Adviser, L.L.C.

December 17, 2021

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This brochure (this “Brochure”) provides information about the qualifications and business practices of Waterton Investment Adviser, L.L.C. (the “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 25, 2020. Waterton’s business activities have not materially changed since the time of that update.

Item 3: Table of Contents

Item 2: Material Changes	2
Item 3: Table of Contents	2
Item 4: Advisory Business.....	2
Item 5: Fees and Compensation	3
Item 6: Performance Based Fees and Side-by-Side Management.....	8
Item 7: Types of Clients	8
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss.....	9
Item 9: Disciplinary Information.....	16
Item 10: Other Financial Industry Activities and Affiliations.....	16
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading...	18
Item 12: Brokerage Practices.....	22
Item 13: Review of Accounts	23
Item 14: Client Referrals and Other Compensation	23
Item 15: Custody	23
Item 16: Investment Discretion	24
Item 17: Voting Client Securities	24
Item 18: Financial Information.....	24

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 Investment Manager’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 provides investment advisory services to private investment funds (each, a “Fund” and collectively, together with any future private investment fund to which the Investment Manager and/or its affiliates provides investment advisory services, the “Funds”).

The Funds primarily invest in real estate and real estate related investments, including, without limitation, multifamily, senior living and hospitality real estate investments, bonds, securitized loans, and other debt (both loan to own and yield to maturity strategies) secured by real estate assets and in limited cases equity in publicly traded REITs. In particular, certain Funds (the “Freddie Mac Funds”) 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, 2020, Waterton managed \$196,558,226 million in assets on behalf of the Funds. In addition to the Funds, the Investment Manager and its affiliates also manage pooled investment vehicles and joint ventures that invest primarily in real estate assets (“Accounts”).

The Funds are managed either by a managing member entity affiliated with Waterton or a general partner entity affiliated with Waterton (the “General Partner(s)”). Unless and only to the extent that the context otherwise requires, references to Waterton in this Brochure include the General Partners. Each General Partner is subject to the Advisers Act pursuant to the Investment Manager’s registration in accordance with SEC guidance. This Brochure also describes the business practices of the General Partners, which operate as a single advisory business together with the Investment Manager.

In providing investment advisory 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 in the Funds. 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”).

Item 5: Fees and Compensation

General

Waterton typically receives compensation in connection with the provision of advisory services to its clients in the form of 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 should review the Governing Fund Documents for the respective Fund to understand all fees and expenses borne by such Fund.

Management Fees

The General Partners generally are 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 Investors 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. To the extent permitted by the relevant Governing Fund Documents, Waterton reserves the right, in its sole discretion, to waive or reduce Management Fees with respect to any Investors in a Fund.

As a matter of practice, Waterton is typically paid fees of the type referred to in the preceding paragraph from, on behalf of or with respect to co-investors in an investment. These fees have typically ranged from 0.65% to 0.75% of capital contributions. The receipt of such fees will

not reduce the Management Fee payable by any Funds that have also invested in such investment.

Where the Governing Fund Documents calculate Management Fees based on the amount of capital commitments or the amount of invested contributions, the amount of Management Fees generally will not be reduced based on reductions to investment value, except where specified by the relevant Governing Fund Documents. As a general matter, Management Fees will be payable during term extensions unless otherwise agreed with investors in the relevant Fund.

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 after the Fund achieves a preferred return between 8 - 20%. To the extent set forth in the relevant Governing Fund Documents, incentive distributions to Waterton or its affiliates are under certain circumstances subject to claw back provisions which include the return of any incentive based distributions received by Waterton for re-distribution to Investors.

Supplemental Fees

To the extent specified in a Fund's Governing Fund Documents, Waterton or an affiliate thereof will be permitted to receive certain supplemental fees and other amounts ("Supplemental Fees") consisting of property management fees with respect to each approved project for which it provides property management services (which generally equals between 1.0% - 5.00% of gross collected revenues, plus reimbursement for expenses), construction management fees (which is generally equal to 5% of the renovation and capital improvement costs for each approved project acquired by a Fund), incentive property management fees (in instances where a property exceeds certain performance hurdles as defined in the respective property management agreement), and annual accounting fees to cover Waterton's overhead and related internal costs for performing accounting services at the property-level. The Supplemental Fees are subject to change and vary depending upon certain conditions, including, without limitation, the location of the property, the type of asset that is being managed and the asset-level occupancy. Construction management fees generally will be paid as the renovation and capital improvement costs are actually paid. Any annual accounting fees will be in addition to amounts paid by the Funds for any out of pocket costs for third party accounting services. Unless otherwise agreed with investors, Supplemental Fees generally will be payable without further offset during term extensions, even if Management Fees are reduced or eliminated during the extended term.

As a matter of practice, Waterton is typically paid fees of the type referred to in the preceding paragraph from, on behalf of or with respect to co-investors in an investment. The receipt of such fees will not reduce the Management Fee payable by any Funds that have also invested in such investment, and, as a result, a Fund will, in most cases, only benefit with respect to its allocable portion on a fully diluted basis of any such fee and not the portion of any fee that relates to such co-investors or potential co-investors (which could include co-investment vehicles managed by Waterton, third parties, or employees and/or others), which have the potential to be significant.

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

In addition to the Management Fee and carried interest payable to Waterton, each of the Funds will bear certain other expenses. As set forth more fully in the relevant Governing Fund Documents, a Fund bears all fees, costs, expenses, liabilities and obligations relating to the Fund’s and/or its subsidiaries’ and intermediate entities’ activities, investments and business to the extent not reimbursed by a portfolio investment, including, but not limited to: (i) the operation and administration of the Funds including, 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 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 Limited Partners and expenses of verifying distributions, models, valuations and tax allocations; (ii) activities with respect to investigating, negotiating, structuring, organizing, consummating, bidding on, acquiring, owning, managing (including asset management and property management (to the extent reimbursement thereof is permitted under applicable property management agreements, including the cost of customary on-site employees)), operating, holding, monitoring, leasing, servicing, development (including costs and expenses of tenant and capital improvement), redevelopment, financing, hedging, refinancing, constructing, rehabilitating, zoning, marketing, advertising, taking public or private, selling, valuing, winding up, liquidating, or otherwise disposing of, as applicable, subsidiaries and actual and potential portfolio investments (including follow-on investments), in connection with any direct or indirect REIT subsidiary of a Fund (including fees, costs and expenses attributable to qualifying any direct or indirect REIT subsidiary of a Fund as a REIT and maintaining such qualification) or an “operating company” (within the meaning of the U.S. Department of Labor regulation located at 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA) (including fees, costs and expenses attributable to structuring the Funds or alternative investment vehicle, as applicable, to qualify or preserve the ability to qualify, or structuring any acquisition financing or other transaction with respect to such entity to qualify or preserve the ability to qualify, as an “operating company” and maintain such qualification), or in seeking to do any of the foregoing (including any associated “dead deal”, asset servicing, legal, due diligence, investment banking, valuation, accounting, advisory, reporting, projection, consulting, commitment, transaction or other fees and expenses payable to attorneys, accountants, investment bankers, lenders, third-party diligence software and service providers, consultants and similar professionals in connection therewith and any fees, expenses and/or compensation related to transactions that were or may have been offered to co-investors or pursued with joint venture partners), whether or not any contemplated transaction or project is consummated and whether or not such activities are successful; (iii) indebtedness of, or guarantees made by, the Funds, the Investment Manager, the General Partner or any affiliate on behalf of the Funds, including interest with respect thereto, or seeking to put in place any such indebtedness or guarantee (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, letter of credit or similar credit support); (iv) financing, commitment, origination and similar fees and expenses; (v) broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, placement fees, sales commissions, investment banker and similar services; (vi) brokerage, sale, custodial, depository, (including a depository appointed pursuant to AIFMD), Swiss representative and paying agent (pursuant to the Swiss Collective Investment Schemes Act (as amended), including any law, rule, or regulation related to the implementation thereof), trustee, record keeping, account and similar services; (vii) legal, accounting, research, auditing, administration (including fees and expenses associated with the Funds’ third-party administrator and administration or reporting software, if any), information, appraisal, advisory, valuation (including third-party valuations, appraisals or pricing services), real estate title, survey, hedging, consulting (including consulting and retainer fees and other compensation paid to consultants performing investment initiatives and other similar consultants), tax and other professional services; (viii) property management, leasing, construction management, development, environmental, brokerage, sales agents, information technology consulting, construction/project management consulting, transition team services for new acquisitions and other services; (ix) directors and officers liability, errors and omissions liability, crime coverage, property and casualty and general partnership liability premiums and other insurance, risk management and regulatory expenses; (x) filing, title, transfer, registration and other similar fees and expenses; (xi) printing, communications, marketing and publicity in connection with portfolio investments; (xii) the preparation, distribution or filing of Fund-related or investment-related financial statements or other reports, tax returns, tax estimates, Schedule K-1s, or any other administrative, compliance or regulatory filings or reports (including Form PF, custody audits and any filings or reports contemplated by the AIFMD or any similar law, rule or regulation (other than those constituting organizational Expenses, but excluding Form ADV expenses and ongoing maintenance of the General Partners’ and/or the Investment Manager’s registration as an AIFM under the AIFMD and related legal fees and expenses)), or other information, including fees and costs of any third-party service providers and professionals related to the foregoing; (xiii) developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software or other administrative or reporting tools (including subscription-based services) for the benefit of the Funds or the Limited Partners; (xiv) any activities with respect to protecting the confidential or non-public nature of any information or data; (xv) to the extent provided in the Fund Governing Documents or otherwise approved by the relevant General Partner in its sole discretion, activities or proceedings of a Fund’s Investor Advisory Committee (“IAC”) (including any reasonable out-of-pocket costs and expenses incurred by representatives of the General Partner, the IAC members, permitted observers and other persons in attending or otherwise participating in meetings of the IAC); (xvi) indemnification (including any fees, costs and expenses incurred in connection with indemnifying any Partner or other Person pursuant to the Governing Fund Documents or otherwise and advancing fees, costs and expenses incurred by any such person in defense or settlement of any claim that may be subject to a right of indemnification pursuant to the Governing Fund Documents); (xvii) to the extent provided in the Governing Fund Documents, actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including any judgment, other award or settlement entered into in connection therewith; (xviii) any annual Limited Partner meeting or other periodic, if any, meetings of the Limited Partners and any other conference or meeting with any Limited Partner(s), in each case to the extent incurred by the Funds, the General Partners or any other affiliate of the General Partners (which shall not include admission fees at industry conferences); (xix) except as otherwise determined by the relevant General Partner in its sole

discretion, any fee, cost, expense, liability or obligation relating to any alternative investment vehicle or its activities, business, subsidiaries or actual or potential investments (to the extent not borne or reimbursed by a subsidiary or investment of such alternative investment vehicle) that would be a Fund expense if it were incurred in connection with a Fund; (xx) the termination, liquidation, winding up or dissolution of a Fund; (xxi) defaults by Partners in the payment of any capital contributions; (xxii) complying with any law or regulation related to the activities of the Funds (including regulatory expenses of the General Partners incurred in connection with the operation of the Funds and legal fees and expenses); (xxiii) any third-party experts, including independent appraisers, engaged by a General Partners in connection with the relevant Fund considering, making or holding an investment in the same entity as one or more other funds sponsored by an affiliate of the General Partner; (xxiv) unreimbursed costs and expenses incurred in connection with any Limited Partner transfer or proposed transfer; (xxv) any taxes, fees and other governmental charges levied against the Funds and all expenses incurred in connection with any tax audit, investigation settlement or review of the Funds (except income taxes that are not Partner specific taxes to the extent that a Fund is reimbursed therefor by a Partner or such tax, fee or charge is treated as having been distributed to the Partners); (xxvi) distributions to the Partners and other expenses associated with the acquisition, holding and disposition of the portfolio investments, including extraordinary expenses; (xxvii) compliance or regulatory matters related to the Funds; (xxviii) any travel (including, where appropriate, the cost of private air travel for diligence and deal sourcing at a cost above the cost of first class commercial airfare; subject to any requirements or limitations set forth in the Governing Fund Documents), lodging, meals or entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities; (xxix) all costs and expenses associated with operating a feeder vehicle which invests all or substantially all of its assets in a Fund to the extent not paid by the investors investing in such entities, including all expenses associated with its formation, management, operation, winding-up, liquidating and dissolution and with preparing and distributing such feeder vehicle's financial statements, tax returns and feeder vehicle limited partner reports, but not including any income based or similar taxes, fees or other governmental charges levied against such feeder vehicle; (xxx) amendments to, and waivers, consents or approvals pursuant to the Governing Fund Document and all reasonable costs and expenses of, and/or incidental to, the constituent documents of the relevant Fund, General Partner and related entities and any alternative investment vehicle of the Fund, including the preparation, distribution and implementation thereof; (xxxi) the preparation and dispatching 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 A Fund; (xxxii) maintaining custody of any and all Fund documents that the relevant General Partner deems appropriate in connection with the business activities of the Fund (including bank charges, insurance of documents of title against loss in shipment, transit or otherwise), and charges by the relevant General Partner or an Investment for document retention; (xxxiii) any broken deal expenses, reverse breakup, termination and other similar fees not otherwise borne by another party; (xxxiv) information technology and related costs of integration into the Investment Manager's existing technology infrastructure; (xxxv) the Management Fees; (xxxvi) any costs or expenses incurred by the a Fund's partnership representative in its role as the partnership representative; and (xxxvii) any other fees, costs, expenses, liabilities or obligations approved by the IAC, and (xxxviii) any other cost, fee, expense, liability or obligation specifically approved by the IAC. As a general matter, dead deal expenses are allocated among Limited Partners regardless of whether any individual Limited Partner negotiated for an elective or automatic contractual right that would have excused them from participating in the investment. Generally included in the expenses permitted to be borne by a Fund are the fees, costs, expenses, liabilities and

obligations of legal counsel, consultants and/or other service providers to procure, develop, establish, review, revise, customize, upgrade and/or negotiate relationships relating to the foregoing items, which generally are expected to be significant. Each Fund also generally will bear the costs of implementing, monitoring and complying with investment guidelines and directives relating to the Fund's strategy, including in side letters relating thereto.

Organizational Expenses

Each Fund will bear all reasonable legal and other organizational and offering expenses incurred in the formation of each Fund and its 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 such Fund, as described in the respective Governing Fund Documents. To the extent this limit is exceeded, Waterton will indirectly bear the cost of any excess Organization Expenses through an 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 generally 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. Additionally, to the extent that Waterton has Funds with varying carried interest terms and/or Waterton personnel are assigned varying percentages of carried interest from the Funds, Waterton and such personnel are subject to potential conflicts of interest, to the extent they are involved in identifying investment opportunities as appropriate for Funds from which they are entitled to receive a higher carried interest percentage.

Item 7: Types of Clients

Waterton provides investment advisory services solely to the Funds, subject to the direction and control of the Managing Members and General Partners, and references throughout this Brochure to "clients" and to Waterton's related duties to and practices on behalf of its clients and/or investors

should be construed accordingly. 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 for third-party investors. Waterton generally is permitted to waive such minimum investments amount.

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.

The General Partners and/or the Funds, have entered into side letters or other writings with Investors which have the effect of establishing rights under, or altering or supplementing, the terms (including economic and other terms) of, the Governing Fund Documents with respect to such Investor. 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 publicly 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.

Lack of Sufficient Investment Opportunities

It is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified. The business of identifying, structuring and completing private equity and real estate transactions is highly competitive and involves a high degree of uncertainty. However, regardless of the extent to which the capital commitments of the Limited Partners are invested (or drawn down to be invested), the Limited Partners will be required to bear Management Fees through such Fund during the investment period based on the entire amount of the Limited Partners' capital commitments to such Fund and other expenses as set forth in the Governing Fund Documents.

Dynamic Investment Strategy

While each General Partner generally intends to seek attractive returns for a Fund through the investment strategy and methods described herein, the relevant General Partner is permitted to pursue additional investment strategies and/or modify or depart from its initial investment strategy, investment process or investment techniques to the extent it determines such modification or departure to be appropriate and consistent with the Governing Fund Documents. A General Partner is permitted to pursue investments outside of the industries and sectors in which Waterton has previously made investments or has internal operational experience.

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.

Subscription Lines

A Fund generally is permitted to enter into a subscription line with one or more lenders in order to finance its operations (including the acquisition of the Fund's investments). Fund-level borrowing subjects Investors to certain risks and costs. For example, because amounts borrowed under a subscription line typically are secured by pledges of the relevant General Partner's right to call capital from the Investors, Investors may be obligated to contribute capital on an accelerated basis if the Fund fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder. Moreover, any Investor claim against the Fund would likely be subordinate to the Fund's obligations to a subscription line's creditors.

In addition, Fund-level borrowing will result in incremental partnership expenses that will be borne by Investors. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a subscription line, an upfront fee for establishing a subscription line, and other one-time and recurring fees and/or expenses, as well as legal fees relating to the establishment, structuring and negotiation of the terms of the borrowing facility, as well as

expenses relating to maintaining, renegotiating or terminating the facility. Because a subscription line's interest rate is based in part on the creditworthiness of the relevant Fund's Investors and the terms of the Governing Fund Documents, it may be higher than the interest rate an Investor could obtain individually. To the extent a particular Investor's cost of capital is lower than the Fund's cost of borrowing, Fund-level borrowing can negatively impact an Investor's overall individual financial returns even if it increases the Fund's reported net returns in certain methods of calculation. Conflicts of interest have the potential to arise in that the use of Fund-level borrowing typically delays the need for Investors to make contributions to a Fund, which in certain circumstances enhances the relevant Fund's internal rate of return calculations and thereby may be deemed to benefit the marketing efforts of the General Partner and its affiliates. Conflicts of interest also have the potential to arise to the extent that a subscription line is used to make an investment that is later sold in part to co-investors (including one or more co-investing Funds) as, to the extent co-investors are not required to act as guarantors under the relevant facility or pay related costs or expenses, co-investors nevertheless stand to receive the benefit of the use of the subscription line and neither the relevant Fund nor investors generally will be compensated for providing the relevant guarantee(s) or being subject to the related costs, expenses and/or liabilities.

A credit agreement frequently will contain other terms that restrict the activities of a Fund and the Investors or impose additional obligations on them. For example, a subscription line may impose restrictions on the relevant General Partner's ability to consent to the transfer of an Investor's interest in the Fund or impose concentration or other limits on the Fund's investments. In addition, in order to secure a subscription line, the relevant General Partner may request certain financial information and other documentation from Investors to share with lenders. The General Partner will have significant discretion in negotiating the terms of any subscription line and may agree to terms that are not the most favorable to one or more Investors.

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows the General Partner to fund investments and pay partnership expenses without calling capital, potentially for extended periods of time. Calling a large amount of capital at once to repay the then-current amount outstanding under a subscription line could cause short-term liquidity concerns for Investors that would not arise had the relevant General Partner called smaller amounts of capital incrementally over time as needed by a Fund. This risk would be heightened for an Investor with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the Investor to meet the accumulated, larger capital calls at the same time. The General Partners are authorized to use Fund-level borrowing to pay Management Fees and to reimburse Waterton for expenses incurred on behalf of the Funds. A Fund is also permitted to utilize Fund-level borrowing when the General Partner expects to repay the amount outstanding through means other than Investor capital, including as a bridge for equity or debt capital with respect to an investment. If the Fund ultimately is unable to repay the borrowings through those other means, Investors would end up with increased exposure to the underlying investment, which could result in greater losses.

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.

Lack of Diversification

Waterton's investment strategy tends to be non-diversified, which means that it may invest a greater percentage of its assets in the securities of fewer issuers. In general, a less diversified portfolio bears more risk than a broadly diversified portfolio.

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.

Uncertain Economic, Social and Political Environment

Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises, virus or disease epidemics or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of a Fund and its portfolio investments to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by such Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon such Fund's portfolio investments.

Public Health Emergencies; COVID-19

Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, ebola and the current outbreak of COVID-19 (as

defined below), have and are resulting in market disruption, and future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to the Funds.

Currently, there is an ongoing outbreak of a novel and highly contagious form of coronavirus (“COVID-19”), which the World Health Organization formally declared in March 2020 to constitute a global “pandemic.” This outbreak has caused a worldwide public health emergency, straining healthcare resources and resulting in extensive and growing numbers of infections, hospitalizations and deaths. In an effort to contain COVID-19, national, regional and local governments, as well as private businesses and other organizations, have taken severely restrictive measures, including instituting local and regional quarantines, restricting travel (including closing certain international borders), prohibiting public activity (including “stay-at-home” and similar orders), and ordering the closure of large numbers of offices, businesses, schools, and other public venues. In many jurisdictions, restrictive measures have been re-imposed to address subsequent waves of infection. As a result, COVID-19 has significantly diminished global economic production and activity of all kinds and has contributed to both volatility and a severe decline in all financial markets. Among other things, these unprecedented developments have resulted in material reductions in demand across most categories of consumers and businesses, dislocation (or in some cases a complete halt) in the credit and capital markets, labor force and operational disruptions, slowing or complete idling of certain supply chains and manufacturing activity, steep increases in unemployment levels in the United States and several other countries, and strain and uncertainty for businesses and households, with a particularly acute impact on industries dependent on travel and public accessibility, such as transportation, hospitality, tourism, retail, sports and entertainment.

The ultimate impact of COVID-19 — and any resulting decline in economic and commercial activity — on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict, although ongoing and potential additional materially adverse effects, including a further global or regional economic downturn (including a recession) of indeterminate duration and severity, are possible. The extent of COVID-19’s impact will depend on many factors, including the ultimate duration and scope of the public health emergency and the restrictive countermeasures being undertaken, as well as the effectiveness of other governmental, legislative and financial and monetary policy interventions (including the effectiveness of vaccines and the implementation of vaccination programs) designed to mitigate the crisis and address its negative externalities, all of which are evolving rapidly and may have unpredictable results. Even if and as the spread of the COVID-19 virus itself is substantially contained and economies are able to “re-open,” it will be difficult to assess what the longer-term impacts of an extended period of unprecedented economic dislocation and disruption will be on future macro- and micro-economic developments, the health of certain industries and businesses, and commercial and consumer behavior.

The ongoing COVID-19 crisis and any other public health emergency could have a significant adverse impact and result in significant losses to the Funds. The extent of the impact on the Funds’ and their portfolio investments’ operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors may limit the ability of the Funds to source, diligence and execute new investments and to manage, finance and exit investments

in the future, and governmental mitigation actions may constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy the Funds intend to pursue, all of which could adversely affect the Funds' ability to fulfill their investment objectives. They may also impair the ability of portfolio investments or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. In addition, the operations of the Funds, their portfolio investments, the General Partners and Waterton may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, restrictions on travel and movement, remote-working requirements and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity's personnel. These measures may also hinder such entities' ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

Valuation of Assets

Most of the securities owned by the Funds are not publicly traded and are required to be valued quarterly by Waterton or an external party. When estimating fair value, Waterton will apply a methodology consistent with observed industry practices that utilize assumptions that are appropriate in light of the nature, facts and circumstances of each investment. Valuations are subject to review to ensure portfolio investments are fairly valued. Further, Waterton will obtain third party appraisals to value investments for its existing Funds, in accordance with the related investor governing agreements.

Tax Risks

No responsibility is assumed by the Waterton, Pathway Management, LLC ("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

The Investment Manager is affiliated with other Waterton investment advisers, including the General Partners and equivalent entities formed from time to time and subject to the Advisers Act pursuant to the Investment Manager's registration in accordance with SEC guidance. These advisers also include Waterton Associates L.L.C., a relying adviser that is registered under the Advisers Act pursuant to the Investment Manager's registration. These entities operate as a single advisory business together with the Investment Manager and serve as managers or general partners of Funds and other pooled vehicles and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions.

Waterton Residential, L.L.C. (and its wholly owned subsidiaries) (collectively, “Waterton Residential”) is a wholly-owned subsidiary of Waterton that provides property management services to the majority of the multifamily properties owned by the Funds. Waterton Hospitality, L.L.C is a wholly owned subsidiary of Waterton that will concentrate its efforts on real estate investment management and new hotel investment opportunities while Waterford Hotel Group (“Waterford”) assumes management of eight hotels which were previously operated by Waterton. Waterton maintains a minority interest in Waterford. 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 generally exercises its discretion to recommend to a Fund or portfolio investment thereof that it contract for services with certain service providers, and, from time to time, such service providers are expected to include one or more Waterton entities. As described in Item 5 above, Waterton is expected to receive property management, construction management, accounting or other fees from the relevant portfolio investment in connection with the services that they provide to the properties that are owned by the Funds or otherwise directly from the relevant Fund. Additionally, a portfolio investment or the relevant Fund typically will reimburse a Waterton entity retained at Waterton’s discretion for expenses (including, without limitation, travel expenses) incurred by such Waterton Management Entity in connection with its services for such portfolio investment. Waterton determines the amount of these fees and reimbursements for such services in its own discretion, subject to its internal policies and practices. No such fees or reimbursements will offset or otherwise reduce any Management Fees, and the amount of such fees and reimbursements over time is expected to be substantial.

Waterton is subject to conflicts of interest in hiring its affiliates to provide these additional services to properties owned by the Funds, because, although Waterton selects service providers it believes are aligned with its operational strategies and will enhance portfolio investment performance and, relatedly, returns of the relevant Fund, Waterton has a potential incentive to recommend the related or other person because of its financial or other business interest. The fees paid to these affiliates are in addition to the fees Waterton receives directly from the Funds. Waterton will not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio investments to incur) such expenses 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. Whether or not Waterton has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

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 real estate technology platform The Minte. The Minte is used at Waterton owned and managed properties. As such, Mr. Schwartz will profit from Waterton's election to use client funds to pay for such service. 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.

Waterton is invested in a real estate proprietary technology fund ("RE Prop Fund") with a focus on rent technology investments. The RE Prop Fund is managed by another investment manager. Waterton and its affiliates will receive pricing discounts on certain products the RE Prop Fund invests in and will also provide Waterton with 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.

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 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 Fund Documents. Therefore, Waterton and/or its related entities participate in transactions effected for Funds.

Affiliate Management Company Leadership Learning Conferences 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 creates 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 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 state laws and / or union labor agreements may require that Waterton offer discounted housing for property-level union labor associates.

Conflicts of Interest

Waterton and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own account and for the account of Funds, and providing

transaction-related, legal, management and other services to Accounts and portfolio investments of other Accounts. Waterton will devote such time, personnel and internal resources as are necessary to conduct the business affairs of the Funds in an appropriate manner, as required by the Governing Fund Documents, although the Funds and their respective investments will place varying levels of demand on these over time. In the ordinary course of Waterton conducting its activities, the interests of a Fund likely will conflict with the interests of Waterton in certain circumstances. Certain of these conflicts of interest are discussed herein. As a general matter, Waterton will determine all matters relating to structuring transactions and fund operations using its reasonable judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the advisory committees of the participating Funds.

During the investment period of a Fund, all appropriate investment opportunities will be pursued by Waterton principals through such Fund, subject to certain limited exceptions set forth in the Governing Fund Documents and Waterton's allocation policy. Without limitation, Waterton principals currently manage, and expect in the future to manage, several other investments similar to those in which a Fund will be investing, and expect to direct certain relevant investment opportunities or resources to those investments. Waterton personnel reserve the right to manage their own personal investments, whether or not through a formal family office or estate planning structure, and to pay or receive compensation relating to these arrangements. Waterton's principals and Waterton's investment staff will continue to manage and monitor such investments until their realization. Such other investments that Waterton principals expect from time to time to control or manage generally have the potential to compete with a Fund's investments. Following the investment period of a Fund, Waterton principals reserve the right to, and likely will, focus their investment activities on other opportunities and areas unrelated to such Fund's investments. Unless restricted by the Governing Fund Documents, Waterton personnel are permitted to serve on boards or act in other roles unaffiliated with Waterton, the Funds or their portfolio investments, including boards of charitable and educational institutions, public companies and former portfolio investments, and receive compensation in connection with such services and roles, and no such compensation will offset or otherwise reduce any Management Fees.

Potential conflicts are expected to arise when and to the extent a Fund makes investments in conjunction with an investment being made by another Fund, or if it were to invest in a portfolio investment in which another Fund has already made an investment. A Fund may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Funds. This likely will result in differences in price, terms, leverage and associated costs. Further, there can be no assurance that the relevant Fund and the other Fund(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. Waterton and its affiliates may from time to time express inconsistent views of commonly held investments or of market conditions more generally. There can be no assurance that the return on one Fund's investments will be the same as the returns obtained by other Funds participating in a given transaction. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Funds. In that regard, actions taken for one or more Funds may adversely affect other Funds.

Additionally, expenses relating to the Funds or portfolio investments are expected to be charged using credit cards or other widely available third-party rewards programs that provide airline miles, hotel stays, travel rewards, traveler loyalty or status programs, "points," "cash back," rebates,

discounts and other arrangements, perquisites and benefits under the available terms of such reward programs. Such terms are expected to vary from time to time, and any such rewards (whether or not *de minimis* or difficult to value) generally will inure to the benefit of the personnel participating in the rewards program, rather than the portfolio investments, the Funds or their respective investors; no such rewards will offset Management Fees.

Waterton, its affiliates, and equity holders, officers, principals and employees of Waterton and its affiliates reserve the right to buy or sell securities or other instruments that Waterton has recommended to a Fund. In addition, officers, principals and employees reserve the right to buy securities in transactions deemed unsuitable for a Fund. Any such transactions are subject to any restrictions in the Governing Fund Documents and any related policies and procedures set forth in Waterton's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of any Fund. Employees and related persons of Waterton have, and are expected to continue to have, capital investments in or alongside certain Funds, or in prospective portfolio investments directly or indirectly, as well as in investment vehicles (including private funds) sponsored by potential competitors, and therefore expects to have additional potential conflicting interests in connection with these investments.

Except to the extent prohibited by the Governing Fund Documents, Waterton and its personnel are permitted to market, organize, sponsor or act in other capacities (including as director, founder or manager) for other pooled investment vehicles, accounts or special purpose acquisition vehicles and to receive compensation (including in the form of management fees, performance-based compensation, founders' equity or similar interests) relating thereto. Subject to any limitations imposed by the Governing Fund Documents and anti-"assignment" provisions of the Advisers Act, Waterton and its personnel are also permitted to offer, restructure and monetize interests in Waterton.

Since Waterton is permitted to retain certain Supplemental Fees (as described under "Fees and Compensation") in connection with Fund investments, it expects to be subject to a potential conflict of interest in connection with approving transactions and setting such compensation. In many cases, Supplemental Fees are based on enterprise value or other metrics relating to a portfolio investment, and there can be no assurance that the amount of Supplemental Fees charged will be proportional to the amount of hours of work performed on behalf of the portfolio investment.

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

Any of these situations subjects Waterton and/or its affiliates to potential conflicts of interest. Waterton attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by Waterton's advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among a Fund, other Funds and such investment vehicles in a manner it believes to be fair and equitable to the Funds under the circumstances over time. To the extent that an investment or relationship raises particular conflicts of interest, Waterton will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, Waterton consults and receives consent to conflicts from an IAC of the relevant Fund(s) and such other investment vehicles.

Item 12: Brokerage Practices

Best Execution

To the 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 prior consent from the IAC or the limited partners of the Funds engaging in such principal or cross transaction.

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, and generally will not organize another fund with substantially similar investment objectives as an existing Fund, 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 capital has been committed to real estate investments, the acquisition period has expired or the investment does not meet the defined criteria. Waterton maintains an investor allocation policy for investment opportunities which aims to prioritize our multifamily value-add fund and then offer an opportunity to other funds and Accounts. If an investment opportunity has return characteristics that could fit more than one fund and/or Accounts, Waterton's Investment Committee will offer the opportunity to a fund or Account in accordance with the Governing Fund Documents and Waterton's investor allocation policies and practices.

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 with third parties. The decision to so allocate will be based upon a review of the investment portfolio of the current Fund and relevant Funds and upon such other factors as Waterton and/or the Co-Chairmen deem relevant, or with Investor consent if applicable/necessary. Such investments entail unique risks, such as the risk that a co-investor may have interests or goals that are inconsistent with those of the Waterton, or may be in a position to take action contrary to the Waterton's investment objectives. In addition, there may be a limited amount of interests available for investing, meaning Waterton is unable to acquire as much of the investment as it desires.

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 (iv) 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 initially paid by the Funds, but Waterton will ultimately bear such fees and expenses through an offset to 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, and no such fees will offset or otherwise reduce the Management Fees.

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. Each Fund identifies its custodian in the Investment Manager's Form ADV Part 1A.

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 generally 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 publicly 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.