



Form ADV Part 2A Brochure

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This brochure provides information about the qualifications and business practices of Hudson Americas L.P. (“HAM”), the filing adviser, and its relying adviser, Hudson Advisors L.P. (“HAL”). Together, HAM, its relying adviser and its participating affiliates (listed in Item 10) are referred to herein as “Hudson”. If you have any questions about the contents of this brochure, please contact us at 214-754-8400. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Hudson is also available on the SEC’s website at: www.adviserinfo.sec.gov. Registration as an investment adviser does not imply a certain level of skill or training.

Item 2: Material Changes

This brochure, dated March 31, 2021, contains routine annual updates to the prior brochure dated July 23, 2020, as well as certain other updates, including those regarding fees and expenses, conflicts of interest, and the Hudson Single-Family Rental L.P., a Delaware limited partnership (collectively with its subsidiaries and any related collective investment vehicles, the “SFR Fund”), which held its initial closing on March 5, 2021. See Item 4 – Advisory Business and Item 7 – Advisory Clients for additional information related to the SFR Fund.

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Item 4: Advisory Business

A. Organization

Founded in 1995, Hudson is a globally integrated asset manager focused on real estate, credit, equity, and other financial assets. Hudson provides investment advisory and related services to private funds and other Clients from offices in North America, Europe, Asia, and Latin America. A complete list of Hudson's relying adviser and participating affiliates is provided in Item 10.

Hudson provides investment advice and services with respect to a broad range of financial and other investment assets in various U.S. and non-U.S. jurisdictions, subject to the specific objectives and restrictions of each Client. These assets include, but are not limited to:

- Commercial Real Estate – Commercial real estate-secured debt; direct and indirect equity interests in commercial real estate and commercial real estate-related assets; commercial mortgage-backed securities (“CMBS”);
- Credit – Single-family residential real estate-secured debt; single-family residential real estate and related assets; securitized products such as residential mortgage-backed securities (“RMBS”), collateralized debt obligations (“CDOs”) (the underlying assets of which generally consist of RMBS), and other asset-backed securities (“ABS”); consumer debt;
- Corporate – Equity (typically control interests) in financially oriented and other operating companies; corporate debt; and
- Single-Family Rental Homes – Single-family rental (“SFR”) homes in targeted areas of the United States.

The sole limited partner of HAL is Hudson Advisors Holdings L.P. The majority limited partner of Hudson Advisors Holdings L.P. is Hudson LP Holdings LLC. The general partner of Hudson Advisors Holdings L.P. is Hudson Advisors GenPar LLC, which is also the general partner of HAL. Hudson Advisors GenPar LLC is owned by Hudson LP Holdings LLC. The sole member of Hudson LP Holdings LLC is Hudson LP Holdings Ltd. The Hudson LP Holdings Trust is the 100% shareholder of Hudson LP Holdings Ltd. Minot Nevada PTC, Inc. serves as trustee for The Hudson LP Holdings Trust. Minot International Ltd. is the 100% shareholder of Minot Nevada PTC, Inc., and The Minot Purpose Trust is the 100% shareholder of Minot International Ltd. Conyers Trust Company (Bermuda) Limited serves as trustee for The Minot Purpose Trust. HAL directly or indirectly owns 100% of the filing adviser HAM.

Hudson has established a group of senior professionals (the “Executive Committee”) to oversee the operations of the firm. The Executive Committee includes the following Hudson officials: the Chairman and Chief Executive Officer, the Chief Operating Officer, the Chief Business Development Officer, the Global Head of Real Estate, and the General Counsel.

B. Advisory Clients

Hudson provides investment advisory and related services to private funds (the “Funds”) and certain related investment vehicles in addition to separately managed accounts as discussed below (which Hudson refers to collectively as its “Clients”).

1. Lone Star

Lone Star Global Acquisitions, Ltd. (“LSGA”), a related person of Hudson and an SEC-registered investment adviser, is the primary adviser to a family of closed-end private Funds (the “LS Funds”). LSGA, Lone Star Americas Acquisitions, Inc. (“LSAA”), and LSAA’s relying advisers and participating affiliates are collectively referred to in this brochure as “Lone Star”. The general partners of the LS Funds (the “LS General Partners”) are affiliates of Lone Star.

Hudson was originally established to provide support to Lone Star and the LS Funds. Hudson continues to provide asset management and related services to the LS Funds, which remain its largest group of Clients. Hudson typically provides underwriting/due diligence and analysis services with respect to potential LS Fund investments in order to support evaluation and execution of such investments by Lone Star. After an investment is acquired, Hudson is typically engaged to provide asset management services. Hudson also provides various ancillary services to the LS Funds and their investments, including financing and securitization services. Lone Star is not involved in the day-to-day asset management of LS Fund investments, but rather provides strategic oversight and advice with respect to the management and ultimate resolution of these assets. Further information regarding Lone Star and its services may be found in Item 10 and in the Form ADV Part 2 brochure for Lone Star.

From time to time, Lone Star forms capital around particular or multiple investment strategies or themes, or establishes, for a specific investment or group of investments, investment vehicles through which certain persons generally invest alongside one or more LS Funds (each, a “Co-Investment Vehicle”). Co-Investment Vehicles are distinct from the Employee Investment Vehicles (as defined below). The investors in Co-Investment Vehicles may consist of investors in the respective LS Fund(s) as well as investors that have not invested in the respective LS Fund(s).

Certain employees, officers, directors, executives, members and contractors (“Key Employees”) of Hudson, Lone Star, and their affiliates are given the opportunity to invest on a side-by-side basis with the LS Funds through employee investment vehicles (each of the Hudson and Lone Star vehicles, an “Employee Investment Vehicle”).

2. SFR Fund

On March 5, 2021 Hudson Single-Family Rental GP LLC (the “SFR Fund General Partner”) held the initial closing of the SFR Fund, a perpetual life, open-ended, comingled fund with a primary investment objective to achieve attractive, risk-adjusted returns by assembling or otherwise acquiring and renting portfolios of single-family homes in targeted areas of the United States. Hudson provides investment advisory and related services to the SFR Fund. The SFR Fund General Partner is a related person of Hudson. HAL has entered into an asset management agreement with the SFR Fund pursuant to which HAL will provide advisory, portfolio, investment management, investment committee, and investor relations services for the life of the SFR Fund.

3. Family Accounts

HAL provides investment advisory services to certain accounts related to members of senior management of Lone Star and Hudson or their families (“Family Accounts”) through separately managed accounts. Generally, the Family Accounts do not engage in transactions related to other Hudson Clients and do not invest in the same types of assets as other Clients.

C. Description of Services

1. Advisory Services

Hudson provides a variety of discretionary and non-discretionary advisory services to Clients with respect to current or potential investments. Hudson conducts underwriting, due diligence, and analysis of specific assets and portfolios of assets. With regard to the LS Funds, Hudson provides due diligence and underwriting services and

advises Clients on acquisition and disposition strategies, including transaction structuring and financing, and assists with implementation of approved transactions. Hudson also advises LS Fund Clients on asset management strategies, as well as overall portfolio composition and investment strategy, managing and resolving Client assets in accordance with a business plan that Hudson develops that includes an initial acquisition plan, strategic action items to maximize profits, and a plan to assimilate the acquisition into Hudson's asset management program, or other LS Fund guidelines. Hudson tailors its non-discretionary advisory services to the investment strategies and objectives of each LS Fund Client.

For the SFR Fund, Hudson identifies the selection criteria for sourcing SFR assets for the SFR Fund and originates assets for inclusion in a portfolio of SFR homes. Once a target SFR asset or portfolio has been identified, the underwriting team will evaluate the merits and risk associated with the investment by performing an in-depth analysis of the target SFR asset's characteristics to assess the suitability of the investment. An investment committee will approve the markets to be targeted by the SFR Fund and the investment criteria for such markets, the amount of capital to be allocated, the incurrence of leverage and will approve the acquisition of portfolios of SFR assets as they arise.

In addition, Hudson will provide, for the life of the SFR Fund, advisory, portfolio and investment management, investment committee, and investor relations services, subject to the oversight of the SFR Fund General Partner. Specifically, Hudson will monitor asset and portfolio performance on behalf of the SFR Fund. Hudson will conduct a periodic review across the portfolio to provide internal valuation and review and will value the portfolio to explore disposition and financing opportunities and will execute asset dispositions.

Hudson Homes Management LLC and/or its subsidiaries (together, "Hudson Homes"), a subsidiary of Hudson, provides property management and services for U.S. residential assets held by certain of Hudson's Clients. Further information regarding these services is discussed in Item 11 – Property Management and REO Servicing.

Hudson provides services to certain LS Funds (as defined above) with respect to newly or recently originated corporate debt under the name LStar Capital.

2. Administrative and Support Services

Hudson provides to Clients certain administrative back office services, including legal, compliance, audit, accounting, administration, reporting, treasury, cash management, hedging, tax, risk management advice, operating company oversight, communications, information technology development and other similar and related services. Hudson also provides investor relations services to the LS Funds and the SFR Fund. As part of Hudson's ancillary services, it advises on the fair value of Client investments, and also provides periodic financial reports on Client investments, as discussed in Item 13.

D. Assets Under Management

As of December 31, 2020, Hudson provided investment supervisory services with respect to approximately \$39,473,491,667 in assets of its Clients, including unfunded commitments of the LS Funds, calculated in accordance with the methodology prescribed by the SEC for calculating Regulatory Assets Under Management.

Item 5: Fees and Compensation

Hudson generally receives fees, directly or indirectly, from Clients for services provided. Hudson is also generally entitled to be reimbursed by Clients for expenses paid on their behalf. Common Hudson fee and expense arrangements are discussed below. The specific fee and expense terms for each Client are subject to negotiation with the Client and are detailed in the applicable agreements with the Client, organizational or offering documents, advisory committee consents, and/or side letter agreements negotiated with the Client's investors (collectively, together with any amendments, supplements and/or restatements and relevant advisory committee meeting consents, the "Governing Documents").

Hudson typically bills fees for its services on a monthly or quarterly basis in arrears and generally does not bill in advance. In limited circumstances, Hudson fees may be payable in advance. If Hudson did not perform the applicable services for the entire quarter, Hudson would return to the applicable Client any prepaid but unearned fees. Hudson does not require or solicit prepayment of fees six months or more in advance. A Client may invest in assets directly or indirectly through special purpose entities formed to hold the Client's investments (each a "Special Purpose Vehicle" or "SPV"). Hudson's fees are billed to the applicable Client and/or SPV.

A. Fees and Expenses Payable by the LS Funds

1. Asset Management Fees

Hudson receives an asset management fee for asset management services provided to the LS Funds and related Clients. Hudson fees for asset management services are negotiated periodically and will vary within the applicable maximum asset management fee limits, as defined in the LS Funds' Governing Documents. The maximum asset management fee limits represent the maximum amount to be paid by such LS Fund on an average basis for the particular asset type, which asset types are determined based on the predominant nature of an investment at the time of acquisition. The basis for actual asset management fees are charged against the net book value of the assets (i.e., cost of the assets net of any dispositions) as of the last business day of the preceding month. To the extent that asset management services are rendered in connection with an asset that does not have a net book value (e.g., post-disposition collections, etc.), Hudson will charge a flat fee based on the estimated scope of work, as approved by Lone Star. Any such Hudson fees are subject to the maximum asset management fee limit. Hudson's fees are billed to the applicable LS Fund, to the LS Fund SPV (as defined below) that directly or indirectly owns the applicable investment, and/or to the applicable Portfolio Company (as defined in Item 11).

Hudson's actual fees and investment business plans for LS Fund investments are periodically reviewed and adjusted and are, therefore, subject to change. Lone Star and Hudson periodically benchmark the asset management fee caps against fees charged by third-party service providers.

2. Administrative and Support Services

Hudson fees for underwriting, due diligence and analysis, hedging services, and ancillary services are generally structured as hourly billing rates, fixed fees, asset value-based fees or other arrangements as agreed with the LS Funds and related Clients. With respect to the LS Funds and related Clients, fees for due diligence and analysis, hedging services and ancillary services are typically charged using actual time incurred and hourly billing rates based on the cost of providing these services, plus a specified margin.

3. Expenses

Clients are typically required to cover expenses related to their investments and the operations of the entities involved, including the offering and sale of interests to prospective investors and the organization of the Client. The specific types of expenses payable by each Client are subject to negotiation with the Client and are detailed in the applicable Governing Documents or services agreements. To the extent that Client expenses are initially incurred by Hudson rather than paid by Clients or SPVs directly, Clients will reimburse Hudson for such expenses. With regard to the LS Funds, please reference the Lone Star Form ADV for information relating to expenses borne by the LS Funds (See <https://adviserinfo.sec.gov/firm/summary/160000>).

While the general operating expenses of the LS General Partner, Lone Star, Hudson, or their affiliates (including payroll and other overhead costs and taxes) are not paid or reimbursed directly by the LS Funds, Hudson's costs of resources deployed is incorporated into Hudson's billing rates chargeable to the LS Funds. To the extent such overhead and Employee Investment Vehicle costs are incorporated into Hudson's fees and rates and such overhead costs are incorporated into the fees and rates of other affiliated service providers, such costs will be borne by the

LS Funds and will not offset fees charged to the LS Funds.

As detailed in the Governing Documents of each of the LS Funds, Hudson's billing rates reflect the overhead cost of the resources deployed, including, but not limited to, the costs of employee compensation and benefits (e.g., salary, bonus, benefits, incentive compensation, payroll taxes, recruiting fees, education and training, and severance), office leases and occupancy costs (e.g., rent, utilities, furniture and equipment, moving expense, and leasehold improvements), information technology and related support (e.g., applications, subscriptions data/cybersecurity protection), regulatory compliance, human resources, accounting and internal audit, services by certain internal professional personnel, insurance, taxes, and other operating costs (e.g., professional fees, travel, and employee-relations activities, working meals, publications and dues, supplies, and shipping costs). Hudson's rates also include administrative costs relating to the employee co-investment program, services by certain internal professional personnel, insurance, taxes, and other operating costs. Hudson makes final calculations as to the actual costs incurred as of year-end and adjusts the billing rates for such year accordingly, which may result in billing rate increases or adjustments of fees previously charged.

To the extent such overhead costs are incorporated into Hudson's billing rates, such costs will be borne by the LS Fund (including in many instances indirectly through portfolio entities) and will not offset the management fee received by LSGA or fees received by Hudson, including asset management fees paid by the LS Funds. Generally, Hudson's rates do not include costs of the LS General Partners or LSGA. Lone Star and Hudson periodically benchmark the fees charged to the LS Funds by Hudson for ancillary services and due diligence and analysis against fees charged by third-party service providers.

B. Fees and Expenses Payable by the SFR Fund

1. SFR Asset Management Fee

Each limited partner in the SFR Fund will bear an asset management fee (the "SFR Fund Asset Management Fee") to be paid on a quarterly basis in arrears. The SFR Fund Asset Management Fee will be a percentage of the SFR Fund's net asset value attributable to each limited partner's investment in the SFR Fund. The net asset value is the fair value of the SFR Fund's net assets, taking into account both the fair value of the SFR Fund's liabilities as determined by the SFR Fund General Partner, and the unamortized balance of any organizational and offering expenses of the SFR Fund (the "Net Asset Value"). The SFR Fund Asset Management Fee will compensate Hudson for advisory, portfolio, investment management, investment committee, and investor relations services for the Fund. Hudson may at any time defer, reduce, waive or otherwise modify payment of all or any part of the management fee with respect to any investor, but any such deferral, reduction, waiver, or modification shall not increase the management fee payable by any other investor.

2. Expenses

With regard to the SFR Fund and as described further in the SFR Fund Governing Documents, whether the SFR Fund makes any profits or not, the SFR Fund will be responsible for, and pay or reimburse the SFR Fund General Partner or its affiliates for, the expenses of the SFR Fund and any subsidiary of the SFR Fund, including:

- all costs pertaining to the offering and sale of units in the SFR Fund to prospective investors and the organization of the SFR Fund and the SFR Fund General Partner, including legal, printing, capital raising, accounting, regulatory compliance, administrative, filing, transportation, pre-marketing and other organizational and offering expenses;
- all expenses incurred in connection with the SFR Fund's operations, including, the fees and costs incurred in engaging various affiliated and non-affiliated parties to provide specialized property recovery, renovation, construction management, appraisal, valuation, insurance, development, marketing, broker, asset management, consulting and related services, including, Hudson, Hudson Homes and their respective affiliates;

- costs, fees and expenses of legal counsel, tax advisors, brokers, auditors, accountants, administrators, bookkeepers, custodians, depositories (including costs, fees and expenses related to appointments or changes of a depository, representative or paying agents appointed pursuant to applicable laws), banks, agents, consultants, compliance firms and other outside advisors or service providers;
- fees, costs and expenses associated with the formation and maintenance of the SFR Fund's subsidiaries;
- all expenses incurred with respect to the purchase, holding, ownership, management, hedging, financing, refinancing, sale or proposed sale of any assets (even those not consummated), and including SFR Fund Asset Management Fees;
- costs of property management, investment and fund accounting software and services (including any acquisition software platforms and tenant web portals) or other administrative or reporting tools (including subscription-based services) for the benefit of the SFR Fund;
- costs of preparing, distributing, compiling and filing financial statements and other reports, tax returns, Schedules K-1 to the limited partners or any administrative, compliance, legal, tax or regulatory filings, registrations or reports;
- the costs of prosecuting or defending any legal action for or against the SFR Fund, the SFR Fund General Partner, Hudson, Hudson Homes or their affiliates, in each case, as long as legal action relates to the SFR Fund, its business, investments, assets or operations;
- principal and interest on and fees, expenses, costs and other amounts payable in respect of or arising out of all permitted borrowings made by the SFR Fund;
- all costs and expenses, including premiums, related to risk management services and insurance for the SFR Fund, including insurance to protect the SFR Fund, its affiliates, the SFR Fund General Partner, the other parties required to be indemnified and the limited partners in connection with the SFR Fund;
- costs and expenses relating to the SFR Fund's indemnification of parties required to be indemnified pursuant to the Governing Documents;
- the cost of in-house legal, compliance, SFR Fund administrative services (including the preparation of financial and tax reports, portfolio valuation, accounting, auditing, regulatory filings and SFR Fund tax returns) and other back office services to be rendered by employees of Hudson for the SFR Fund;
- all expenses of dissolving and liquidating the SFR Fund and its subsidiaries;
- expenses related to travel associated with investigating and evaluating investment opportunities or making, monitoring, managing or disposing of investments;
- extraordinary expenses, including any changes to the management structure and operation of the SFR Fund and the terms of the SFR Fund partnership agreement, the Fund's management agreement and any agreement with any other provider of services to, or related to the SFR Fund;
- unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer by a limited partner; and

- any other fees, costs or expenses that the SFR Fund General Partner determines in good faith are properly chargeable to the fund as a result of its operations.

As described above, the SFR Fund is responsible for the cost of in-house legal, compliance, SFR Fund administrative services (including the preparation of financial and tax reports, portfolio valuation, accounting, auditing, regulatory filings and tax returns) and other back office services to be rendered by employees of Hudson for the SFR Fund, including associated overhead expenses (collectively, “Internal Back Office Resources”). Such associated overhead expenses include costs of resources deployed, including, but not limited to, the costs of employee compensation and benefits, office leases and occupancy costs, information technology and related support, regulatory compliance, human resources, accounting and internal audit, services by certain internal professional personnel, insurance, taxes, and other operating costs. To the extent such overhead and employee co-investment program-related costs are incorporated into the costs associated with Internal Back Office resources, such costs will be borne by the SFR Fund (including in many instances indirectly through its subsidiaries) and will not offset the SFR Fund Asset Management Fees or property management fees.

C. Travel, Investment-Related, and Shared Expenses; Unconsummated Transaction Expenses

Each Client generally bears all expenses related to its investments, including the broker’s commissions, clearance charges, due diligence expenses (related to consummated or unconsummated investments), loan servicing fees, travel expenses, taxes, other expenses incident to the purchase, maintenance and sale of investments by such Client, charges incurred in connection with the custody of investments, outside legal and accounting fees, insurance and litigation expenses, and any taxes, fees, or other governmental charges levied against the investment. Item 12 discusses Hudson’s practices for choosing brokers and certain other counterparties.

In some instances, expenses may be shared by multiple Clients. This creates conflicts of interest for Hudson in some instances, as the allocation of such expenses may impact the performance of different Clients, as well as management fees and carried interest allocations. As Hudson is an affiliate of LSGA and the LS General Partners, it has an interest in the allocation among LS Funds. Hudson, in conjunction with its Clients, allocates such expenses in good faith and consistent with its Clients’ policies. Hudson has implemented policies and procedures designed to ensure that expense allocations are equitable and consistent with the requirements of the applicable Governing Documents. Certain expenses shared by one or more Clients may be initially paid by a single Client, which is reimbursed by other Clients for their appropriate share of the relevant expenses.

Travel, accommodation and related expenses described herein and charged to the LS Funds and the SFR Fund as applicable include, without limitation, first class and/or business class airfare (and/or private charter, as may be permitted by the respective policies of Hudson and/or its affiliates), first class lodging, ground transportation, travel and premium meals (including, as applicable, with portfolio company management, customers, Clients, borrowers, brokers and service providers) and related costs and expenses incidental thereto.

The LS Funds and the SFR Fund will also bear any extraordinary expenses they may incur, including any litigation, arbitration or settlement expenses involving any such Fund, any investment or entities in which it has an investment or otherwise relating to such investment, and the amount of any judgments or settlements paid in connection therewith.

Finally, Clients, including the LS Funds and the SFR Fund, will also pay or reimburse Lone Star, Hudson, their general partners, and their affiliates, as applicable, for all expenses incurred in pursuit of an investment that upon initial review appeared to meet a Client’s investment guidelines and that the Client undertook efforts in furtherance of investing in, but which did not become an investment of the Client (“Unconsummated Transaction Expenses”). Examples of Unconsummated Transaction Expenses related to the LS Funds include, but are not limited to, commitment fees that become payable in connection with a proposed investment that is not ultimately made; legal, tax, accounting, financing, advisory, and consulting fees and expenses; travel, accommodation and related expenses; transaction fees; brokerage commissions; litigation expenses; printing expenses; any liquidated damages; reverse termination fees and similar payments. Examples of Unconsummated Transaction Expenses related to the

SFR Fund include, but are not limited to, expenses in connection with the identification of investment opportunities and the investigation of other potential investments that are ultimately not consummated, including expenses relating to due diligence, travel and legal, accounting and other professional services as well as the fees of other third-party advisers.

D. Fees Relating to Co-Investment Vehicles and Employee Investment Vehicles

Fee and expense arrangements for investors in Co-Investment Vehicles are often different from those of investors in the LS Funds, and management fees, carried interest, costs and expenses, and other amounts may be reduced or waived for the benefit of one or more co-investors. Co-Investment Vehicles generally do not bear any share of Unconsummated Transaction Expenses for other investments pursued by the Funds that would not have been made by such Co-Investment Vehicles.

Employee Investment Vehicles do not pay any fees to Lone Star, carried interest, or other LS Fund-level expenses. Employee Investment Vehicles do not pay any fees directly to Hudson, but receive distributions from the underlying investments net of fees paid to Hudson, transaction costs, and other fees and expenses allocated to the investment, including entity costs and costs related to audits. The Employee Investment Vehicles also bear a pro rata portion of the Unconsummated Transaction Expenses incurred by the corresponding LS Funds. Further information regarding the Co-Investment Vehicles and employee co-investment arrangements is discussed in Item 11 – Employee Investment Vehicles.

E. Family Accounts

Hudson typically charges fees for services provided to Family Accounts using hourly billing rates based on the cost of providing the services plus a specified margin. The cost of such services is not borne by other Hudson Clients.

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

Each LS General Partner, which is a related person of Hudson, receives a “carried interest,” which is a certain percentage of the actual returns in excess of certain performance hurdles of each investment made by the relevant LS Fund. Certain associated persons of Lone Star and Hudson have interests in one or more of the LS General Partners and receive a portion of such carried interest. Payment of the carried interest will generally occur on an investment-by-investment basis after all capital contributed for such investment is returned and a specific preferred return on such investment is realized and paid to the relevant LS Fund’s limited partners. The specific structure of each LS Fund’s “carried interest” is detailed in its Governing Documents.

In accordance with the Governing Documents of the SFR Fund, the SFR Fund General Partner will be entitled to share in the profits of the SFR Fund via an incentive allocation if the SFR Fund exceeds a pre-determined annualized rate of return (i.e., the hurdle amount) over a certain period of time. The incentive allocation will be equal to a portion of each limited partner’s excess profits over the hurdle amount, which is tied to an annualized return on the investor’s proportionate share of the Net Asset Value of the SFR Fund. Certain associated persons of Lone Star and Hudson have interests in the SFR Fund General Partner and will be entitled to a portion of such incentive allocation.

Item 7: Types of Clients

Hudson’s primary Clients are the LS Funds, the SFR Fund and their affiliates. Hudson may also provide services to financial institutions, corporate and public pension Funds, sovereign wealth funds, university endowments, foundations, other private funds, and operating companies.

Interests in the SFR Fund are offered pursuant to applicable exemptions from registration under the U.S. Securities Act of 1933, as amended and the U.S. Investment Company Act of 1940, as amended (the “Investment Company

Act”). Investors in the SFR Funds are generally “qualified purchasers” as defined in the Investment Company Act, and may include, among others, high net worth individuals, banks, thrift institutions, pension and profit sharing plans, trusts, estates, charitable organizations, university endowments, corporations, limited partnerships and limited liability companies or other entities.

Hudson does not have a minimum size for the SFR Fund, but minimum investment commitments will be established for investors in the SFR Fund. The SFR Fund General Partner may in its sole discretion permit investments below the minimum amounts set forth in the Governing Documents of the SFR Fund.

As noted in Item 4, Hudson provides investment advisory services to certain Family Accounts through separately managed accounts. See Item 4 – “Advisory Business” for a further description of the types of clients serviced by Hudson.

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

A. Methods of Analysis

With regard to the LS Funds, Hudson leverages its transactional experience and a global platform to provide due diligence and analysis, asset management and ancillary and other support services to the LS Funds and their assets. Specifically, when evaluating a potential investment opportunity, Lone Star generally engages Hudson to complete a full financial review and valuation, which includes a complete bottom-up, asset-based due diligence evaluation of the transaction. In connection with the acquisition of an investment by the LS Funds, Hudson prepares an initial acquisition plan that contains a summary of the investment, strategic action items to maximize profits, and a plan to assimilate the acquisition into Hudson’s asset management program. Lone Star is not involved in the day-to-day asset management of the Clients’ investments, but rather provides strategic oversight and advice with respect to the management and ultimate resolution of these assets. Hudson, with strategic oversight and investment advice from Lone Star, advises on the appropriate exit, based on the ongoing analysis of buy versus hold scenarios in an effort to achieve overall maximum risk-adjusted returns. In analyzing the preferred resolution of each asset, a variety of possible disposition alternatives are considered based on a given asset’s underlying characteristics.

With regard to the SFR Fund, Hudson identifies the selection criteria for sourcing SFR assets and originates assets. Once a target SFR asset or portfolio has been identified, the underwriting team will evaluate the merits and risk associated with the investment by performing an in-depth analysis of the target SFR asset’s characteristics to assess the suitability of the investment. An investment committee will approve the markets to be targeted by the SFR Fund and the investment criteria for such markets, the amount of capital to be allocated, the incurrence of leverage and will approve the acquisition of portfolios of SFR assets as they arise. In addition, Hudson will provide, for the life of the SFR Fund, advisory, portfolio and investment management, investment committee, and investor relations services, subject to the oversight of the SFR Fund General Partner. Specifically, Hudson will monitor asset and portfolio performance on behalf of the SFR Fund. Hudson will conduct a periodic review across the portfolio to provide internal valuation and review and will value the portfolio to explore disposition and financing opportunities and will execute asset dispositions.

B. Investment Strategies

1. Lone Star Opportunity Funds

The Lone Star Opportunity Funds (“Opportunity Funds”) target opportunistic investments in a broad range of financial and other investment assets other than commercial real estate investments. The Opportunity Funds will not invest, directly or indirectly, in portfolios of assets or single asset transactions that the general partner of the applicable Opportunity Fund expects will not generate returns on a levered basis consistent with the Opportunity Fund’s opportunistic investment strategy. Subject to the leverage limitations set forth in the relevant Governing Documents, an Opportunity Fund, directly or through SPVs, may use a substantial amount of direct or indirect

leverage in connection with its investments.

2. Lone Star Real Estate Funds

The Lone Star Real Estate Funds (“Real Estate Funds”) target investments in a broad range of financial and other investment assets which the relevant general partner has determined consist of opportunistic commercial real estate investments. Subject to the leverage limitations set forth in the relevant Governing Documents, the Real Estate Funds, directly or through the Fund entities, may use a substantial amount of direct or indirect leverage in connection with its investments.

3. Lone Star Residential Mortgage Funds

The Lone Star Residential Mortgage Funds (“Residential Mortgage Funds”) target investments in assets predominantly comprised of or relating to U.S. single family residential real estate and related assets. The Residential Mortgage Funds directly or through SPVs, are expected to deploy a substantial amount of direct or indirect leverage in connection with their investments, including through the use of securitizations.

4. Lone Star Value Add Fund

The Lone Star Value Add Fund (“VAF”) targets investments that the general partner has determined, in its sole discretion, consist of commercial real estate investments with value-add characteristics, in each case, that the general partner expects will generate a gross internal rate of return below the opportunistic target return of the Real Estate Funds. VAF may finance its investments in a manner that creates a substantial amount of direct or indirect leverage.

5. SFR Fund

The SFR Fund is a perpetual life, open-ended, comingled fund with a primary investment objective to achieve attractive, risk-adjusted returns by assembling or otherwise acquiring and renting portfolios of SFR homes in targeted areas of the U.S. The SFR Fund will target investments in SFR assets in metropolitan statistical areas within the U.S. that Hudson, in its discretion, identifies as appropriate for SFR Fund investments based on a variety of factors, including demographic and housing fundamentals and general market conditions.

C. Material Risk Relating to Investment Strategies and Methods of Analysis and General Risk Factors

All investments involve the risk of loss that Clients should be prepared to bear. Not all possible risks are described below, and risks described below may not be applicable to all Clients. A more detailed discussion of the risks relating to an investment in one of the LS Funds or the SFR Fund can be found in the applicable Fund’s Governing Documents.

- 1. Focused Investment Strategy.* The focused investment strategy utilized by Hudson on behalf of Clients often does not incorporate consideration of other investments held in a Client’s investment portfolio. Accordingly, portfolio risk controls such as value at risk metrics, investment diversification across regions or industries or avoidance of risk concentration at the investment portfolio level are often not considered when assessing the merits of a potential investment. Instead, Hudson’s investment strategy focuses on the expected returns of each potential investment on an individual basis. This focused investment strategy may result in a significantly higher risk profile compared to a strategy that actively diversifies investments across type, sector, location, and/or other risk factors.
- 2. Risk of Limited Number of Investments.* As a result of Hudson’s focused investment strategy, Clients may participate in a limited number of investments or a limited number of asset classes and, as a consequence, the aggregate return of Client portfolios may be substantially adversely affected by the unfavorable performance of even a single investment. In addition, to the extent a Client participates in a limited number

of investments, the diversification of the Client's investments across asset classes and geographic regions could be limited.

3. *Limited Current Return.* The return of capital and the realization of gains, if any, will generally occur only upon the partial or complete disposition of a Client's investment. Developments in global and U.S. financial markets over the past few years and new developments, if they occur, may adversely impact the ability of Clients to dispose of investments at their expected returns. Current returns from investments may vary, as Hudson generally attempts to maximize realized returns on the disposition of Client investments, and as such, will generally not favor early liquidation of an investment or foregoing potential disposition upside to maximize current returns.
4. *Investing in Troubled Assets.* Hudson may make investments in secured and unsecured non-performing loans or other troubled assets on behalf of Clients that involve a significant degree of legal and financial risk and, particularly in the international context, political risks. Furthermore, investments in assets operating in workout modes or under bankruptcy reorganization laws may, in certain circumstances, be subject to certain additional potential liabilities that may exceed the value of a Client's original investment. For example, under certain circumstances, lenders who have inappropriately exercised control of the management and policies of a debtor may have their claims subordinated or disallowed or counterclaims may be filed and lenders may be found liable for damages suffered by various parties as a result of such actions. In addition, under certain circumstances, payments to the Client and distributions by the Client may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment. Moreover, particularly with respect to international investments in secured and unsecured non-performing loans or other troubled assets, there are additional risks and uncertainties related to litigation, bankruptcy, and other laws and regulations affecting the rights and remedies of Clients, which can create additional financial risks to Clients.
5. *Risks of Investing in Real Estate-Related Assets.* Investments in real estate assets and real estate-related investments are subject to various risks that include, but are not limited to, those associated with the burdens of ownership of real property; general and local economic conditions; environmental, zoning and building laws and regulations (including changes thereto); environmental liabilities; casualty or condemnation losses; regulatory limitations on rents; decreases in asset values; changes in the appeal of assets to tenants; changes in supply of and demand for competing assets in an area (as a result, for instance, of overbuilding); fluctuations in the average occupancy, operating income and room rates for hotel assets; the financial resources of tenants; changes in (including increases in) interest or other borrowing rates and changes to the availability of debt financing, which may render the sale or refinancing of investments difficult or impracticable; energy and supply shortages; various uninsured or uninsurable risks; natural disasters; political events; other governmental rules and fiscal policies, including changes thereto (such as rent control); inability to compete renovations on advantageous terms; volatility of property income, laws protecting tenants and tenant relief laws; redevelopment risks; eminent domain risks; failure of subcontractors or defects in components obtained from building supply companies; environmental hazards; changes in real property tax rates and operating expenses; increased mortgage defaults; negative developments in the economy or political climate that depress travel activity; contingent liabilities on disposition of assets; acts of God; terrorist attacks; war; the availability of certain construction materials; and other factors that are beyond the control of Hudson. Because real estate, like many other types of long-term investments, historically has experienced significant fluctuation and cycles in value, specific market conditions may result in occasional or permanent reductions in the value of the investments or the collateral therefor. Developments in global and local financial and real estate markets over the past few years, and new developments in those markets, if they occur, may result in reductions in the value of real property interests.

The real estate assets associated with Client investments may be or become non-performing after acquisition for a wide variety of reasons. Such non-performing real estate investments may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a

substantial write-down of such loans or assets. However, even if an asset is performing as expected, a risk exists that, upon maturity of financing, replacement “takeout” financing will not be available or will not be available on attractive terms. It is possible that Hudson, affiliated service providers or other servicers to the relevant Fund would find it necessary or desirable to foreclose on some of the collateral securing one or more investments, but such remedy may not be available in the jurisdiction where the property is located, or if available, may not be comparable to a foreclosure action in the United States. Even if foreclosure is an option, the foreclosure process can be lengthy and expensive. At any time during the foreclosure proceedings, the borrower may file for bankruptcy, which may have the effect of further delaying the foreclosure process. Under certain circumstances, payments to the relevant Funds and distributions by the Funds to their partners may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment. Foreclosure litigation tends to create a negative public image of the collateral property and may result in disrupting ongoing leasing and management of the property.

6. *Risks of Investing in Commercial Mortgage Loans.* The value of Clients’ commercial mortgage loans and the underlying real estate will be influenced by the historical rate of commercial mortgage loan delinquencies and defaults experienced on the commercial loans and by the severity of loss incurred as a result of such defaults. The factors influencing delinquencies, defaults, and loss severity include: (i) economic and real estate market conditions by industry sectors (e.g., multifamily, retail, office); (ii) the terms and structure of the mortgage loans; and (iii) any specific limits to legal and financial recourse upon a default under the terms of the mortgage loan. Commercial mortgage loans are generally viewed as exposing a lender to a greater risk of loss through delinquency and foreclosure than lending on the security of single-family residences. The ability of a borrower to repay a loan secured by income-producing property typically is dependent primarily upon the successful operation and operating income of such property (i.e., the ability of tenants to make lease payments, the ability of a property to attract and retain tenants, and the ability of the owner to maintain the property, minimize operating expenses, and comply with applicable zoning and other laws) rather than upon the existence of independent income or assets of the borrower. Most commercial mortgage loans provide recourse only to specific assets, such as the property, and not against the borrower’s other assets or personal guarantees.
7. *Credit Risks.* A Client’s investment could lose money if the issuer or guarantor of a fixed income security is unable or unwilling, or is perceived by market participants, ratings agencies, pricing services or others as unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. Securities are subject to varying degrees of credit risk, which are often reflected in their credit ratings. The downgrade of the credit of a security held by a Client may decrease its value. “Opportunistic” assets are generally considered to have significant credit risk. With respect to the financing strategies and hedging services described above, Clients may also be subject to the risk that a counterparty to a financing arrangement or derivatives contract may be unable or unwilling to honor its obligations as a result of the counterparty’s financial condition or insolvency.
8. *Risks Associated with Mortgage-Backed Securities.* In general, risk factors discussed herein pertaining to mortgage loans (and the type of property securing such mortgage loans), would similarly pertain to any mortgage-backed security in which Clients invest. Some or all of the potential mortgage-backed securities acquired by Clients may not be rated, or may be rated lower than investment grade by one or more nationally recognized statistical rating organizations. The majority of the mortgage-backed securities acquired by Clients are typically lower-rated or unrated, and the original ratings of many of these securities were withdrawn or downgraded to levels that are significantly below investment grade. Lower-rated or unrated mortgage-backed securities in which Clients may invest have speculative characteristics that can involve substantial financial risks. Securities rated lower than “B” can be regarded as having extremely poor prospects of ever attaining any real investment standing and may be in default. Existing credit support and the owner’s equity in the property may be insufficient to protect Clients from loss. If Clients invest in subordinated mortgage-backed securities in particular, Clients will be first in line among debt holders to bear the risk of loss from collateral delinquencies and defaults. To the extent that the mortgage loans that

underlie specific mortgage-backed securities are prepayable, the value of such mortgage securities may be negatively affected by increasing prepayments, which generally occur when interest rates decline. Typically, commercial mortgage loans are not prepayable or are subject to prepayment penalties or interest rate adjustments.

9. *Risks Associated with Leveraged Buyouts.* A Client may structure one or more of its operating company investments as a leveraged buyout, in which the acquisition is financed using substantial amounts of debt secured by the target company's cash flows or other assets. These investments are particularly sensitive to adverse economic factors and other risks associated with leverage generally, which magnify their volatility and may substantially increase the Client's risk profile. In the event an operating company is unable to generate sufficient cash flow to meet the payment obligations associated with the related acquisition financing, the value of the Client's equity position in such operating company could be significantly reduced or even eliminated. In addition, such investments are subject to risks generally associated with investments in operating companies, including, without limitation, the possibility that the operating company's management may have economic or business interests or goals which are inconsistent with those of the applicable Client. Further, the exercise of control over an operating company, which often results from a leveraged buyout, imposes additional risks of liability for environmental damage, product defects, failure to supervise and other types of related liability. If such liabilities are to arise, the Client may suffer a loss on its investment.
10. *Finance Companies and Other Regulated Institutions.* A Client may invest in finance companies or other regulated institutions, which operate in a highly competitive environment and are subject to extensive regulation. Finance companies compete for loans, deposits, and other financial services with other finance companies as well as commercial banks, savings and loan associations, credit unions, mutual funds, insurance companies, brokerage and investment banking firms, and various other non-bank competitors, many of which may be subject to a lesser degree of governmental regulatory oversight and periodic examination than their competitors. Investments in certain types of institutions that provide secured and unsecured loans are highly speculative and subject to various risks, including adverse changes in national or international economic conditions; adverse local market conditions; changes in availability of debt financing; changes in interest rates, governmental rules, and fiscal policies; risks due to dependence on cash flow; risks and operating problems arising out of acts of God and other unanticipated events; uninsurable losses; and other factors that are beyond the control of the Client. In the event a finance company or similar institution forecloses on the properties, if any, securing its loans, such company would need to operate those properties, thus being subject to environmental and other risks associated with the ownership and operation of real property. Furthermore, there can be no assurance that such company would be able to sell such properties at a price that would result in a return on the loans.
11. *International Investing.* Hudson performs services for Clients on a global basis, and in particular, in North America, Europe, Asia Pacific and Latin America. Hudson may also make significant investments on behalf of Clients in countries that are considered "emerging markets". Risks to Clients' investments may result from differences between U.S. and non-U.S. countries, such as the absence of uniform accounting, auditing, and disclosure requirements; level of government oversight and other legal and regulatory differences, including weaker investor protections and fiduciary duties; less advanced bankruptcy laws; and difficulty in enforcing contractual obligations. Further risks may involve a country's potential economic, political, or social instability, which can lead to expropriation or confiscatory taxation, higher inflation, nationalization, confiscation without fair compensation, or war and can necessitate reliance on a country's diminished economic and physical infrastructure to support investment activity. In addition, in the changing global political realm, what appears to be a stable political situation at the time of an investment may change significantly before the Client can dispose of such asset. Instability in a country may also lead to fluctuations in currency exchange rates that affect the value of a Client's investments, and non-U.S. currency and other restrictions imposed to prevent capital flight, which may make it difficult or impossible to exchange or repatriate non-U.S. currency. The laws and regulations of non-U.S. countries

may impose restrictions or approval requirements that do not exist in the United States and may require the use of financing and structuring alternatives that differ significantly from those customarily used in the United States. Foreign countries also may impose taxes on the Clients and the activities of the Clients. Hudson will analyze risks in the applicable non-U.S. countries before recommending investments therein, but no assurance can be given that a political or economic climate, or particular tax, legal, or regulatory risk might not adversely affect an investment by a Client. Despite efforts by Hudson to mitigate some of the foregoing risks, these risks may ultimately limit a Client's ability to dispose of certain investments or to dispose of certain investments profitably.

12. *Financing and Use of Leverage.* A Client may employ a substantial amount of leverage in connection with their investments. Such Clients' ability to achieve or surpass target rates of return on the investments depends on its ability to access sufficient financing sources on desirable terms. Clients utilize various types of financing, such as repurchase agreements, loan facilities, swaps, and multi-tiered credit arrangements, many of which contain inherent risks. For example, the SFR Fund may, from time to time, borrow (including guaranteeing indebtedness) at the Fund level or at a subsidiary of the Fund on a secured or unsecured basis. A Client's investments are typically financed by initially borrowing under a general facility and/or third-party financing, subsequently to be replaced with financing that is secured by the specific investment that is being financed. This leverage will increase the exposure of such investments to adverse economic factors such as significantly rising interest rates, increased risk spreads, severe economic downturns, or deterioration in the condition of the investment or its corresponding market. Generally, the presence of leverage in a Client's investments magnifies their volatility and may substantially increase the Client's risk profile. In the event a specific investment is unable to generate sufficient cash flow to meet a principal or interest payment required to maintain the financing arrangement or a margin call related to an investment, the value of a Client's equity position in that investment and other investments of the Client could be significantly reduced or even eliminated. The amount and terms of financing available to a Client could affect the returns generated by the Client and the ability to structure potential transactions. While Hudson will take the availability and terms of financing into consideration when identifying, assessing, and structuring potential investments, a decrease in the ability of a Client to leverage the investments could adversely affect the returns generated by the Client and could result in fewer investments being made, therefore reducing the diversification of the portfolio. If interest rates rise, as anticipated, the cost of financing will increase. Further, deterioration in the ability of a Client to leverage the investments could result in the aggregate return of the Client being substantially adversely affected.

The SFR Fund General Partner may use credit facility leverage for working capital, including to fund management fees payable to Hudson and other expenses of the SFR Fund, to finance investments, to bridge capital calls, to provide interim bridge financing and capital, and for other similar purposes. In some cases, the use of credit facility leverage may delay calling capital from limited partners, which may increase the internal rate of return of an investment. It may also increase the probability of the SFR Fund General Partner receiving an incentive allocation. In addition, the existence of credit facility leverage (which may be secured in part by a pledge of the capital commitments of the SFR Fund partners) may impair a limited partner's ability to transfer its units as a result of restrictions imposed on such transfers by lenders. The SFR Fund will pay interest expenses and other expenses incurred in relation to the credit facility leverage. As a general matter, use of leverage in lieu of drawing down capital commitments amplifies returns (either negative or positive) to limited partners.

In connection with any credit facility leverage used by a Client, the borrowers thereon (and investors) may be required to make certain representations and warranties to one or more lenders. The borrowers thereon (and the investors) may also be required to indemnify the lenders pursuant to any credit facility in case any such representations and warranties are inaccurate. These arrangements may create contingent liabilities of the Client and/or its subsidiaries, for which the LS General Partners or the SFR Fund General Partner may

establish reserves or escrow accounts in which the Limited Partners would be required to fund a pro rata share. Additionally, if one or more banking institutions, which are a party to such credit facility, fails to fund a request (or any portion of such request) by a Client to borrow money, the Client's ability to make investments, fund operations and pay debt service could be reduced, each of which could adversely affect the Client's operations.

In addition, the extent to which the SFR Fund or other Client uses leverage may have other important consequences to investors, including the following: (a) use of cash flow (including capital contributions) for debt service and related costs and expenses, rather than for additional investments, distributions or other purposes, (b) increased interest expense on variable-rate borrowings if interest rate levels were to increase, (c) in certain circumstances, prematurely disposing of investments to service a Client's debt obligations, and (d) limitation on the flexibility of a Client to make distributions to its investors or sell assets that are pledged to secure the indebtedness. There can be no assurance that Clients will have sufficient cash flow to meet their debt service obligations. As a result, Clients' exposure to losses may be increased due to the illiquidity of their investments generally.

As discussed above, the Clients expect to use a variety of financing sources including, without limitation, repurchase agreements. The repurchase agreements used by the Client for financing purposes may have various terms ranging from a month or less to five or more years. An inability of a Client to re-lever or obtain take-out financing for Client's investments at the end of the term of a given financing arrangement may have an adverse impact on the aggregate returns of such investment. Further, in the event that any given financing arrangement is terminated prior to its expected term, a Client may not be able to refinance the underlying investment in a timely manner, or on the same terms as the prior financing arrangement, or on any terms. In addition to the enhanced portfolio volatility and risk that may arise from the use of leverage, financing instruments are generally subject to credit risks with respect to the counterparty. Financing transactions typically involve the transfer of legal title, pledge, or other encumbrance of the underlying investment of the Client. Repurchase agreements may require the transfer of title to the underlying assets and may reduce the options available to resolve any issues with the counterparty involved in such repurchase agreements. The number of potential counterparties offering financing of the type desired by a Client may be very limited, which may result in less attractive terms and conditions, and concentrations of financings with such counterparties. Accordingly, the insolvency or bankruptcy of a financing counterparty may result in legal action that impairs the value or marketability of the underlying investment, or a Client's ownership rights. There can be no assurance that the Client will recover all or any of the economic value of the investment under such circumstances, and any such recovery may require the payment of substantial legal costs.

13. *Illiquidity of Investments.* Most Client investments are highly illiquid, and there can be no assurance that the Clients will be able to realize these investments in a timely manner. While certain investments by the Clients may generate current income, the return of capital and the realization of gains, if any, with respect to certain other investments will generally occur only upon the partial or complete disposition of such investment. While an investment may be sold at any time, typically this will not occur until a number of years after the investment is made. It is unlikely that there will be a public market for most of the investments held by Clients. Clients generally will not be able to sell securities held in their investment portfolios publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In some cases Clients may be prohibited by contract or regulatory requirements from selling investments for a period of time. In addition, the types of investments held by Clients may be such that they require a substantial length of time to liquidate. In the event of a margin call or other loan repayment at a time in which a Client does not have sufficient cash assets to cover such call or payment, Clients may have to liquidate certain investments at less than their expected returns, thereby resulting in lower realized proceeds.

14. *Swaps and Derivative Investments.* Hudson may utilize swaps and other derivative transactions on behalf

of Clients to obtain a desired exposure and such transactions may expose Clients to risk of loss. In addition, Clients may take advantage of certain other customized instruments to create “synthetic” or derivative investments that are not presently contemplated for use by Clients, or that are currently not available but that may be developed, to the extent such opportunities are both consistent with the Clients’ investment objectives and legally permissible for the Clients. To the extent Clients invest in repurchase agreements, swaps, and other “synthetic” or derivative instruments, counterparty exposures can develop and Clients take the risk of nonperformance by the other party on the contract. Transactions such as these, which are entered directly between two counterparties, may expose the parties to the risk of counterparty default. In addition, if Clients were to invest in synthetic or derivative instruments that do not currently exist, certain other risks may apply in addition to the risks described herein. Derivatives are a financial contract with a value that depends on, or is derived from, an underlying product. Some of the risks generally associated with derivatives include the risks that: (1) the value of the derivative will change in a manner detrimental to Clients; (2) another party to the derivative may fail to comply with the terms of the derivative contract; (3) the derivative may be difficult to purchase or sell; and (4) the derivative may involve indebtedness or economic leverage, such that adverse changes in the value of the underlying asset could result in a loss substantially greater than the amount invested in the derivative itself or in heightened price sensitivity to market fluctuations. Derivatives markets can be highly volatile. The profitability of investments by Clients in derivatives depends on the ability of Hudson to correctly analyze these markets, which are influenced by, among other things, changing supply and demand relationships, governmental, commercial, and trade programs and policies designed to influence world political and economic events, and changes in interest rates. In addition, the assets of Clients may be pledged as collateral in derivatives transactions. Thus, if Clients default on such an obligation, the collateral may be at risk.

15. *Reuse of Collateral.* In connection with swaps and other derivative transactions, a Client is frequently required to post collateral to transaction counterparties or clearing firms. The amount of such collateral may be material to the Client’s account. Such collateral may, from time-to-time and without notice to Hudson or the Client, be carried in the general account of the counterparty or clearing firm and may be sold, pledged, rehypothecated, assigned, invested, loaned, commingled or otherwise disposed of, or otherwise used in the business of the counterparty or clearing firm without any claim or right of any nature whatsoever of the Client. A counterparty or clearing firm holding collateral in connection with a swap or other derivative transaction is obligated to return to the Client assets equivalent to those provided as collateral. Although Hudson seeks to enter into transactions on behalf of Clients with creditworthy counterparties and clearing firms on favorable terms, there can be no assurance that collateral posted to such parties will be returned to Clients in a timely manner. The insolvency or bankruptcy of a counterparty or clearing firm may result in partial or full loss of collateral posted and may require the payment of substantial legal costs to enforce the right of Clients to the return of equivalent assets.
16. *Use of SPVs.* Clients will often use various SPVs to hold investments. The use of these SPVs may involve additional costs of formation, and operating such entities. Because of the worldwide reach of the investments made by Clients, these SPVs could be of a type with which Hudson has less familiarity, and therefore provide additional informational and operational uncertainty or difficulties in managing and disposing of investments through such entities. Some of these entities may be controlled by boards of directors, one or more members of which may, for regulatory or other reasons, not be affiliated with Hudson or the Client or subject to its (or its affiliates’) supervision and control. An SPV that holds interests in investments on behalf of a Client may be structured such that its board of directors must approve asset dispositions. A Client may not be able to execute the desired exit strategies if the directors of an SPV do not approve asset dispositions in accordance with such recommendations. Clients may incur investment losses or lost opportunities, may not be able to distribute capital in accordance with their projections, and may incur additional costs as a result of the decisions of directors of such SPVs.
17. *Investments through Partnerships, Joint Ventures, and Co-Investments.* Clients will generally make investments through or alongside partnerships, joint ventures, Co-Investment Vehicles, operating companies, corporations, companies, or other entities (collectively, “Investment Parties”). Such

investments may involve risks not present in direct investments, including, for example, the possibility that an Investment Party may commit fraud, become bankrupt, or have economic or business interests or goals which are inconsistent with those of the Client, or that any such Investment Party may be in a position to take action contrary to the Client's objectives. Furthermore, if an Investment Party defaults on its funding obligations, it may be difficult for the Client to make up the shortfall from other sources. The Client may be required to make additional contributions to replace such shortfall, thereby reducing the diversification of its investments. Any default by such Investment Party could have an extremely deleterious effect on the Client, its assets, and the interests of the limited partners. In addition, the Client may be liable for actions of an Investment Party. While the Client will attempt to limit the liability of the Client by reviewing the qualifications and previous experience of an Investment Party, it does not expect generally to obtain financial information from, or to undertake private investigations with respect to, prospective Investment Parties.

18. *Hedging Services.* Hudson may recommend that a Client enter into hedging and similar transactions with respect to foreign currency, interest rate, and other risks where deemed appropriate and cost effective. There is, however, no assurance that foreign exchange risk and/or interest rate risk can be perfectly hedged or minimized where the magnitude and timing of future cash flows can only be estimated and not known with certainty. Thus, prudent currency and interest rate hedging policies only serve to minimize or reduce these risks, but not to eliminate them completely. There can be no assurance that a Client will have sufficient liquidity or credit capacity to support the hedging services provided by Hudson, and no assurance that hedging techniques will be available, be available at a reasonable cost, or be sufficient to eliminate these risks. In addition, Hudson may recommend that a Client hedge the investment's currency or interest rate exposure at an amount less than the expected value of that investment or not at all. In such cases, the Client may suffer losses from changes in foreign exchange rates or interest rates that may have been recouped through hedging transactions if the investment had been fully hedged. With any hedging transaction there exists a risk that any counterparty to a hedging transaction will not perform as expected. There may also be complications in the enforcement of hedging transactions in the event of partial or total dissolution of a currency block such as the Euro, the imposition of currency controls, or similar currency market disruption to a hedged currency, and litigation between Clients and the hedging counterparty may result from such complications. Such a disruption to the currency markets may also cause Clients to be unable to implement hedging transactions in the affected markets for an indefinite period of time.

19. *Due Diligence.* Hudson seeks to perform reasonable and proper due diligence and analysis on each prospective investment, in an effort to identify, based on relevant facts and circumstances, investment opportunities and possible risks related to those opportunities. In conducting due diligence and analysis services, Hudson utilizes available resources, including information disclosed by the investment counterparty, and possibly other third parties involved in a potential investment transaction. The methods of analysis that Hudson employs to determine whether to recommend a particular investment may be subjective and cause Clients to lose money over short or long periods. As a result, as well as due to other risks inherent in investments generally, there can be no assurance that Hudson's recommendations will satisfy the investment objectives of any particular Client or that any Client will be able to carry out its investment strategy successfully.

The due diligence and analysis services performed by Hudson may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available at the time of an investment decision may be limited, and Hudson may not have access to detailed information regarding the investment opportunity, such as physical characteristics, structural or environmental matters, zoning regulations, or other local conditions affecting an investment. With respect to real estate-related investments, Hudson may not be able to undertake all appropriate inquiries into the previous ownership and uses of a property consistent with typical commercial or customary practice. Therefore, no assurance can be given that Hudson will have knowledge of all circumstances that may adversely affect an investment. In addition, Hudson may rely upon independent consultants or other third parties in connection with its evaluation of proposed investments; however, no assurance can be given that

such parties will accurately evaluate such investments, and Clients may incur liability as a result of their actions.

20. *Asset Management and Exit Strategies.* Hudson seeks to perform reasonable and proper asset management including exit strategies for each investment in accordance with its business plan. Due to risks inherent in investments generally, there can be no assurance that Hudson's asset management and exit strategies will satisfy the investment objectives of any particular Client or that any Client will be able to carry out its investment strategy successfully. The SFR Fund or other Client may be forced to liquidate assets on terms less favorable than anticipated and the proceeds from these investments and the remaining investments may be materially and adversely affected.
21. *Single Family Residential Mortgage-Backed Securities.* The material risks related to evaluating mortgage-backed securities and CDOs backed primarily by mortgage-backed securities, using a credit-based model, include: (1) changes affecting the model inputs used to project performance (such as prepayment speeds, delinquency rates, loss severities and interest rate assumptions); and (2) the potential for new variables (such as foreclosure moratoriums, new governmental programs, and legislative or regulatory changes) to impact actual performance. To address these risks, regular model validation tests are performed and the models are adjusted to account for changes in the market, including credit trends, servicing trends and legislative and regulatory developments. Other material risks related to evaluating mortgage-backed securities and CDOs include events that either diminish the total recovery amount on the underlying asset or significantly extend the timing of collection of such recovery amount from the sale of the underlying property. To assess these risks, multi-scenario valuations are performed (including stress-case valuations) in an attempt to determine potential downside risks of the investment. These securities also carry the risk of document ambiguities, errors or omissions. Additionally, investments in CDOs include the risk of potential conflicts of interest among the holders of various classes of notes of the CDO. To help mitigate these risks, internal counsel and, when appropriate, external counsel are engaged to review associated documents and evaluate these potential risks.
22. *Corporate Equity and Debt.* The material risks related to evaluating corporate equity and debt include: (1) changes affecting the model inputs used in the discounted cash flow method and the multiple methods (i.e. price to earnings, price-to-book, EBITDA, etc.); and (2) the potential for new variables to significantly impact the ability to realize a profit on the investment. To assess these risks, sensitivity analyses are run on a range of financial variables to evaluate the effects on returns, amongst others.
23. *Whole Loans.* The material risks related to evaluating loans include: (1) changes affecting the model inputs used to project loan performance; and (2) the potential for new variables to significantly impact the likelihood of loan repayment. To address these risks, periodic model validation tests are performed and the models are adjusted to account for changes in the market, including housing trends. Multi-scenario valuations are performed in an attempt to assess downside risk. Non-performing residential mortgage loans also have increased risk of litigation in connection with the foreclosure process. To help mitigate this risk, third-party due diligence vendors may be engaged to review a sample of loans.
24. *Commercial Real Estate Assets.* The material risks related to evaluating CMBS, commercial real estate loans and properties include: (1) changes affecting the model inputs used in the valuations; and (2) the potential for new variables to significantly impact the ability to realize a profit on the investment. To assess these risks, on-going surveillance of the market is used to adjust the model for a particular investment, and multi-scenario valuations are performed in an attempt to assess downside risk. Commercial real estate loans and CMBS also have increased risk of litigation in connection with the foreclosure process. To help mitigate this risk, third-party due diligence vendors may be engaged to review a sample of loans.
25. *Market Risks.* Clients may make investments that are publicly traded or traded in active private markets. The values of such investments are particularly susceptible to fluctuations based on market trends. Further

changes in stock prices, interest rates, currency exchange rates, or commodity prices could result in changes in the broader marketplace that adversely affect the value of publicly traded investments, particularly with respect to investments located in emerging markets or traded on relatively volatile exchanges. Clients may invest in publicly traded securities on markets that are relatively illiquid or volatile. The values of such investments are particularly susceptible to fluctuations based on market trends. Hudson may have difficulty disposing of such investments at a price and on terms that are attractive to Clients.

26. *Currency Risk.* Clients may make investments in assets denominated or valued in non-U.S. currencies. To the extent that Clients invest in securities or assets denominated in or indexed to foreign currencies, changes in currency exchange rates bring an added dimension of risk. Currency fluctuations could negatively impact investment gains or add to investment losses. Although Hudson may attempt to hedge against currency risk, the hedging instruments may not always perform as Hudson expects and could produce losses. Suitable hedging instruments may not be available for currencies of emerging market countries, and an investment may not be adequately hedged with respect to its currency exposure even if suitable hedging instruments are available.
27. *Interest Rate Risks.* Changes in prevailing interest rates could negatively affect the value of Client investments and the operations of the SFR Fund and LS Funds. Market interest rates are beyond Hudson's control, and they can fluctuate in response to general economic conditions and the policies of various governmental and regulatory agencies. Changes in monetary policy, including changes in interest rates, will influence market rates, financings and prices for purchases of loans. Rising or falling interest rate environments also entice customers to refinance. The SFR Fund and LS Funds are expected to regularly seek to implement financing and refinance existing debt, and significant declines in pricing of debt securities or increases in interest rates, or other disruptions in the credit markets, would make it difficult to carry on normal financing activities, such as obtaining committed debt financing for acquisitions, bridge financings or permanent financings. Tightening of loan underwriting standards, which often occur during market disruptions, can have a negative impact including through reduction of permitted leverage levels and increased requirements for borrower quality. The SFR Fund's and the LS Funds' ability to generate attractive investment returns will be adversely affected by any worsening of financing terms and availability.
28. *Taxation.* Investments in real estate, equity, credit, and other financial assets may be subject to various taxes and duties imposed by the jurisdiction in which such assets reside or operate. Depending on the jurisdiction, some investors in the Funds may be required to take into account their allocable share of the relevant Funds' current year activity, without regard to whether the investor has received or will receive any distributions from the Fund. Accordingly, an investor's tax liability for any taxable year associated with an investment in a Fund may exceed cash distributed to that investor during the taxable year. Each Client endeavors to structure each investment to comply with all applicable laws and regulations. However, taxing authorities may challenge a structure and, if successful, additional tax may be owed. Additionally, tax laws in any jurisdiction in which Clients invest are subject to changes or revocations which may expose Clients to unexpected taxation and reduce their returns.
29. *Tax Treatment of Profits Interest.* The Tax Cut and Jobs Act ("TCJA") requires an investment to be held for more than three years in order for the profits interest related to such investment to be treated as long-term capital gains for tax purposes. There is a risk that this requirement will cause a Fund general partner to consider its own tax consequences to the detriment of the interests of the relevant fund and its limited partners when considering the disposal of investments and the timing thereof. If such risks were to materialize, it may adversely impact the returns on the Fund investments.

In addition, a Fund's ability to achieve its investment objectives is dependent on the ability of Hudson and Lone Star to retain and motivate its investment professionals and other key personnel, and to recruit talented new personnel. The ability to recruit, retain, and motivate such professionals is dependent on the ability to offer highly attractive incentive compensation, and such compensation may be impacted by this tax

legislation. In addition, with regard to the LS Funds, other countries could clarify or modify their tax treatment of carried interest. This might make it more difficult for Lone Star and Hudson to incentivize, attract, and retain professionals, which may have an adverse effect on a Fund's ability to achieve its investment objectives.

30. *Risks of Environmental Liabilities.* Under various laws, ordinances, and regulations, an owner or operator of real property may become liable for the costs of removal or remediation of certain hazardous substances and other environmental pollutants (including, without limitation, petroleum products, asbestos, and polychlorinated biphenyls) released on, about, under, or in the property. Environmental laws often impose this liability without regard to whether the owner or operator knew of, or was responsible for, the release of hazardous substances or other environmental pollutants. The presence of hazardous substances or other environmental pollutants, or the failure to remediate hazardous substances or other environmental pollutants properly, may adversely affect the owner's ability to sell or use real estate or to borrow outside Funds using real estate as collateral. In addition, some environmental laws create a lien on contaminated property in favor of the government for costs it incurs in connection with the contamination. In addition to cleanup actions brought by governmental agencies and private parties, the presence of hazardous substances or other environmental pollutants on a property may lead to claims of personal injury, property damage, or other claims by private plaintiffs. Environmental liabilities with respect to a specific real estate asset may exceed the value of such asset, and under certain circumstances, subject the other assets of Clients to such liabilities.
31. *Regulatory Risks.* There is no assurance that the SFR Fund, the SFR Fund General Partner, the LS Funds, the LS General Partners, Hudson, any of the SPVs, or any SFR Fund or LS Fund entities will be able to: (i) obtain all required regulatory approvals not yet acquired, or that may need to be acquired in the future; (ii) obtain any necessary modifications to existing regulatory approvals; or (iii) maintain required regulatory approvals. Delay in obtaining or failure to obtain and maintain in full force and effect any regulatory approvals, or amendments thereto, or delay or failure to satisfy any regulatory conditions or other applicable requirements could prevent operations of a portfolio company, impede the development of real estate assets, delay the completion of a previously announced acquisition or disposition, cause the Client to be subject to regulatory actions, or otherwise result in additional costs to a portfolio company, or other investment, and in turn Clients. The global investment strategies of Hudson are subject to complex, changing, and sometimes competing legal, tax, and regulatory regimes throughout the world, including the EU tax regulatory regime which requires certain entities registered in all major offshore jurisdictions, including Bermuda, to maintain an economic presence and satisfy economic substance requirements in such jurisdictions, and there is a possibility that new or changing regulatory requirements could potentially have direct or indirect adverse effects on Clients.

Derivative contracts, repurchase agreements, and similar instruments used to implement hedging and financing activities of Clients are generally subject to limited regulation. New regulation in the U.S. or in non-U.S. jurisdictions relating to such instruments may limit the ability of Clients to engage in the same or similar transactions in the future, and there is a possibility that regulatory agencies may treat these instruments differently than the manner intended by Hudson. Such developments may prevent or delay the implementation of hedging or financing transactions, or result in the termination of existing arrangements. Clients may not be able to re-establish similar arrangements in a timely manner, or on the same terms as the prior financing arrangement, or on any terms.

The financial services industry and the activities of private Funds and their managers in particular, have been subject to increasing regulatory scrutiny. This increased scrutiny may reduce returns to the Funds' partners as a result of, among other things, additional compliance and administrative expenses, administrative enforcement actions, fines by regulators in the United States or in non-U.S. jurisdictions, and civil litigation. The exposure of Clients to potential liabilities and additional legal, compliance, and other related costs may adversely affect the ability of Clients to achieve their investment objectives.

32. *Pandemic Risks.* Disease outbreaks that affect local economies or the global economy may materially and adversely impact our business. For example, the recent global outbreak of the 2019 novel coronavirus (“COVID-19”), together with resulting restrictions on travel and quarantines imposed, has meaningfully disrupted the global economy and markets. Although the long-term economic fallout of COVID-19 is difficult to predict, it has and is likely to contribute to market volatility and is also likely to lead to an economic slowdown given the disruption to supply chains across sectors and industries worldwide, which may reduce market activity more generally and materially and adversely affect our Clients.
33. *Employee Misconduct.* There is a risk that individuals employed by or associated with Hudson, Lone Star and/or their affiliates and service providers may engage in the fraudulent misappropriation of the assets of one or more Clients or other misconduct that causes significant losses to such Clients and adversely affects Clients’ business or reputation. Employee misconduct may include binding a Clients to transactions that exceed authorized limits or present unacceptable risks and unauthorized trading activities or concealing unsuccessful trading activities (which, in either case, may result in unknown and unmanaged risks or losses). Losses could also result from actions by service providers, including, without limitation, failing to recognize trades or misappropriating assets. In addition, employees and service providers may improperly use or disclose confidential information, which could result in litigation or serious financial harm, including limiting Clients’ business prospects or future marketing activities. It is not always possible to detect or deter such misconduct, and the precautions taken by Hudson, Lone Star and their affiliates to detect and prevent this activity may not be effective in all cases.

In the event a court or other governmental or regulatory authority determines that an individual employed by or associated with Hudson, Lone Star, or their affiliates has engaged in criminal behavior or other misconduct (whether in connection with a Client, or otherwise), such individual’s actions may harm Clients’ reputations, such individual may no longer be available to participate in the operation of Clients’ business and no substitute may be available to step in, and Clients’ performance could be adversely affected.

34. *Cyber Security Breaches, Identity Theft, Privacy Breaches, and Other Threats.* Cybersecurity incidents and cyber-attacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. The information and technology systems of Hudson, Lone Star, and their affiliates, the LS Funds, the SFR Fund, the SPVs and portfolio companies may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, security threats (including ongoing cyber security threats to and attacks on information technology infrastructure), infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes, and earthquakes. If unauthorized parties gain access to such information and technology systems, they may be able to steal, publish, delete or modify private and sensitive information, including nonpublic personal information related to investors (and their beneficial owners) and material nonpublic information. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions and result in a failure to maintain the security, confidentiality, or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors), material nonpublic information, intellectual property and trade secrets and other sensitive information. Breaches such as those involving covertly introduced malware, impersonation of authorized users and industrial or other espionage may not be identified even with sophisticated prevention and detection systems, potentially resulting in further harm and preventing them from being addressed appropriately. Any such failure or unauthorized disclosure of data could harm the reputation of Hudson, Lone Star, the LS Funds, the SFR Fund, any of the SPVs or portfolio companies of the Funds, Hudson, or their affiliates, and could subject any such entity and its respective affiliates to legal claims, increased costs, financial losses, reputational harm, adverse publicity, regulatory intervention, and otherwise affect their business and financial performance. The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means.

The service providers of the Funds are subject to the same information security threats. If a service provider fails to adopt or adhere to adequate data security policies, or if the service provider's network is breached, information relating to the transactions of the Funds and personally identifiable information of investors (and beneficial owners thereof) may be lost or improperly accessed, used, or disclosed.

35. *Risks Related to LIBOR.* On July 27, 2017, the head of the UK Financial Conduct Authority ("FCA") announced that the FCA intends to stop encouraging or compelling banks to submit rates for the calculation of LIBOR after 2021. As of the date hereof, the continued use of LIBOR as a benchmark for floating rate business loans and for lending arrangements such as any credit facility is anticipated to be phased out no later than the end of 2021. It is possible that the LIBOR administrator and the panel banks could continue to produce LIBOR on the current basis after 2021, if they are willing and able to do so. However, the survival of LIBOR in its current form, or at all, is not guaranteed after 2021. The elimination of a reference rate or any other changes or reforms to the determination or supervision of reference rates could have an adverse impact on the market for, or value of, any securities or payments linked to those reference rates and raises certain conflicts of interest.

There remains uncertainty regarding the likely replacement benchmark rate for LIBOR. As such, the potential effect of a transition away from LIBOR on the Funds or the financial instruments in which the Funds invest cannot yet be fully determined. However, actions by regulatory authorities, financial institutions or others to phase out or eliminate LIBOR or to propose or require transition to a particular alternative rate (the "Benchmark") in a certain manner upon the occurrence of one or more future events may cause one or more of the following, among other things, to occur: (i) an increase in the volatility of LIBOR prior to the consummation of any such change; (ii) an increase in the portion of investments and temporary investments that calculate interest based on a benchmark rate other than LIBOR or bear interest at a fixed rate (which may result in decreased interest payable with respect to one or more of the Funds' investments or may make it more difficult for Funds to source new investments that satisfy the investment criteria specified in the Governing Documents); (iii) increased pricing volatility with respect to and liquidity of the loans or (iv) interest rate mismatches between the Funds' assets and liabilities. Furthermore, the transition away from LIBOR may adversely affect the Funds' ability to manage and hedge exposures to fluctuations in interest rates using derivative instruments. The transition may also result in a reduction in the value of certain investments held by the Funds or reduce the effectiveness of related transactions such as hedges. The effect of any changes to, or discontinuation of, LIBOR on the Funds will vary depending on, among other things, provisions in individual contracts and whether, how, and when industry participants develop and adopt new reference rates and alternative reference rates.

When LIBOR is phased out or eliminated as a benchmark rate, it is uncertain whether broad replacement conventions in the leveraged loan and credit facility markets will develop or be required by relevant regulators and, if conventions develop, what those conventions will be, whether they will be similar to each other and whether they (or any of them) will create adverse consequences for Funds and/or any investments. The Federal Reserve Board and the Federal Reserve Bank of New York's Alternative Reference Rates Committee ("ARRC") have however identified the Secured Overnight Financing Rate ("SOFR") as the replacement rate for derivatives, and it is likely that SOFR (or a SOFR-based rate) will become the replacement rate for syndicated loans as well. Beginning on March 2, 2020, the Federal Reserve Bank of New York published SOFR averages as well as a SOFR Index, in order to support the transition away from LIBOR. Because SOFR is a secured, risk-free rate, while LIBOR is an unsecured rate reflecting counterparty risk, SOFR will not be equivalent to LIBOR. Since the initial publication of SOFR in April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmark or market rates. Any transition to and adoption of SOFR may adversely impact the pricing, liquidity, value of, and return on the Funds' investments, and there may be significant uncertainty regarding the effectiveness of SOFR as a benchmark rate. Whether SOFR attains market acceptance as a LIBOR replacement remains in question. The transition from LIBOR to an alternative reference rate could adversely affect the Funds' activities, operations, and performance.

If conventions are slow to develop regarding SOFR or another replacement benchmark rate, or if changes in the Benchmark are dependent upon mutually agreed amendments thereto by the parties to individual contracts, it is uncertain what effect broadly divergent interest rate calculation methodologies in the markets or timing with respect to such amendments will have on the price and liquidity of the affected investment or on the ability of an obligor to obtain new financing when necessary to pay or refinance any then-existing investment. In addition, Hudson is unlikely to be in a position to make individualized determinations regarding replacement benchmark rates based on the particular impact to each affected Fund.

36. *Environmental, Social and Governance Matters.* While environmental, social, and governance (“ESG”) matters are only some of the many factors that Hudson will consider in evaluating an investment, there is no guarantee that any Hudson will successfully implement and make investments that create a positive ESG impact while also achieving attractive returns for Clients. Successful engagement efforts on the part of Hudson will depend on Hudson’s skill in properly identifying and analyzing material ESG and other factors and their impact-related value, and there can be no assurance that the strategy or techniques employed will be successful. Considering ESG matters when making investment decisions is qualitative and subjective by nature, and there is no guarantee that the criteria utilized by Hudson or any judgment exercised by Hudson will reflect the beliefs or values of any particular Fund investor.

Item 9: Disciplinary Information

Lone Star Fund IV (U.S.), L.P. and Lone Star Fund IV (Bermuda), L.P. (together, “LSF IV”), together with certain co-investors, purchased, through various non-U.S. entities, a controlling interest in Korea Exchange Bank (“KEB”), a South Korean commercial bank in 2003. Several persons affiliated with Lone Star were elected to the Board of Directors of KEB (together, the “Lone Star Directors”), including Paul Yoo, a senior officer of Lone Star’s subsidiary in Korea at the time, Lone Star Advisors Korea, L.L.C (“LSAK”). Shortly thereafter, KEB, with the unanimous authorization of its Board of Directors, rescued its failing credit card affiliate (“KEB Credit”), in order to avert the latter’s impending insolvency, by merging it into the bank.

In late 2006 and early 2007, the Korean Supreme Prosecutor’s Office (“SPO”) charged Paul Yoo, and, vicariously, KEB and its LSF IV-affiliated controlling shareholder with violations of the Korean Securities and Exchange Act in connection with KEB’s merger with KEB Credit, alleging essentially that Mr. Yoo and the other Lone Star Directors conspired to unlawfully drive down the share price of KEB Credit’s shares in advance of the merger, to enable KEB to merge with KEB Credit on more favorable terms. Ultimately (in late 2011 and early 2012), after several decisions and appeals, Paul Yoo and, vicariously, the LSF IV-affiliated controlling shareholder, were convicted of this charge. Paul Yoo was also found guilty of various other charges relating to (i) failure to appear before the Korean National Assembly, (ii) breach of fiduciary duty relating to manipulation of the reported rates of return for certain investments made in Korea by certain prior LS Funds, and (iii) tax evasion relating to the transactions involved in clause (ii) above. Paul Yoo was sentenced to three years imprisonment and a fine of KRW 4.295 billion (approximately USD 3.6 million, which was suspended). The court also imposed a criminal fine of KRW 25 billion (approximately USD 21 million) on the LSF IV-affiliated controlling shareholder of KEB.

In addition, the SPO charged (i) Mr. H.C. Cheong, the President of Hudson Advisors Korea, Inc. (HAL’s affiliate in Korea at the time), with breach of fiduciary duty for manipulation of the reported rates of return for certain investments made in Korea by certain prior LS Funds (similar to the charge above against Mr. Yoo), embezzlement and tax evasion, and (ii) an entity that was 50% owned by Lone Star Fund III (U.S.), L.P. and Lone Star Fund III (Bermuda), L.P. (together, “LSF III”), vicariously for Mr. Cheong’s tax evasion charge. Although Mr. Cheong was acquitted on most of these charges, including the one for which the LSF III investment affiliate was vicariously charged, he has been convicted of certain of the breach of fiduciary duty charges and certain of the tax evasion charges.

On November 21, 2012, Lone Star initiated arbitration against the government of the Republic of Korea with the International Center for Settlement of Investment Disputes, claiming damages suffered as a result of the Korean government’s unlawful interference with Lone Star’s rights as the major shareholder of KEB and other Korean companies

Lone Star acquired in the early 2000s. The claims arise out of the government's failure to comply with its obligations under the investment treaty between Belgium and South Korea. The final hearing before the appointed arbitration tribunal was held in October 2020.

Item 10: Other Financial Industry Activities and Affiliations

A. CFTC

HAL is registered with the Commodity Futures Trading Commission (the "CFTC") as a commodity trading adviser and is a member of the National Futures Association (the "NFA").

B. Relying Advisers

Hudson Advisors L.P. is registered with the SEC in reliance on the investment adviser registration of HAM:

The filing adviser and the relying adviser share a common compliance program, including a Code of Ethics and other compliance policies and procedures.

C. Participating Affiliates

The below direct or indirect subsidiaries of HAL established outside of the United States assist HAL in rendering investment advice (the "Participating Affiliates"). As noted, certain Participating Affiliates are registered with regulatory authorities as required under local law. The Participating Affiliates and their employees are subject to HAL's oversight, its Code of Ethics and other compliance policies and procedures adopted pursuant to the requirements of the U.S. Investment Advisers Act of 1940, as amended ("Advisers Act"), as applicable (in addition to applicable local laws and regulations).

- Hudson Advisors Asia-Pacific, Limited
- Hudson Advisors Asia-Pacific, Limited (Singapore Branch)
- Hudson Assessoria Brazil Limitada
- Hudson Advisors Europe Designated Activity Company
- Hudson Advisors France S.a r.l.
- Hudson Advisors Germany GmbH
- Hudson Advisors (India) Private Limited
- Hudson Advisors Ireland Designated Activity Company
- Hudson Japan KK (registered as an investment adviser and investment manager with the Japan Financial Services Agency)
- Hudson Advisors Luxembourg S.a r.l.
- Hudson Advisors Netherlands B.V.
- Hudson Advisors Portugal, Unipessoal Lda
- Hudson Advisors (Shanghai) Co., Ltd.
- Hudson Advisors (Shanghai) Co., Ltd. (Beijing Branch)
- Hudson Advisors Spain, S.L.U.
- Hudson Advisors UK Limited (registered as a corporate finance advisory firm with the U.K. Financial Conduct Authority)

D. General Partners

As noted in Item 4 above, the SFR Fund General Partner is a related person of Hudson. The SFR Fund General Partner has, on behalf of the SFR Fund, granted to HAL the authority to provide advisory and other services to the SFR Fund.

E. Lone Star

As noted above, Hudson has been engaged to provide due diligence and analysis, asset management, and ancillary services to the LS Funds. LSGA is registered with the CFTC as a commodity pool operator and is also a member of the NFA. LSGA and the following affiliates of LSGA that provide investment advice with respect to the LS Funds are related persons of Hudson:

- Lone Star Americas Acquisitions, Inc.
- Acquisitions Lone Star Canada S.R.I.
- Lone Star Americas Acquisitions, LLC
- Lone Star Global Acquisitions, LLC
- Lone Star Asia-Pacific Acquisitions (Hong Kong) Limited (registered as an asset manager with the Hong Kong Securities and Futures Commission)
- Lone Star Asia-Pacific Acquisitions (Singapore) Pte. Ltd. (licensed for Fund management with the Monetary Authority of Singapore)
- Lone Star Brasil Acquisitions Participacoes Ltda.
- Lone Star Europe Acquisitions Limited (registered as a corporate finance advisory firm with the U.K. Financial Conduct Authority)
- Lone Star France Acquisitions SARL
- Lone Star Germany Acquisitions GmbH
- Lone Star India Acquisitions Advisors Private Limited
- Lone Star Japan Acquisitions Ltd. (registered as an investment adviser with the Kanto Financial Bureau, which operates under the authority of the Japan Financial Services Agency)
- Lone Star Spain Acquisitions S.L.U.
- Lone Star Asia Consulting Co., Ltd.

Please see Item 11 below for a discussion of certain conflicts of interest created by our relationship with Lone Star.

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

A. Code of Ethics

Hudson has adopted a Global Regulatory Compliance Manual that sets forth certain standards for its officers, employees, and other designated personnel (collectively “Designated Hudson Personnel”), including a Code of Ethics. The Code of Ethics, which is designed to comply with Rule 204A-1 under the Advisers Act, emphasizes Hudson’s fiduciary duty, including professional conduct, and personal trading procedures.

Under the Code of Ethics, Designated Hudson Personnel also are required to file certain periodic reports with the Chief Compliance Officer or his/her designee as required by Rule 204A-1 under the Advisers Act. These records will not be open to inspection by investors. Our management may from time to time implement additional internal policies or restrictions on trading by Designated Hudson Personnel and their immediate family and/or household, which are in addition to the requirements of our Code of Ethics.

Hudson will provide a copy of the Code of Ethics to any Client, prospective Client, or investor or prospective investor of a Client upon written request to the Chief Compliance Officer, Hudson Advisors L.P., 2711 N. Haskell Avenue, Suite 1800, Dallas, Texas 75204.

B. Participation or Interest in Client Transactions

1. Participation or Interest in General

None of Hudson's employees or its related persons invest in opportunities recommended to Clients, except for:

- Interests held directly by the SFR Fund General Partner in the SFR Fund;
- Investments in the Employee Investment Vehicles;
- Interests held directly by LS General Partners in the corresponding LS Funds;
- Interests in the SFR Fund General Partner held by certain associated persons of Hudson;
- Interests held by related persons of Hudson in affiliates of the SFR Fund
- Limited partnership and other ownership interests in the LS General Partners held by certain associated persons of Lone Star and Hudson;
- Limited partnership interests in certain LS Funds held by certain associated persons of Lone Star and Hudson; and
- Limited partnership interests in the SFR Fund held by related persons of Hudson.

HAL may engage in non-securities hedging transactions to help mitigate foreign currency risk on its compensation earned in currencies other than the U.S. dollar. HAL conducts these hedging transactions, in what are traditionally liquid currency markets, for HAL's own accounts. As a result of this hedging activity, HAL will likely, from time to time, hold the same or different positions than Clients in a given currency.

2. Principal Transactions

Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the Clients thereof, on the other hand. Very generally, if Hudson and/or its affiliates propose to purchase a security from, or sell a security to, a Client (a "Principal Transaction"), Hudson must disclose the material terms of the proposed transaction to the Client and obtain the Client's consent to the proposed transaction. In connection with Hudson's services for Clients, Hudson may engage in Principal Transactions. Hudson maintains certain policies and procedures to provide notice of the material terms to the Client(s), obtain consent, and document Principal Transactions.

3. Advancement of Funds

HAL or an affiliated entity may, from time to time and in limited circumstances, advance funds to an LS Fund or the SFR Fund as necessary for the relevant Fund to pay its operating expenses and, with respect to LS Funds, to satisfy margin calls or other financing needs. HAL does not make advances for investment purchases. Additionally, any such advances by HAL or an affiliated entity are not included in assets under management for purposes of calculating fees for asset management services.

HAL and its affiliates do not receive any interest with respect to such advances, but are generally entitled to seek reimbursement at times when the applicable Fund has sufficient working capital and the payment of such reimbursement would not require it to liquidate any of its investments that it would not otherwise liquidate. The right of HAL and its affiliates to be repaid any outstanding advances will be senior in priority to investors' distribution rights from the applicable Fund. Such advances are at HAL's or its affiliates' sole discretion, and there can be no assurance that HAL or its affiliates will continue to provide such advances in the future. If HAL and its affiliates are unwilling or unable to make such advances to a Fund in the future, such Fund may be required to seek other sources of funds in order to meet its financing needs, and may be required to pay interest on such funds.

C. Conflicts of Interest

1. Services Provided to Clients

As noted in Items 4 and 5 above, the general partner of each LS Fund expects to engage Hudson or service providers owned by Hudson or its affiliates to provide advisory services and administrative and support services to the LS Funds and affiliated entities. As Hudson is an affiliate of Lone Star, such fees will not be negotiated with third-parties. There can be no assurance that an unaffiliated third party would not charge a lesser rate to the applicable LS Fund. In addition, while Lone Star may obtain certain data regarding third party rates for similar services, relevant comparisons may not be available for a variety of reasons, including as a result of lack of a substantial market of providers or users for such services, confidentiality reasons and the bespoke nature of such services. As a result, market comparisons may not (and often do not) result in precise comparable data for certain services.

Hudson will receive fees from each LS Fund and the SFR Fund as set forth in the Governing Documents of the relevant Fund. By virtue of their or their associated entities' ownership interest in Hudson, certain of the senior management of Hudson or their associated entities will benefit from Hudson's relationship with and its receipt of fees from the LS Funds and the SFR Fund. Such fees and relationship will enhance the value of Hudson, and the limited partners of the LS Funds and the SFR Fund (other than those limited partners holding direct or indirect interests in Hudson) will not participate in any increase in the value of Hudson by virtue of their ownership of an interest in an LS Fund.

Because of their interests in the LS General Partners (and in some cases, the Employee Investment Vehicles) of the LS Funds, members of management of LSGA are incentivized to monitor the cost incurred and quality of services received by the LS Funds, including from Hudson. LSGA and Hudson periodically review cost and efficiency metrics regarding the services provided by Hudson to Clients.

2. Employee Investment Vehicles

Hudson and/or Lone Star have established and are expected to continue to establish co-investment programs to allow Key Employees to indirectly co-invest in investments of the LS Funds. To the extent Key Employees co-invest in investments of the LS Funds, the amount of the employees' investment will reduce the LS Fund's investment, as well as any excess interest that would otherwise be available for other co-investors. The terms of the corresponding Employee Investment Vehicles are disclosed in the LS Fund's offering documents. Although the purpose of the employee co-investment program is to align the interests of the Key Employees with those of the LS Funds, the program will also present conflicts of interest. For example, one or more of the Employee Investment Vehicles may be structured as an incentive program, and in connection therewith, Hudson, LSGA, or one or more of their affiliates may own interests in such vehicles and/or provide all of the funding related to the interests held by the Key Employees participating in such vehicles. Because Hudson, Lone Star, and/or the Key Employees participating in the Employee Investment Vehicles will typically decide whether to participate and the extent of the participation following the final closing of an LS Fund (subject to the minimum required participation set forth in the relevant LS Fund's offering documents), Hudson, LSGA, and the Key Employees may, at the time such decisions are made, have information regarding potential investments and the projected profitability of current investments that may be more comprehensive than information known by the LS Funds' investors at the time they made their investments. Key Employees may also be given or offered the opportunity to initiate or increase their participation in future investments during the investment period of an LS Fund, and may, at such time, have information regarding potential investments that is more comprehensive than information known by the LS Funds' investors at the time they made their investments; provided, however, ownership by the Employee Investment Vehicles in existing investments will not be subject to further adjustment. Prior to an LS Fund's final closing and until commitments are received from the Employee Investment Vehicles, Hudson, LSGA, and/or one or more of their affiliates will initially fund the minimum co-investment amount. Following a Fund's final closing, Key Employees will be given the opportunity to participate through one or more Employee Investment Vehicle(s) in existing investments as well as future investments to be made by the LS Fund. Participation in the Employee

Investment Vehicles will be determined by Hudson and/or LSGA by investment, region, investment type, or otherwise in an effort to incentivize Key Employees and align their interests with the interests of the relevant LS Fund. Hudson and/or LSGA (and not the individual Key Employees) will determine the aggregate co-investment percentage for investments by Employee Investment Vehicles based on the foregoing and will adjust the ownership of the Employee Investment Vehicles in the existing investments. Accordingly, the maximum contribution the Employee Investment Vehicles can make to an investment is immaterial in relation to the total investment made by the relevant LS Fund. At the time that Hudson and/or LSGA determines the initial co-investment percentage, Hudson and/or LSGA will adjust the ownership of the Employee Investment Vehicles in the existing investments. Such adjustments will be made using the cost basis to the LS Fund, which may be lower than the fair market value of the investments at the time the adjustments are made.

The Key Employees participating in the Employee Investment Vehicles may have an incentive to recommend the acquisition or disposition of assets based on their personal interests rather than the best interests of the LS Fund. If Hudson and/or LSGA structure one or more Employee Investment Vehicles as an incentive program, the Key Employees participating in such Employee Investment Vehicles will not have their own assets at risk, which could exacerbate the likelihood that the recommendations they make entail a higher level of risk. In addition, Key Employees who are not participating in the incentive program and have their own assets at risk may not be financially able to meet capital calls. Financing or other funding arrangements may be made available to the Employee Investment Vehicle or to the Key Employees to fund all or a portion of the Key Employees' investment. The financing provided to Key Employees or to the Employee Investment Vehicle on their behalf may be extensive, and to the extent such financing is recourse, may have a significant effect on the net worth of the Key Employees, and whether recourse or non-recourse may influence the Key Employees responsible for the provision of investment advice to recommend higher risk investments than they otherwise would. Hudson and LSGA have implemented policies and procedures that are designed to help mitigate these conflicts.

Also, consistent with an applicable LS Fund's offering documents, an LS Fund typically temporarily Funds the entire cost of the acquisition of investments, subject to the relevant Employee Investment Vehicle's obligation to reimburse the LS Fund, including Unconsummated Transaction Expenses. Amounts temporarily Funded by an LS Fund accrue interest that is paid to the LS Fund, together with the reimbursement of capital. The Employee Investment Vehicle shares in the risks and benefits of any hedging and financing transactions that occur prior to reimbursement of the LS Fund, although the LS Fund is directly exposed to the Key Employees' share of these risks, as well as investment-related risks, prior to reimbursement. The Employee Investment Vehicles are not responsible for any portion of the management fees payable to LSGA and other general LS Fund costs (including accounting and audit costs).

3. Allocation

Hudson provides and will continue to provide various services to the LS Funds advised by Lone Star, a related party of Hudson. Certain of the LS Funds have an investment scope that overlaps with the SFR Fund and such LS Funds may pursue investment opportunities that are the same or similar to investment opportunities targeted by the SFR Fund. Hudson has no control over what opportunities are pursued by the LS Funds. Further, Hudson and the SFR Fund General Partner are expected to refrain from pursuing investment opportunities for the SFR Fund that in their belief would compete with an LS Fund.

To the extent that certain other investment Funds, managed accounts and/or similar arrangements sponsored by Hudson have investment objectives or guidelines that overlap with those of the SFR Fund, in whole or in part, investment opportunities that fall within such common objective or guidelines will be generally be allocated among the SFR Fund and such other accounts or arrangements on a basis that Hudson determines in its discretion to be fair and reasonable over time.

4. Rates of Third-Party Advisors and Other Conflicts Relating to Service Providers

As described above, Clients will retain or pay for advisers and service providers, including accountants, administrators, lenders, bankers, brokers, attorneys, sourcing persons and consultants. Some of these advisers and service providers also provide services to or have other relationships with Hudson and/or LSGA. While Hudson will generally seek to engage advisers and service providers on behalf of Clients on the basis of the quality of the advice and other services provided, these relationships may influence Hudson's decision to select or recommend an adviser or service provider to perform services for Clients (the cost of which will generally be borne directly or indirectly by Clients).

Lone Star, Hudson, their personnel, the LS Funds and the SFR Fund will from time to time engage common service providers. In certain circumstances, advisers and other service providers may charge rates or establish other terms for advice and services provided to LSGA, Hudson, their personnel, or any of their respective affiliates that are different from and more favorable than those charged in respect of advice and services provided LS Funds or the SFR Fund. Moreover, whereas Hudson often negotiate on a matter-specific basis the rates or amounts payable for such services, the Clients from time to time pay higher rates or amounts than we would for such services.

This creates a conflict of interest between Hudson and its personnel and affiliates, on the one hand, and the LS Funds and/or the SFR Fund, on the other hand, in determining whether to engage such service providers, including the possibility that Hudson will favor the engagement or continued engagement of such persons if it, or its personnel, receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by the LS Funds and/or the SFR Fund. Neither the Funds nor investors in the Funds will receive the benefit of any such favorable rate or discount provided to Hudson, its personnel or its affiliates, and the management fee paid by the SFR Fund will not be reduced in connection with such favorable rate or discount.

In addition, service providers often charge varying amounts or may have different fee arrangements for different types of services provided. For instance, fees for various types of work often depend on the complexity of the matter, the expertise required and the time demands of the service provider. As a result, to the extent the services required by Hudson, its personnel or its affiliates differ from those required by the LS Funds and/or the SFR Fund, Hudson, its personnel and its affiliates will pay different rates and fees than those paid by the Funds.

Additionally, employees of Hudson or its affiliates, and/or their family members or relatives may have ownership, employment, or other economic or other interests in certain service providers. These relationships can influence Hudson in determining whether to select, or recommend such service provider to perform services for a Fund. Although Hudson selects service providers that it believes will enhance the performance of the relevant Fund(s), there is a possibility that Hudson, because of financial, business interest, or other reasons, may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person.

Hudson or its affiliates engage certain service providers (including law firms) on behalf of the LS Funds and/or the SFR Fund and personnel of such service provider have in the past and may in the future be seconded to Hudson or its affiliates on a temporary basis, pursuant to various arrangements including at cost or at no cost. Hudson is, from time to time, a beneficiary of these arrangements as well. Such personnel may provide services in respect of multiple matters, including in respect of matters related to Hudson and its affiliates and in any such circumstance the benefits or costs of any such personnel will be allocated in Hudson's discretion taking into consideration the usage of such personnel. In such circumstances, a conflict of interest exists because Hudson or its affiliates have an incentive to select one service provider over another on the basis that Hudson or its affiliates may receive the benefit of seconded employees from such service provider, particularly where the compensation and expenses for such personnel during the secondment is borne by the service provider and not Hudson or its affiliates.

Hudson and the LS Funds and SFR Fund will generally engage common legal counsel and other service providers in a particular transaction, including a transaction in which there may be conflicts of interest. Members of the law firms engaged to represent a Fund may be an investor in the Fund, and may also represent investors in a Fund. In the event of a significant dispute or divergence of interest between an LS Fund, the SFR Fund, Hudson and/or its affiliates, the parties may engage separate counsel in the sole discretion of Hudson and its affiliates, and in litigation and other circumstances separate representation may be required.

5. Transactions with Investors

The Funds or SPVs occasionally enter into transactions with investors or potential investors in the Funds. For example, a Fund investor may be permitted to bid on an asset being sold by a Fund. Such transactions create potential conflicts of interest for Hudson, which may be motivated to confer a benefit on an investor in order to encourage investment in future Funds or gain support on matters requiring investor approval. Hudson has implemented policies and procedures designed to ensure that any such transactions are in the best interests of the applicable Funds and are carried out on an arm's-length basis.

6. Transactions with and between Funds

Transactions with and between Funds may be approved as set forth in a Fund's Governing Documents or may be required to be approved by consent of each Fund's advisory committee. Additionally, Hudson, in limited circumstances, may cause a Fund to sell assets to, purchase assets from, or otherwise share in an investment transaction with another Fund. These transactions create conflicts of interest because, by not exposing any such transactions to market forces, a Fund may not receive the best terms otherwise possible, or Hudson might have an incentive to improve the performance of one Fund by selling underperforming assets to another Fund in order, for example, to earn fees. To address conflicts of interest, Hudson has implemented policies and procedures to address such transactions. Subject to certain exceptions, certain Funds' Governing Documents generally require its advisory committee's prior approval of conflicts of interest between Hudson and a Fund or among Funds or set out a process to address such conflicts, including proposed cross or principal transactions.

Examples of certain transactions between Funds that are approved by the Governing Documents of certain Funds are set forth below.

A Fund may (i) jointly bid on a potential transaction with another Fund (or one or more operating companies of other Funds) advised by the Lone Star, Hudson or their affiliates (including another Fund or an operating company of another Fund), (ii) enter into a joint venture agreement for the purpose of acquiring the assets comprising such transaction, and/or (iii) collectively finance the assets of such transaction, provided that in each case each Fund (or operating company) shall split the economic interests in the acquired assets in a manner consistent with their respective investment parameters and shall each bear its share of the costs and expenses of such transaction in proportion to such economic split (in the case of (i), (ii), or (iii), a "Joint Fund Transaction"). Such investments may be made via a joint venture vehicle or by acquiring such assets for the purpose of dividing them among the Funds. In addition, the Funds may obtain joint financing with respect to the purchase of such assets. Conflicts may arise with respect to the operations of such a joint venture vehicle especially with respect to management, disposition of assets, and dealing with any joint financing. If the assets are to be divided, conflicts may arise in connection with allocating the assets between Funds if the assets are suitable for more than one Fund. If the assets are owned by a joint venture between more than one of the Funds, one Fund could be the minority owner and may not have control of the day-to-day activities of the joint venture, which may affect such Fund's ability to protect its interests in the joint venture investments. Further, if one of the other joint venturers incurs any type of difficulty, such difficulty may affect the performance of the joint venture and/or create a negative market or industry perception with respect to the joint venture and the Funds. Finally, there may be circumstances where one or more of the Funds purchase and finance together an asset or pool of assets in a single transaction using a single credit facility. In such cases, the terms of financing the transaction may be impacted by the aggregate quality of the collateralized assets purchased by such Fund(s), meaning a Fund's financing costs could be higher than if a Fund financed only the assets allocated to it. The Funds from time to time enter into borrowing arrangements that require the Funds to be jointly and severally liable for the obligations. If one Fund defaults on such arrangement, the other Funds may be held responsible for the defaulted amount.

An LS Fund may also invest in or acquire entities (directly or indirectly) that provide services to, or are used for investing ("Investment Platforms") by one or more other LS Funds, provided that the investment in, or purchase,

of such Investment Platform (including any investment in or purchase of such Investment Platforms from one or more other Funds) satisfies the requirements for such investment in the LS Fund's Governing Documents, the economic interests, costs, expenses, and liabilities of such entities are reasonably allocated among the Funds holding interests in such entities; and appropriate reciprocal indemnification and risk-sharing provisions are put in place between the LS Funds holding interests in such entities ("Investment Platform Transactions"). Conflicts may arise in connection with allocating the economic interests, costs, expenses and liabilities of such entities between the LS Funds and in negotiating appropriate reciprocal indemnification and risk-sharing provisions. In addition, conflicts may arise with respect to the operations of such an Investment Platform especially with respect to management, disposition of assets, and dealing with any joint financing. An LS Fund may not have ultimate control of the Investment Platform, which may affect such Fund's ability to fully utilize such platform or to utilize it to its full advantage. Further, if the Investment Platform is co-owned by another LS Fund and such Fund experiences any type of difficulty, such difficulty may impact the use of the Investment Platform and/or create a negative market or industry perception with respect to the Investment Platform, and the relevant Funds.

A Fund and/or its affiliates may engage certain affiliates of one or more other Funds to provide goods and/or services to the Fund and/or its affiliates, and similarly, said Fund and/or its affiliates may undertake the same for one or more affiliates of one or more of the other Funds ("Related Party Transactions"). The Governing Documents of certain Funds approve such Related Party Transactions provided they do not exceed certain dollar amounts and are on terms that are commensurate with those that would be negotiated on an "arm's-length" basis by third parties. Otherwise, such Related Party Transactions may be required to be approved by the advisory committee(s) of the relevant Fund(s).

In the event a Fund invests in an entity, such entity may transact business with other Funds provided that such transaction is in the ordinary course of business of both entities (including financing transactions where one entity is in the business of lending or arranging finance) and on terms that are commensurate with those that would be negotiated on an "arm's length" basis by third parties (any such transaction, an "Operating Company Transaction"). Specifically, with regard to Operating Company Transactions, Lone Star will have to make a determination as to whether the transaction is in the ordinary course of business of both parties (including financing transactions where one entity is in the business of lending or arranging finance) and on terms commensurate with those that would be negotiated on an "arm's-length" basis by a third-party. In addition, a Fund may divest of certain assets concurrently with entities owned or controlled by others of the Funds. For example, in limited situations Hudson may concurrently assist such Fund and another of the Funds in sales of similar investments and Lone Star may provide advice with respect to such a transaction. There can be no assurance that the returns received by such Fund will be the same as or better than those received by another of the Funds due to a variety of factors. Hudson and Lone Star will take steps to seek to mitigate the foregoing conflicts, but such mitigation may be incomplete or ineffective.

7. Possession of Material Non-Public Information

Hudson periodically comes into possession of material, nonpublic information with respect to investment targets and other public companies in connection with advising Clients. Hudson maintains policies and procedures designed to protect such information in accordance with applicable regulations, including maintenance of internal watch and restricted lists. Hudson also maintains policies and procedures designed to ensure the confidentiality of Client information generally. However, Hudson generally does not maintain formal "information barriers" between different groups. Further, Lone Star and Hudson generally do not maintain formal information barriers between their operations. As a result, possession of material, nonpublic information by Hudson will often limit the ability of a LS Fund to buy or sell the applicable company's securities even if such information was not obtained on behalf of the LS Fund. In addition, Hudson, Clients, or their affiliates sometimes enter into confidentiality agreements that include provisions, such as "standstills", that limit the ability of affected entities to buy or sell certain securities, potentially for extended periods.

8. Valuation

The LS Funds' investments are anticipated to include numerous illiquid, subordinate, non-traded, or lightly traded investments held in a variety of countries for which market values are not readily available and fair values may be difficult to estimate and rely heavily on management judgement and estimates of unobservable inputs.

The fair value of all investments or of any asset received in exchange for any investment will ultimately be determined by Lone Star's Fair Value Approval Committee, in conjunction with and using information provided by Hudson. It may be the case that the carrying value of an investment may not reflect the price at which the investment is ultimately sold in the market, and the difference between carrying value and the ultimate sales price could be material. The valuation methodologies used to value any investment will involve subjective judgments and projections and may not be accurate. Valuation methodologies will also involve assumptions and opinions about future events, which may or may not turn out to be correct. Ultimate realization of the value of an asset depends to a great extent on economic, market and other conditions beyond Hudson or its affiliates' control. There will be no retroactive adjustment in the valuation of any investment or the carried interest or management fees paid to LSGA or its affiliates to the extent any valuation proves to not accurately reflect the realizable value of an asset in a LS Fund.

There may be circumstances where Hudson or LSGA is incentivized to determine valuations that are higher than the actual fair value of investments in the LS Fund's accounting records or on investor reports in order to improve the performance presented to the LS Funds' partners or prospective investors, or to minimize write-downs impacting allocations of the LS General Partner's carried interest and LSGA's management fee payments. Although Hudson has supported Lone Star in implementing valuation policies and procedures designed to mitigate these risks, there can be no assurances such valuations, or their underlying assumptions, will prove to be accurate. The valuation of investments will in certain circumstances affect the amount and timing of a LS General Partner's carried interest or the amount of compensation paid to Hudson for asset management. Similarly, the valuation of investments of a LS Fund may affect the ability of Lone Star to form and attract capital to its Funds and investment vehicles. As a result, the valuation of investments of the Funds, which generally remains in the sole discretion of LSGA, as supported by Hudson, involves conflicts.

The fair value of all investments held by the SFR Fund will be determined by the SFR Fund General Partner in accordance with the SFR Fund's valuation policy and the Governing Documents. Accordingly, the carrying value of an investment may not reflect the price at which the investment could be sold in the market, and the difference between carrying value and the ultimate sales price could be material. The valuation of investments will affect the amount and timing of the SFR General Partner's incentive allocation and the amount of management fees received by Hudson. The valuation of investments may also affect the ability of the Asset Manager to raise future Funds. As a result, there may be circumstances where the SFR Fund General Partner is incentivized to determine valuations that may be higher than the actual fair value of the investments.

The SFR Fund may rely on valuations it receives from third parties in determining the price paid for such asset or the value of such asset. Such valuations may turn out to be inaccurate and therefore affect the SFR Fund's returns with respect to such assets. There can be no certainty that the price paid for an asset by the SFR Fund will be equal to or less than the determined fair value, and as such, this may have an impact on the fair value as it is calculated and may have an impact on the performance reported to investors with respect to individual assets and the SFR Fund's entire portfolio. The valuation methodologies used to value any investment will involve subjective judgments and projections and may not be accurate. Valuation methodologies will also involve assumptions and opinions about future events, which may or may not turn out to be correct. For example, the SFR Fund General Partner, Hudson and their affiliates could believe that capitalization rates will be lower upon sale of an asset than they ultimately are, or that interest rates will decline during the hold period of an investment thereby creating attractive value even though rates do not decline. Valuation methodologies may permit reliance on a prior period valuation of particular assets. Ultimate realization of the value of an asset depends to a great extent on economic, market and other conditions beyond the SFR Fund General Partner's, Hudson's or their affiliates' control.

9. Incentive Allocation; Management Fee

The SFR Fund General Partner is entitled to receive an incentive allocation with respect to each limited partner for each pre-defined period, so long as such limited partner has recovered any losses from prior periods that have not been previously recouped. Nonetheless, in certain circumstances, the SFR Fund General Partner may be entitled to receive an incentive allocation with respect to a limited partner even if such limited partner has not received a return, over the life of its investment in the SFR Fund, sufficient to exceed a pre-defined hurdle amount per annum on its aggregate capital contributions. The existence of the SFR Fund General Partner's incentive allocation and the management fee payable to Hudson, in each case, based on the SFR Fund's Net Asset Value may create an incentive for the SFR Fund General Partner to make riskier or more speculative investments on behalf of the SFR Fund than it would otherwise make. The SFR Fund General Partner may also be motivated to accelerate acquisitions in order to increase Net Asset Value or, similarly, delay or curtail redemptions to maintain a higher Net Asset Value, which would in each case, increase the management fee distribution payable to Hudson. The SFR Fund General Partner may receive an incentive allocation in respect of unrealized appreciation of the SFR Fund's assets, and the management fee payable to Hudson will take into account the unrealized value of the Fund's assets and any cash and cash equivalents.

10. Personnel-Related Conflicts

Hudson, Lone Star, and affiliates from time to time hire short-term or long-term personnel (or interns) who are relatives of or are otherwise associated with an investor, operating company, service provider, or other Lone Star or Hudson personnel. Although reasonable efforts are made to mitigate any potential conflicts of interest with respect to each particular situation, there is no guarantee that Hudson will mitigate all such potential conflicts of interest, and there may continue to be an ongoing appearance of a conflict of interest.

Certain of Hudson's and Lone Star's existing and former employees have in the past and may in the future transition, fully or partially, to roles between Hudson and Lone Star, to operating companies or with affiliated service providers. Such a transition may have the effect of shifting, directly or indirectly, the burden of the compensation of such employees from Hudson or Lone Star to the applicable Fund and/or its portfolio companies and, in the case of a transfer to Hudson or Lone Star, may result in Hudson or Lone Star earning a profit margin in respect of such transferred employee which will be borne in whole or in part by Clients. Accordingly, Hudson put in place policies and procedures to mitigate such conflicts, including review by Hudson compliance to ensure that applicable personnel are serving in roles that are distinguishable from their former role(s) and otherwise consistent with the nature of the services provided by Hudson, Lone Star, the operating company, or affiliated service providers.

11. Outside Activities of Personnel and their Related Parties.

Senior employees of Lone Star or Hudson may be subject to a variety of conflicts of interest relating to their responsibilities to Clients' (including the LS Funds and the SFR Fund) respective investments, and their outside business activities as members of investment or advisory committees or boards of directors or advisors to investment funds, corporations, foundations or other organizations (including certain private and/or public companies in which a Client has an interest) with or without compensation. In addition, any such person who so serves will devote a portion of their time in the future to their duties associated with such positions. Employees may be also investors in certain other investments and have the right to make certain investments for their own benefit. Also, subject to the relevant Governing Documents of the LS Funds for the SFR Fund and Hudson's policies and procedures, Hudson personnel may be permitted to invest in alternative investment Funds, real estate Funds, hedge Funds and other investment vehicles, as well as securities of other companies, some of which may be competitors of one or more Clients. Clients will not receive any benefit from any such investments, and the financial incentives of Hudson personnel in such other investments could be greater than their financial incentives in relation to said Client.

Such positions create a conflict if such other entities have interests that are adverse to those of Clients, including if such other entities compete with Clients for investment opportunities or other resources. The Hudson personnel in question may have a greater financial interest in the performance of the other entities than the performance of a Client. This involvement may create conflicts of interest in making investments on behalf of Clients and such other Funds, accounts and other entities. Although Hudson will generally seek to minimize the impact of any such conflicts, there can be no assurance they will be resolved favorably for any Client.

Additionally, certain personnel and other professionals of Hudson have family members or relatives that are actively involved in industries and sectors in which the Clients invest or have business, personal, financial or other relationships with companies in such industries and sectors, which gives rise to potential or actual conflicts of interest. For example, such family members or relatives might be officers, directors, personnel or owners of companies or assets which are actual or potential investments of a Clients or other counterparties of Clients and their investments. Moreover, in certain instances, Clients – including LS Funds, the SFR Fund or their SPVs – may purchase or sell companies or assets from or to, or otherwise transact with, companies that are owned by such family members or relatives or in respect of which such family members or relatives have other involvement. To the extent Hudson and Lone Star determines appropriate, conflict mitigation strategies may be put in place with respect to a particular circumstance, such as recusal, disclosure or other steps determined appropriate by Hudson.

12. Providers of Operations Support

Hudson, Lone Star, their affiliates, the SFR Fund, and the LS Funds and/or the LS Funds' portfolio companies may from time to time, directly or indirectly, retain other companies and individuals including former employees of Lone Star, Hudson, their affiliates, employees of such affiliates, portfolio companies of the relevant Funds, third party consultants (including specialized consultants, advisers, industry specialists, external executives, industry advisory roundtable members, and similar professionals) ("Operating Partners").

The Operating Partners are engaged to provide operational support, due diligence, research, specialized operations and consulting services and similar or related services to the relevant Funds, or in connection with, one or more portfolio companies or prospective portfolio companies in relation to the diligence, structuring, valuation, acquisition, holding, improvement and disposition of such portfolio companies (such services collectively, "Operating Partner Services"). These services may include support regarding, among other things, the company's management (including serving in management positions or participating in determining corporate strategy), serving on a portfolio company board of directors, the company's supply chain, revenue and margin management (including determining sales/marketing strategy and retail strategy), data intelligence, finance (including generating metrics and reporting and business restructuring), human capital management (including recruiting personnel and determining executive/incentive compensation), information technology, corporate communications, customer service, sustainability (including, strategy, policy and reporting development), real estate matters and similar operational matters.

The nature of the relationship with each such Operating Partner and the time devotion requirements of each such Operating Partner may vary significantly. Certain Operating Partner may be subject to contractual obligations to exclusively provide certain services to the relevant Funds and/or the portfolio companies. These arrangements may be memorialized in a formal written agreement or may be informal and are negotiated individually, depending upon the anticipated Operating Partner Services to be provided. Operating Partners may under certain circumstances be offered the ability (or may under certain circumstances have a preferred right) to co-invest alongside the relevant Funds or may under certain circumstances be offered the opportunity directly by the portfolio company to invest in the company, including in investments in which such Operating Partner is involved or participates in the management thereof.

Fees, compensation, expenses and any attributable overhead associated with Operating Partner Services (collectively, "Operations Expenses") are paid and/or reimbursed by Hudson, Lone Star, portfolio companies and/or the relevant Funds. Operations Expenses (including Operations Expenses incurred in connection with an Operating Partner that is an affiliate or employee of Lone Star or its affiliates) will be determined at the discretion

of the general partner of the relevant Fund taking into account the particular Operating Partner Services, may include reimbursement of an allocable portion of an affiliated Operating Partner's compensation (including, without limitation, salary, bonus, payroll taxes and benefits) and overhead (including, without limitation, rent, property taxes and utilities allocable to the workspaces), an annual fee or retainer, a discretionary bonus, a success fee (in the form of cash or equity) based on pre-determined targets or milestones, a profits or equity interest in the relevant Fund and/or portfolio company or other incentive-based compensation to the Operating Partner, and will generally be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the Operating Partner, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such companies. The determination of whether a service is an Operations Support Service will be made by the general partner of the relevant Fund, in its good faith discretion. Operations Expenses will, from time to time also be incurred in respect of portfolio companies prior to the closing of the investment. To the extent services are provided for the benefit of the relevant Fund, without reference to a particular portfolio company, Operations Expenses incurred in connection with such services are borne by the relevant Fund and, indirectly, the investors in such Fund. Otherwise, Operations Expenses will be allocated by Lone Star or Hudson consistent with the Governing Documents of the applicable Fund. To the extent any such Operations Expenses are payable to any unaffiliated or disaffiliated Operating Partner, as determined by the general partner of the relevant Fund in its sole discretion, by the relevant Fund or a portfolio company, such Operations Expenses will be retained by such Operating Partner and will not offset the management fee payable by investors in the relevant Funds and will not benefit the Fund or its investors, even if the Operations Expenses paid by the relevant Fund or a portfolio company have the effect of reducing any retainers or minimum amounts otherwise payable by Lone Star or Hudson. In certain cases, Operations Support Providers have attributes of Hudson employees (for instance, they may have dedicated office space, receive Hudson administrative support services, participate in general meetings or events for Hudson personnel, have Hudson e-mail address or business cards), even though they are not employees, affiliates or personnel of Hudson. Lone Star and/or Hudson will be responsible for allocating Operations Expenses depending on the relevant Fund, including determining whether an Operations Expense is paid by a portfolio company, the relevant Fund, Hudson, or Lone Star. Over time, certain former employees of Lone Star or Hudson (including senior personnel) may transition to an Operating Partner role, which may shift the burden of compensating such persons from Lone Star or Hudson to the applicable Fund and/or its portfolio companies and any fees received by such persons will not reduce the management fee payable by investors in the relevant Fund.

13. Conflicts Related to Withholding of Certain Information

The Governing Documents of the SFR Fund and certain LS Funds permit the SFR Fund General Partner or the relevant general partner of the LS Fund, under certain circumstances, to withhold information from certain limited partners if the SFR Fund General Partner or the relevant general partner of the LS Fund determine in good faith that the U.S. Freedom of Information Act or similar requirements may require the limited partner to disclose certain information related to the relevant Fund.

14. Conflicts Related to the Interpretation of Governing Documents and Other Legal Requirements

The Governing Documents of the SFR Fund and related documents are detailed agreements that establish complex arrangements among the limited partners, the SFR Fund, the SFR Fund General Partner and other entities and individuals. Questions arise under these agreements regarding the parties' rights and obligations in certain situations, some of which will not have been contemplated at the time of the agreements' drafting and execution. In these instances, the operative provisions of the agreements, if any, may be broad, general, ambiguous or conflicting, and may permit more than one reasonable interpretation. At times there will not be a provision directly applicable to the situation. While Hudson will construe the relevant agreements in good faith and in a manner consistent with Hudson's legal obligations (and, when appropriate, in consultation with external legal counsel), the interpretations Hudson adopts will not necessarily be, and need not be, the interpretations that are the most favorable to the SFR Fund or its investors.

15. Management of the SFR Fund

The ultimate success of the SFR Fund is dependent on the officers and employees of Hudson. Such persons will devote such time as Hudson, in its sole discretion, deems necessary to carry out the operations of each of the SFR Fund effectively. However, the officers and employees have an obligation to devote a significant amount of their time working on matters related to more than one Client. Hudson personnel may also work on other projects, serve on other committees and source potential investments for and otherwise assist the investment programs of other investment vehicles and their investments. Time spent on these other initiatives diverts attention from the activities of the SFR Fund, which could negatively impact SFR Fund and its limited partners. In addition, should any of the officers and employees become incapacitated or in some way cease to participate in the SFR Fund, its performance could be adversely affected. Furthermore, Hudson and certain Hudson personnel derive financial benefit from these other activities, including fees and performance-based compensation. These and other factors create conflicts of interest in the allocation of time by Hudson personnel. Subject to the Governing Documents of the SFR Fund, Hudson's determination of the amount of time necessary to conduct the SFR Fund's activities will be conclusive, and limited partners of the SFR Fund will rely on Hudson's judgment in this regard. Hudson may modify its investment process and procedures from time to time, and the investment committee and other committees with respect to the SFR Fund and identify new persons for such committees from time to time.

16. Positions with Portfolio Companies

Certain personnel of Hudson or its affiliates are from time to time temporarily seconded to or otherwise engaged by certain portfolio companies on either a full-time or a part-time basis to provide services to such Portfolio Companies. In such instances, the portfolio companies will reimburse such person's directors' fees, salaries, consultant fees, other cash compensation, stock options, other equity grants or other compensation and incentives and may reimburse Hudson or its affiliates for any travel costs or other out-of-pocket expenses incurred in connection with the provision of their services. Any compensation customarily paid directly by Hudson or its affiliates to such persons will typically be reduced to reflect amounts paid directly or indirectly by the portfolio company even though the fees paid to Hudson will not be reduced. All or a portion of any such compensation and incentives will be borne by the LS Fund, directly or indirectly, via its ownership interest in such portfolio company. In certain instances, whether an individual who provides services to a portfolio company should be characterized as an industry specialist, an employee or former employee of Hudson, or a seconded employee may be unclear. In such cases, Hudson and Lone Star will make a determination in good faith based on its evaluation of the relevant facts and circumstances.

Employees of Hudson may from time to time serve as directors of, or observers on boards with respect to certain portfolio companies. While conflicts of interest may arise in the event that such employee's fiduciary duties as a director conflicts with those of the relevant LS Fund, it is expected that the interests will be aligned. In addition, to the extent an employee serves as a director on the board of more than one portfolio company, such employees' fiduciary duties among the two portfolio companies may create a conflict of interest. In addition, employees of Hudson have in the past, and may in the future, on occasion leave the employment of Hudson or its affiliates and become an officer, director, or employee of a portfolio company or related entity. In such case, upon becoming an officer or employee of a portfolio company, any compensation or fees received by such former employee from the portfolio company will not offset the management fee.

Decisions made by a director may subject Hudson, its affiliate or an LS Fund to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director-related claims. In general, the LS Funds and the SFR Fund will indemnify Hudson, its affiliates, and their partners, principals and employees from such claims. In addition, the employees of Hudson serving as directors may make decisions for a portfolio company that negatively impacts returns received by an LS Fund investing in the portfolio company.

From time to time employees of Hudson may also be asked to serve as directors of, or observers with respect to, certain entities in which a LS Fund has fully exited its ownership interest and/or following the termination of such employee's employment with Lone Star.

In connection with co-investment opportunities, some co-investors (which may include one or more investors in the Funds) may be provided with the opportunity to serve on the board of directors or board of advisors of the applicable portfolio company. Positions on board of directors or board of advisors of such portfolio companies provide such co-investors with voting rights, access to information and the ability to potentially influence the operations and decision-making of the portfolio company that are not available to other investors in the Funds. In certain cases, co-investors have contractual rights that require the approval of the co-investors for certain major actions relating to the applicable portfolio company, such as a sale of the company or the issuance of additional equity by the company. Such rights may limit the ability of Lone Star to take actions with respect to the portfolio company that Lone Star considers to be in the best interests of the Funds.

17. Side Letter Agreements

The SFR General Partner has entered into side letters with certain limited partners in connection with their admission to the SFR Fund without the approval of any other limited partner, which has the effect of establishing rights (other than as set forth in the SFR Fund Governing Documents as a general matter) under or altering or supplementing the terms of the Governing Documents with respect to such limited partners in a manner more favorable to such limited partners than those applicable to other limited partners. Such side letters may permit such limited partners to take actions on the basis of information not available to other limited partners that do not have the benefit of such agreements. Any rights or terms established in a side letter with a limited partner will govern solely with respect to such limited partner (and any of such limited partner's assignees or transferees if so specified in the side letter) and will not require the approval of any other limited partner notwithstanding any other provision of the Governing Documents.

18. Other Benefits

Hudson, Lone Star, their affiliates and their personnel and related parties will receive intangible and other benefits, discounts and perquisites arising or resulting from their activities on behalf of the SFR Fund or LS Funds, which will not offset or reduce management fees or otherwise be shared with the SFR Fund or the LS Funds, their SPVs, or their investors. Further, Hudson may receive the same benefits on behalf of other Clients. For example, airline travel or hotel stays will result in "miles" or "points" or credit in loyalty or status programs, and such benefits will, whether or not de minimis or difficult to value, inure exclusively to the benefit of Hudson, Lone Star, their affiliates or their personnel or related parties receiving them, even though the cost of the underlying service is borne by the SFR Fund or an LS Fund as partnership expenses or by its SPVs, or another Client. For certain LS Funds, limited partners consent to the existence of these arrangements and benefits.

19. Insurance

The SFR Fund will purchase or bear premiums, fees, costs and expenses (including any expenses or fees of insurance brokers) with respect to General Partnership Liability insurance insuring the SFR Fund, as well as the SFR Fund General Partner and persons entitled to indemnification from the SFR Fund, against liability in connection with the activities of the SFR Fund. The General Partnership Liability insurance policies may cover one or more of the SFR Fund and the LS Funds, Lone Star, the general partners of the LS Funds, Hudson, Hudson Homes and their affiliates (including their respective directors, officers, employees, agents and representatives, and persons entitled to indemnification) (collectively, the "Insured Parties"). The SFR General Partner, in conjunction with Lone Star, will make judgments about the allocation of premiums, fees, costs and expenses for said policies among one or more of the Insured Parties on a fair and reasonable basis, in its discretion. Additionally, insurance coverage limits may be exhausted in paying claims that are unrelated to the SFR Fund and therefore insurance proceeds may not be available to pay claims related to the SFR Fund.

20. Provision of Services to Multiple Clients

Hudson is in the business of providing a variety of services to multiple Clients and, as a result, has existing and potential relationships with a significant number of sponsors, investment managers, operating partners and companies, including those that may be sources of potential investments for the SFR Fund, including Lone Star and the LS Funds. Hudson also has relationships with numerous investors, including institutional investors and senior management. Hudson will continue to provide services to such Clients after the establishment of the SFR Fund. In providing services to such parties and the SFR Fund, Hudson may face conflicts of interest with respect to activities it recommends to, or performs for, such other parties, on the one hand, and the SFR Fund or its direct or indirect investors on the other hand. The existence and development of these relationships may influence whether or not Hudson or the SFR Fund General Partner undertakes a particular investment on behalf of the SFR Fund and, if so, the form and level of such investment. Similarly, the SFR Fund General Partner and Hudson may take into consideration these relationships in the management of the SFR Fund. Accordingly, there may be certain investments or strategies involving the management or realization of particular investments that the SFR Fund General Partner or Hudson will not undertake on behalf of the SFR Fund in view of such relationships that could have been profitable for the SFR Fund.

As part of Hudson's compliance program, Hudson maintains policies and procedures designed to identify and manage these conflicts of interest. To the extent a conflict of interest arises with respect to Hudson's engagement to provide services to one or more Clients, Hudson will either (i) provide services with respect to the Client who initially requested such services, or (ii) to the extent Hudson determines that it can provide those services to each applicable Client consistent with its policies and procedures to each such Client, provide services to each such Client. Potential mitigation could include, among other things, obtaining waivers from Clients, establishing ethical walls between teams, or other mitigating steps.

Transactions executed on behalf of proprietary accounts, or Client accounts managed by Hudson will be executed independently of the SFR Fund's transactions, and thus at prices or rates that may be more or less favorable than those achieved by Hudson for comparable transactions of the SFR Fund. The results of the SFR Fund's investment activities may differ significantly from the results achieved by other accounts managed by Hudson.

21. Property Management and REO Servicing

Hudson provides services for U.S. residential REO assets held by certain of its Clients through Hudson Homes Management LLC and/or its subsidiaries (together, "Hudson Homes"). Hudson Homes' services include property preservation, oversight of renovation and repair, leasing, property disposition and other similar and related matters. Hudson Homes is a subsidiary of HAL. Hudson Homes receives fees for REO servicing with respect to certain U.S. residential REO assets. The REO servicing fees are generally charged as a fee based on the unpaid principal balance of the loan at the time of foreclosure, plus certain incentive fees. The advisory committees of certain of the LS Funds have approved certain limitations on the fees that Hudson Homes can charge the applicable LS Funds on the unpaid principal balance of the loan at the time of foreclosure and on the incentive fees that Hudson Homes can charge the applicable LS Funds.

Hudson Homes also provides services to the SFR Fund and certain other Clients related to property management, leasing, lease management, acquisitions, marketing, and dispositions (the "Property Management Services") of SFR and other assets. In addition, Hudson Homes, directly and indirectly through affiliates and third-party vendors will provide services related to repairs, turns, maintenance, construction, modifications and property inspections ("RTM Services") for both acquired vacant and occupied SFR assets. Northsight Management, LLC and Northsight Management Solutions, LLC, indirect subsidiaries of Hudson Homes, provide property preservation, maintenance, renovation and repair, and related services ("SFR Property Services") to Clients, either directly or through Hudson Homes. The fees charged by Northsight for SFR Property Services are set forth in fee agreements with Clients and are based on the type of SFR Property Service being provided and the geographic location of the property. The advisory committees of certain of the LS Funds have approved certain limitations on the fees that Northsight can

charge the applicable LS Funds for SFR Property Services.

Similarly, Hudson Homes will receive property management fees from the SFR Fund or affiliates. Property management fees will generally consist of a monthly management fee computed and payable monthly in arrears based on a percentage of the rent collected in a given month, brokerage fees based on the gross purchase price or gross sales price for any acquisitions or dispositions of SFR assets arranged by Hudson Homes (directly or indirectly through third-party vendors), and commissions for new and renewed leases. Hudson Homes will also charge fees for RTM Services provided to the Fund or SFR Fund SPVs equal to out-of-pocket costs plus a set margin, which will be subject to a pre-determined annual inflation increase.

By virtue of its ownership interest in Hudson Homes, Hudson, its senior personnel, and their associated entities will benefit from Hudson Home's relationship with and its receipt of fees from Clients, including the LS Funds and the SFR Fund. Such fees will enhance the value of Hudson, and the limited partners of the SFR Fund and the LS Funds (other than those limited partners holding direct or indirect interests in Hudson) will not participate in any increase in the value of Hudson by virtue of their ownership of an interest in a Fund. Because Hudson is a related person of Hudson Homes, Hudson may have an incentive to increase the fees received by Hudson Homes from Clients, particularly as the property management and REO servicing fees received by Hudson Homes do not reduce or offset any other compensation payable to Hudson. Conflicts may also arise in determining whether Hudson Homes has performed its obligations to Clients. Hudson believes that these conflicts are mitigated through Hudson's continuing oversight, as well as periodic benchmarking against fees charged by third-party service providers.

- *Hudson Oversight of the Fees of Hudson Homes:* The SFR Fund General Partner will periodically review cost and efficiency metrics related to the services provided by Hudson Homes.
- *Fee Benchmarking:* Hudson periodically compares the fees charged by Hudson Homes for REO services against fees charged by third-party service providers.

22. Cross Transactions

Generally, Hudson does not cause one Client to sell assets to another Client; however, these cross transactions may be effected in rare instances. Hudson considers such transactions because they may benefit the Clients involved, meeting the objectives of both Clients while potentially reducing certain transaction costs. Cross transactions also create conflicts of interest for Hudson, which may have incentives to give one Client the benefit of a non-market price or to dispose of underperforming assets, for example to increase fees earned or improve the performance of a preferred Client.

In order to address this conflict of interest, Hudson has implemented policies and procedures that address cross transactions, requiring that such transactions be on arms-length terms and that all Clients be treated fairly and equitably over time. Hudson and/or a third party (or Lone Star, with respect to the LS Funds) would determine the fair value of the assets involved. In addition to an internal review process, material cross transactions are typically subject to review by applicable Clients (including any applicable advisory committee), in accordance with the applicable services agreements or offering documents.

23. Portfolio Company Services

In certain cases, an operating company owned by one or more LS Fund's portfolio company may be engaged to provide services to one or more other Clients, Hudson, or Lone Star. As an example, portfolio companies that provide loan servicing or property management have been engaged to provide services with respect to assets owned by Clients that do not own the portfolio companies. Such arrangements pose conflicts of interest similar to cross or principal transactions. In order to address this conflict of interest, Hudson has implemented policies and procedures that address portfolio company engagements, requiring that such arrangements be on arms-length terms and that all Clients be treated fairly and equitably. The offering documents of certain LS Funds approve such

arrangements provided these arrangements do not exceed certain dollar amounts and are on terms that are commensurate with those that would be negotiated on an arm's-length terms by third parties. Otherwise, such arrangements may be required to be approved by the advisory committee(s) of the relevant LS Fund(s). In some cases, such arrangements are disclosed to prospective investors or Clients during the offering of an LS Fund or advisory service.

24. Family Accounts

As discussed above, Family Accounts advised by HAL do not engage in transactions related to other Hudson Clients and do not invest in the same types of assets as such Clients.

Item 12: Brokerage Practices

A. Counterparty Selection

Hudson seeks to trade assets on behalf of its Clients in a manner that is fair and equitable to all Clients, and to exercise diligence and care throughout the transaction process. The majority of Client assets are not market-traded instruments and even in the limited circumstances where a Client invests in market-traded instruments, often these are unique assets that are only available from one or a limited number of counterparties (i.e., there is no meaningful market). The investment counterparty for LS Funds is typically chosen as part of the investment committee's approval of the investment, and Hudson then assists in implementing the investment decision. For other Clients, this will be negotiated on a case by case basis. Therefore, the traditional best execution concepts that apply to market-traded instruments do not easily apply to the majority of the assets that Hudson trades on behalf of its Clients.

In those cases where Hudson selects broker-dealers or other counterparties for transactions in market-traded instruments on behalf of its Clients, Hudson will do so consistent with its duty of best execution. Hudson defines "best execution" as seeking to obtain the best terms for its Clients under the particular circumstances occurring at the time of a transaction and taking into account the overall objective for the investment to which the transaction relates. It is the policy of Hudson to seek to achieve the best qualitative execution under the circumstances. Best execution does not require Hudson to obtain the lowest possible price, commission or transaction cost. Transactions may involve specialized services or considerations (such as the type of assets the Client is seeking to purchase or sell, or the availability of financing opportunities to the applicable Client) that must be considered when selecting a counterparty, and thereby entail higher markups or commissions than would be the case with transactions that do not involve any specialized services or considerations. Furthermore, because Hudson's Clients typically invest in assets that may be purchased from only one or a small number of counterparties, Hudson may not be able to obtain terms that are as favorable as those that may be available in a market with more potential counterparties.

In seeking best execution, Hudson may consider the full range and quality of a counterparty's services, including, among other things, one or more of the following factors, as applicable:

- the counterparty's ability to present Hudson with a transaction that meets the investment objectives of the relevant Client for whom the transaction is executed, including a counterparty's ability to source unique assets that may be held by a limited number of entities or by a single entity;
- the best price possible under the particular circumstances of the transaction (for example, for a sale transaction, Hudson may determine that the best price may be obtained through a competitive auction process open to a number of counterparties or, alternatively, Hudson may determine that the best price may be achieved through price negotiations with a limited number of counterparties);
- the ability of the counterparty to provide financing on the assets purchased, including either bridge financing until permanent financing can be obtained or long-term financing at inception on terms which Hudson believes are in the best interests of the relevant Client (which considerations may include,

amongst others, rate, term, recourse and asset management flexibility) (for a sale transaction, Hudson may take any breakage costs related to a financing and the willingness of a counterparty to waive such breakage costs into consideration);

- the counterparty's credit terms prior to requiring the posting of margin;
- the counterparty's ability to commit capital needed to execute the transaction;
- the ability and history of the counterparty to maintain confidentiality of a transaction (or prior transactions);
- the ability of the counterparty to execute quickly and the ability to commit capital and/or financing quickly in light of the size of the transaction;
- the reliability, integrity, reputation and execution capability of the counterparty for effecting transactions in light of the size and difficulty of executing the order;
- the financial strength and creditworthiness of the counterparty; and
- the counterparty's specialized knowledge or experience in a particular market.

B. Research, Other Soft Dollar Arrangements, Client Referrals and Directed Brokerage

Hudson receives proprietary research and other services from certain broker-dealers, which Hudson may use to service one or more Clients. Hudson does not, however, cause Clients to pay increased commissions in order to obtain the research and services provided by broker-dealers, and Hudson does not consider the provision of such research and services in the recommendation or selection of broker-dealers. When identifying potential transactions and selecting counterparties for those transactions, Hudson does not consider whether a potential counterparty provides referrals of investors or Clients. Hudson does not enter into commission sharing agreements with broker-dealers relating to transactions executed for the benefit of Clients, or participate in directed brokerage arrangements. Hudson will only permit Clients to direct brokerage to the extent that it believes such direction will not impact its ability to seek best execution for Client transactions.

During Fundraising periods, the LS General Partners may use the services of a placement agent. All fees and expenses paid to the placement agent are governed by the provisions of the applicable LS Fund's limited partnership agreement. Hudson does not consider, when selecting counterparties, whether a potential counterparty provides referrals of investors to the LS Funds; Hudson selects counterparties pursuant to one or more factors described above under "Counterparty Selection."

C. Other Third Parties

In addition to transactions with banks and broker-dealers, Hudson may engage other service providers on behalf of Clients with respect to the execution of transactions, such as lenders and real estate brokers and agents. These service providers are subject to similar selection criteria as described above for counterparties, but may also be selected based on the geographic location of the assets and the service provider's experience with the type of assets involved.

D. Aggregation of Client Transactions

Hudson will generally aggregate Client trades in the same instrument as part of the same strategy if it believes doing so is consistent with its obligation to seek best execution for all Clients. If Client trades are aggregated, each Client shares pro rata in the average cost and expenses of the applicable transaction(s). There may be situations in which aggregation of Client trades is not possible or practical because of Client restrictions or trade logistics, which may increase transaction costs and/or result in different pricing.

E. Trade Errors

Although Hudson seeks to exercise diligence and care when trading assets on behalf of Clients, errors may occur during the trading process. Hudson attempts to minimize trade errors by promptly reconciling confirmations with

trade tickets or similar transaction documentation. To the extent that a trade error occurs, Hudson works to correct the error as soon as practicable and in such a manner that any resulting loss is minimized. If a trade error results in a gain, the affected Client(s) will retain the gain. As described in the applicable Client's offering documents and/or services agreements, any loss caused by a trade error will be borne by the affected Client(s) unless the error is the result of bad faith, gross negligence or willful misconduct by Hudson. Hudson does not use commitments of future brokerage business to compensate any broker-dealer for absorbing the cost of a trade error. However, to the extent Hudson can demonstrate that a counterparty was partly or entirely responsible for a trade error, Hudson may ask that counterparty to bear part or all of the cost of the error.

Item 13: Review of Accounts

The Clients' investment portfolios are generally private, illiquid and long- or medium-term in nature; accordingly, Hudson's review of them is not directed toward a short-term decision to dispose of securities. However, Hudson maintains ongoing oversight with regard to Client investments. The Lone Star originations and Hudson asset management teams meet periodically with Lone Star's executive leadership and others to update them on investment performance and related matters. With regard to the SFR Fund, Hudson regularly reviews and reports to the SFR Fund Investment Committee on the performance of its: (i) target and actual invested markets and (ii) the SFR Fund's assets. The SFR Investment Committee will meet regularly to discuss the performance of the SFR Fund's assets, including by individual market.

Hudson generally does not provide formal written reports to the SFR Fund unless specifically requested by the SFR Fund General Partner. Hudson reports to investors in the SFR Fund in accordance with the applicable Governing Documents.

Item 14: Client Referrals and Other Compensation

Hudson does not receive economic benefits from a non-Client for providing investment advice or other advisory services to its Clients. Hudson, or its affiliates may on occasion receive certain fees from third parties with respect to the business of Clients, including financial advisory, director, or transaction-related fees ("Additional Fees"). Any such Additional Fees will be offset against fees or expenses payable by the affected Clients to Hudson or its affiliates.

Neither Hudson nor its related persons directly or indirectly compensate any third party for advisory Client referrals. Hudson or Lone Star may enter into placement agent arrangements with unaffiliated third parties regarding the solicitation of investors for compensation. All fees and expenses paid to the placement agent are ultimately the responsibility of the applicable LS General Partner, as governed by the provisions of the applicable LS Fund's offering documents. The placement agent is paid a fee based on the amount of capital committed by each investor solicited by the placement agent and accepted by the LS General Partner of the applicable LS Fund.

Item 15: Custody

Not applicable.

Item 16: Investment Discretion

Hudson provides discretionary investment advisory services to the SFR Fund and certain of its Clients involving a significant amount of investment discretion. With regard to the LS Funds, Clients typically communicate guidelines through Client review of business plans or inclusion of Client guidelines in the applicable services agreement.

Item 17: Voting Client Securities

Hudson has been delegated the authority to vote proxies on behalf of the LS Funds. LS Funds may not direct such

proxy voting. Hudson will also generally accept responsibility for proxy voting at the request of other Clients. Hudson has adopted a Proxy Voting Policy and related procedures that require Hudson to vote Client proxies with diligence, care and loyalty and in accordance with Hudson's fiduciary duty to its Clients, which generally means voting proxies in a way that maximizes the value of Client assets. But Hudson reserves the right to abstain on any particular vote or otherwise withhold its consent on any matter if Hudson determines that the costs associated with the vote outweigh the benefits to the relevant Clients or if the circumstances make such an abstention or withholding otherwise advisable and in the best interests of the relevant Clients.

As applicable, the Hudson authorized officer voting a proxy will consider whether Hudson is subject to any material conflict of interest in connection with that proxy vote. The authorized officer must notify Hudson's Chief Compliance Officer if the authorized officer is aware of any material conflict of interest (or potential material conflict of interest) associated with a proxy vote. The authorized officer and the Chief Compliance Officer will consult with internal and/or outside legal counsel, as appropriate, regarding an appropriate course of action, and will document their basis for the resulting voting decision. All potential proxy vote conflicts of interest related to the LS Funds shall be escalated to the Lone Star Chief Compliance Officer.

Hudson will provide a Client or investor with information about how a proxy was voted, or with a copy of the Proxy Voting Policy and related procedures, upon written request to the Chief Compliance Officer, Hudson Advisors L.P., 2711 N. Haskell Avenue, Suite 1800, Dallas, Texas 75204.

Item 18: Financial Information

Hudson does not require or solicit prepayment of fees six months or more in advance.

Hudson has never filed for bankruptcy and is not aware of any financial condition that is expected to affect or is reasonably likely to impair its ability to meet its contractual obligations to its Clients.