

RELATED FUND MANAGEMENT, LLC

30 Hudson Yards, 83rd Floor
New York, NY 10001
P: (212) 801-1000
F: (212) 801-1003

Part 2A of Form ADV: Firm Brochure

March 31, 2021

This brochure provides information about the qualifications and business practices of Related Fund Management, LLC. If you have any questions about the contents of this brochure, please contact us at (212) 801-1000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Related Fund Management, LLC also is available on the SEC's website at <https://adviserinfo.sec.gov/>.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

ITEM 2 MATERIAL CHANGES

The most recent Part 2A of Form ADV for Related Fund Management, LLC (“*RFM*”) was dated March 30, 2020 (the “*2020 Annual Amendment*”). The material changes since the 2020 Annual Amendment are as follows:

- Item 4: Updated the dollar amount for assets under management of RFM as of December 31, 2020.

TABLE OF CONTENTS

ITEM 2 MATERIAL CHANGES	2
TABLE OF CONTENTS.....	3
ITEM 4 ADVISORY BUSINESS.....	4
ITEM 5 FEES AND COMPENSATION.....	5
ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT	8
ITEM 7 TYPES OF CLIENTS	9
ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS	9
ITEM 9 DISCIPLINARY INFORMATION	35
ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	35
ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING	37
ITEM 12 BROKERAGE PRACTICES.....	39
ITEM 13 REVIEW OF ACCOUNTS	40
ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION.....	40
ITEM 15 CUSTODY	41
ITEM 16 INVESTMENT DISCRETION	41
ITEM 17 VOTING CLIENT SECURITIES	41
ITEM 18 FINANCIAL INFORMATION	42
ITEM 19 REQUIREMENTS FOR STATE-REGISTERED ADVISERS	42

ITEM 4 **ADVISORY BUSINESS**

A. Description of Advisory Firm and Principal Owner.

Related Fund Management, LLC (“RFM”) is a Delaware limited liability company formed in April 2009 to provide real estate-related investment advisory services to pooled investment funds, single-investor funds and separately managed accounts for institutional investors (collectively, “Clients”). RFM is the third-party investment management affiliate of The Related Companies, L.P., a New York Partnership (“Related”).

RFM was formed by Related for the purpose of providing real estate-related investment advisory services to its Clients for real estate asset investments across a range of sectors and throughout the capital structure.

While this brochure may be provided to, and include information relevant to, investors in the Clients, this brochure is designed solely to provide information about RFM and should not be considered to be an offer or a solicitation of an offer of interests in any Client or any other investment vehicle.

B. Advisory Services Offered.

RFM provides investment advisory services to its Clients, which invest in various real estate and real estate-related assets. Such services typically include, as applicable:

- sourcing, investigating, structuring and negotiating potential investments;
- acquiring (and in the case of investments in certain loans, originating) investments on behalf of Clients;
- monitoring, developing, rehabilitating, managing and/or operating investments post-acquisition, including in some cases in collaboration with or through affiliates or unaffiliated third parties;
- reporting to Clients on the performance of their investments;
- providing day-to-day managerial and administrative services to Clients; and
- advising with respect to the timing and terms of disposition opportunities (including refinancing opportunities).

In pursuit of each Client’s investment objective, RFM uses a value-oriented combination of opportunistic acquisition philosophies with value enhancement programs. RFM’s advice is generally limited to real estate and real estate-related investments, although in some instances, it provides advice with respect to certain other types of investments and transactions in various

circumstances, including financing transactions..

As of December 31, 2020, RFM's Clients were comprised of privately offered pooled investment funds, single-investor funds and separately managed accounts that are exempt from registration under the Investment Company Act of 1940, as amended (the "*Investment Company Act*"). RFM or one of its controlled affiliates (each affiliate, a "*Management Entity*") serves as the investment adviser, general partner, manager or managing member of each Client. The Management Entities are subject to RFM's regulatory oversight, Compliance Manual and Code of Ethics, in addition to other compliance policies and procedures as adopted by RFM. References in this brochure to RFM may include, as the context requires, the Management Entities.

C. Individually Tailored Advisory Services.

As a general matter, the advisory services provided by RFM to its Clients are tailored to the investment objectives, strategies and guidelines set forth in the governing documents of each Client, in the case of private funds or single-investor funds, or an investment management agreement, in the case of other Clients (the governing documents and investment management agreement, may be collectively referred to as "*Governing Documents*"). The advisory services provided to pooled investment vehicles are not tailored to the individual needs of any particular investor in the relevant pooled investment vehicle. However, depending on various factors, RFM may enter into agreements, commonly referred to as "side letters", with investors that may waive or modify certain terms applicable to their investment in a pooled investment vehicle, or provide certain rights in addition to those provided in the Governing Documents of the applicable Client.

D. Wrap Fee Programs.

RFM does not participate in wrap fee programs.

E. Assets Under Management.

As of December 31, 2020, RFM managed approximately \$9.7 billion of Client assets, most of which, is managed on a discretionary basis.

The total assets under management include real estate assets, real estate-related assets, securities, cash, uncalled capital commitment amounts, accounts receivable, security deposits, prepaid assets, short term investments and other assets. Assets under management for Clients with investments in joint ventures are adjusted to reflect the total assets within the joint venture multiplied by the Client's direct or indirect ownership percentage therein.

ITEM 5 FEES AND COMPENSATION

A. Description of Compensation.

RFM charges investment advisory fees (“*Management Fees*”) to its Clients in consideration for its investment advisory services. Such fees are payable quarterly or semiannually in advance or in arrears, depending on the Client. Such fees are generally based on a percentage of assets actively invested by the Client or the capital committed to the Client, and may vary based on the stage of investment of the Client. In each case, the range is generally between 0.60% and 1.50% of assets actively invested and between 0% and 0.95% of committed capital, respectively. The exact amounts of and the terms applicable to such fees vary by Client and are set forth in the Governing Documents of each Client. Any such fees paid by private funds are indirectly borne by the investors in the private fund.

RFM is entitled to receive incentive distributions of investment proceeds or incentive fees from its Clients. Performance-based compensation is calculated based upon a percentage of a Client’s return on invested capital, generally subject to certain conditions set forth in the Governing Documents of each Client such as the prior return of capital to investors and/or payment of a preferred return to investors. Such distributions are referred to as “*Carried Interest*”, “*Priority Profit Distributions*”, “*Cash Flow Participation*” or “*Incentive Fees*.” For an additional discussion regarding performance-based compensation, please refer to *Item 6 – Performance-Based Fees and Side-by-Side Management*.

RFM and its Management Entities have, in their sole discretion, the ability to waive or reduce the Management Fees and/or Carried Interest attributable to any investor in any pooled investment vehicle they manage.

In addition, affiliates of RFM receive additional compensation, on a deal-by-deal basis as discussed under *Item 5(C) – Fees and Compensation—Other Fees and Expenses*.

B. Deduction of Fees.

Management Fees and certain other fees (described below under “*Other Fees and Expenses*”) are deducted from the assets of the applicable Client and are payable out of current cash flow or disposition proceeds, or from drawdowns of the unfunded capital commitments of investors in each Client. Performance-based compensation amounts are distributed from the applicable Client out of investment proceeds that are available for distribution.

C. Other Fees and Expenses.

Except as otherwise described in the applicable Governing Documents, each Client bears all offering and organizational expenses incurred in connection with the organization of each Client and related entities and the offering of interests therein.

Each Client bears all fees, costs and expenses related to each Client’s operation and administration, which includes but is not limited to:

- any fees, costs and expenses directly related to the purchase, origination, sale, structuring,

- restructuring, financing and monitoring of investments (including all out-of-pocket costs and expenses incurred in connection with prospective investments that are not consummated);
- fees, costs and expenses related to the formation, operation, and liquidation of vehicles through which investments are held;
- any fees, costs and expenses directly related to the operation, improvement, leasing, development, redevelopment and renovation of real estate assets;
- costs and expenses related to environmental, property management, engineering and appraisal services, insurance premiums, leasing commissions, loan servicing and special servicing fees and information services;
- principal, interest and other amounts payable in respect to permitted borrowings;
- fees, costs and expenses of other third party services, including but not limited to, custodians, performance calculation services, technology services, information services, investment banking services, consultants and similar service providers, legal (including litigation costs), accounting, administrative architectural, engineering, insurance, and other professional costs (including, where permitted by the Governing Documents of the relevant investment vehicle, salary and other costs of internal legal, accounting, engineering, architectural and insurance personnel of RFM and its affiliates that are allocable to each Client), and certain travel and entertainment expenses related to the Clients;
- any indemnity or litigation expenses;
- where applicable, all costs of each Client's operation and administration, including preparation of its financial statements, tax returns and other reports to investors in each Client, client regulatory expenses, Client information services expenses, costs of meetings, expenses relating to the investor committees, if any, including out-of-pocket expenses of its members;
- any taxes, fees or other governmental charges levied against each Client; and
- certain other expenses as set forth in the Governing Document of the applicable Client.

RFM and its affiliates also perform certain services with respect to investments for its Clients or portfolio entities through which they invest, including without limitation, asset or property management services, construction or renovation oversight services, development management services, loan servicing, special servicing, underwriting assistance and related services, insurance, real estate brokerage, leasing, development, and other real estate-related services, for which they are entitled to receive compensation in consideration for such services. RFM also provides administrative and certain professional services to Related entities for which it receives cost reimbursements. RFM and its affiliates or employees are also entitled to receive transaction, monitoring, consulting, break-up and other similar fees in connection with investments made by its Clients ("*Other Fees*"). As set forth in the Governing Documents of each

Client, a portion of such Other Fees may be applied to reduce the management fees paid by Clients to RFM.

Currently, RFM utilizes the services of broker-dealers for certain Client assets. In connection with an investment or sale of securities by a Client, each Client will incur brokerage and other transaction costs. For additional information regarding brokerage practices, please refer to *Item 12 – Brokerage Practices*.

The description of fees and expenses above is not intended to be exhaustive. Prospective and existing investors in Clients or potential Clients managed by RFM or its affiliates are advised to review the applicable offering documents and Governing Documents for a more extensive description of the fees and expenses associated with the investment vehicle.

D. Payment of Fees in Advance.

In the event that a Client's investment advisory agreement with RFM terminates during a period for which investment advisory fees have been paid in advance, RFM would, depending on the Client, either retain the advance payment or *pro rate* such fee and reimburse or return the portion of such fee covering the remainder of the fee period. Any such reimbursement would be made in accordance with the Governing Documents of the relevant Client.

E. Additional Compensation and Conflicts of Interest.

Neither RFM, its affiliates (including RFM's wholly owned broker dealer, Sand Capital, LLC ("Sand Capital")), nor any of their respective supervised persons currently accepts compensation for the sale of securities or other investment products involving Clients.

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

As described in *Item 5 – Fees and Compensation*, RFM and its Management Entities are generally eligible to receive performance-based compensation with respect to Clients. Performance-based compensation is calculated based upon a percentage of a Client's return on invested capital, subject to certain conditions set forth in the Governing Documents of each Client such as the prior return of capital and/or payment of a preferred return to investors. Certain supervised persons of RFM, as direct or indirect equity owners of RFM or the Management Entities, will be eligible to receive distributions attributable to receipt of performance-based compensation.

The terms applicable to the performance-based compensation vary between Clients. Accordingly, RFM, the Management Entities and supervised persons may have varying compensatory interests with respect to different Clients and their varying compensatory interests may create stronger incentives for RFM to offer investment opportunities to certain Clients. However, RFM's fiduciary obligations to act in the best interest of its Clients as well as its contractual obligations to each Client obligate RFM to meet certain professional standards of care and mitigate potential conflicts of interest that may exist with respect to the allocation of time and

resources between the Clients. Furthermore, RFM personnel may work on other projects pertaining to Related, and, therefore, conflicts may arise in the allocation of personnel. In this regard, however, a core group of RFM professionals will devote substantially all of their business time to RFM and its Clients.

The existence of Carried Interest may also create an incentive for RFM or its Management Entities to make more speculative investments on behalf of its Clients than they would otherwise make in the absence of such performance-based compensation. However, RFM believes that this risk is mitigated to some extent because the Carried Interest attributable to each Client is based on the success of each Client across a number of different investments, and not any single investment made by any Client (excluding certain Clients having only one investment). In addition, RFM, its affiliates and personnel of these affiliates have made capital commitments directly or indirectly to certain Clients, which RFM believes reduces the incentive to make more speculative investments and aligns its interest alongside its Clients. RFM and the applicable Management Entity also manage each Client's investment program in accordance with the investment strategy disclosed or agreed in the Client's offering materials or other Governing Documents to ensure that investors are aware of each investment strategy and the risks associated with that strategy.

ITEM 7 TYPES OF CLIENTS

RFM provides investment advisory services to pooled investment vehicles, single-investor funds, institutional investors and administrative services to other Related entities. Pooled investment vehicles and single-investor funds are collectively referred to herein as "*investment vehicles*". Investment vehicles managed by RFM are investment entities formed under domestic or foreign laws and exempt from registration under the Investment Company Act. Investment advice is not provided directly to any investor in the firm's investment vehicles. The investors in the firm's investment vehicles may include individuals, private and public pension plans, sovereign wealth funds, endowments, charitable organizations, other investment entities or business entities, and may include, directly or indirectly, principals, employees and supervised persons of RFM and its affiliates.

Investors must be accredited investors and, with the exception of certain employees, or friends and family of RFM personnel, qualified purchasers. Certain Clients require a minimum investment, which is set forth in the Clients' Governing Documents. RFM, in its sole discretion, may accept investments that are less than the required minimum investment set forth in the applicable Governing Documents.

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

In evaluating potential investments, RFM conducts extensive due diligence, analyzing, as applicable, a variety of factors, including but limited to,

the value of the underlying real estate or real estate-related assets, including cash flow, performance history and projected future performance;

- characteristics of the geographic market in which the real estate or real estate-related asset is located;
- opportunities for leveraging Related's operating platform and experience in the development, construction, acquisition, financing and management of real estate assets;
- potential regulatory, tax, legal and accounting contingencies, together with a team of experienced outside professionals; and
- disposition strategies, including the sale or refinancing of the underlying real estate or real estate-related asset.

RFM is managed by a team of senior professionals. The investment committee for each Client, as applicable, is comprised of the senior professionals best suited to advise on such Client's investments. The senior professionals on each investment committee have extensive experience in real estate and related industries and oversee the sourcing of investment opportunities, the due diligence of potential investments and the ongoing management and development of portfolio assets.

Investments managed by RFM involve a high degree of risk. Clients may lose all or a substantial portion of the value of their investments. Prospective and existing investors must be prepared to bear the risk of loss and should review the offering materials and other Governing Documents for full details about the investment, operational and other actual and potential risks.

Material risks relating to RFM's Clients' investments include:

- *Liabilities Associated with Property Acquisitions.* A Client may buy distressed real estate assets or interests in entities owning such assets. These acquisitions are subject to many risks. A Client may acquire properties that are subject to liabilities or that have problems relating to environmental condition, state of title, physical condition or compliance with zoning laws, building codes or other legal requirements. In each case, the Client's acquisition of a real estate property may be without any recourse, or with only limited recourse, with respect to unknown liabilities or conditions. As a result, if any liability were asserted against the Client, or if any adverse condition existed with respect to the properties, the Client might have to pay substantial sums to settle or cure it.
- *Cybersecurity Risk.* The General Partner, the Manager, the Investments, any of their service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. For example, a Client may provide Investors all statements, reports, notices, updates, requests and any other communications required under the Partnership Agreement or under any Side Letter in electronic form, such as e-mail, posting on the Manager's web-based reporting site or other Internet service, in lieu of or in addition to sending such communications as hard copies via fax or mail. These systems are subject to a number of different threats or risks that could adversely affect a Client and the Investors, despite the efforts of the General Partner, the manager, the Investments and any of their service providers to adopt technologies, processes

and practices intended to mitigate these risks and protect the security of their computer systems, software, networks, e-mail and other technology assets, as well as the confidentiality, integrity and availability of information belonging to a Client and the Investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of or prevent access to the systems of RFM, or any of their service providers or counterparties or data within those systems without the knowledge of system users. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of RFM's or a third party service provider's systems to disclose sensitive information in order to gain access to their data or that of a Client's investors. A successful penetration or circumvention of the security of RFM, its affiliates or a service provider's systems could result in the loss or theft of an Investor's data or funds, the inability to access electronic systems, disruption of business, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause a Client and the Management Entities or any of their service providers to incur regulatory penalties, reputational damage, additional compliance costs, liability to clients or third parties, regulatory intervention or financial loss. RFM and its Clients make no assurances, representations or warranties in relation to these matters, and have not obtained representations or warranties in relation to these matters from all of their service providers. In addition, RFM and a Client's subsidiaries and each of their respective affiliates reserve the right to intercept, monitor and retain e-mail messages to and from its systems as permitted by applicable law.

- *Multifamily Residential Real Estate.* Certain jurisdictions regulate the relationship of an owner and its tenants. Commonly, these laws require a written lease, good cause for eviction, disclosure of fees and notification to residents of changed land use, while prohibiting unreasonable rules, retaliatory evictions and restrictions on a resident's choice of unit vendors. Apartment building owners have been the subject of lawsuits under various "Landlord and Tenant Acts" and other general consumer protection statutes for coercive, abusive or unconscionable leasing and sales practices. There may be provisions that limit the bases on which a landlord may terminate a tenancy or increase its rent or prohibit a landlord from terminating a tenancy solely by reason of the sale of the owner's building. In addition to state regulation of the landlord-tenant relationship, numerous towns and municipalities impose rent control on apartment buildings. These ordinances may limit rent increases to certain set percentages, to increases set or approved by a governmental agency, or to increases determined through mediation or binding arbitration. Similarly, governmental assistance programs that provide rent subsidies to tenants pursuant to tenant voucher programs may influence tenant mobility and the amount of rent a tenant can pay.
- *Hospitality Properties.* Because hotel rooms generally are rented for very short periods of time, hospitality properties tend to be affected more quickly by adverse economic conditions and competition than other commercial properties. Hospitality properties are also affected by other particularized factors, including: franchise affiliation (or lack thereof); continuing expenditures for modernizing, refurbishing and maintaining existing facilities prior to the expiration of their anticipated useful lives; a deterioration in the financial strength or managerial capabilities of the owner and operator of a hotel or motel; and changes in travel

patterns caused by changes in access, energy prices, strikes, relocation of highways, the construction of additional highways or other factors. The performance of a hotel property affiliated with a franchise or hotel management company depends in part on: the continued existence and financial strength of the franchisor or hotel management company; the public perception of the franchise or hotel chain service mark; and the duration of the franchise licensing or management agreements. Furthermore, the ability of a hotel to attract customers, and some of such hotel's revenues, may depend in large part on its having a liquor license. Liquor licenses may not be transferable (for example, in connection with a foreclosure). Moreover, the hotel and lodging industry is generally seasonal in nature; different seasons affect different hotels depending on type and location. This seasonality can be expected to cause periodic fluctuations in a hospitality property's room and restaurant revenues, occupancy levels, room rates and operating expenses. In addition, acts of war, terrorist activities, natural disasters and environmental disasters and pandemics can have a material adverse impact on the tourism and convention industries, which directly affects the revenues generated by hospitality properties. Finally, hospitality properties are facing new and increased competition from non-traditional market players, including those focused on the sharing economy, which may disrupt the hospitality industry and reduce demand for traditional hotels.

- *Distressed Pricing.* The investment strategies of certain Clients are partially based upon the premise that real estate businesses and assets will be available for purchase by a Client at prices that the General Partner considers favorable. Further, a Client's strategy relies in part upon favorable market conditions existing prior to the expiration of the term of a Client. No assurance can be given that a Client will be able to acquire investments at favorable prices, that the market for such assets will improve or that such assets can be disposed of during favorable market conditions, because this will depend largely on events and factors outside the control of the General Partner. While investments in favorably priced assets offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from a Client's investments may not adequately compensate investors for the business and financial risks assumed. A Client may incur substantial losses if it has purchased assets based on the belief that they were undervalued by their sellers, if they were not in fact undervalued at the time of purchase. In addition, a Client may be required to hold such assets for a substantial period of time before realizing their anticipated value, and there is no assurance that the value of the asset would not decline during such time. Moreover, during this period, a portion of a Fund's assets would be committed to those assets purchased, thus preventing a Client from investing in other opportunities. In addition, a Client may finance such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period.
- *Government Regulated Co-Venturer or Tenant-in-Common.* A Client may make certain of its investments through a joint venture or tenancy in common in which its co-venturer or tenant-in-common is a government regulated entity. In such cases, the Client's investment may involve additional risks, including the risk that government regulation may prevent or otherwise restrict the co-venturer's or tenant-in-common's participation in the joint venture or tenancy in common.

- *Reliance on Key Personnel.* The success of the firm's investment strategies significantly depends upon the skill and expertise of RFM's investment professionals. Such professionals may not continue to be associated with RFM or its affiliates throughout the term of an investment vehicle or the duration of an advisory relationship, and any departure or resignation of any key professionals could have an adverse impact on the performance of the firm's investment strategies. Additionally, RFM engages and retains strategic advisors, consultants, senior advisors and other similar professionals who are not employees or affiliates of RFM and who, from time to time, receive payments from, or allocations with respect to, the Clients' investments (as well as from RFM or its Clients). The nature of the relationship with each of the consultants and/or other professionals and the amount of time devoted or required to be devoted by them varies considerably. There can be no assurance that any of the consultants and/or other professionals will continue to serve in such roles and/or continue their arrangements with RFM, the Clients and/or any Client investment throughout the term of the Clients.
- *Conflicts of Interest.* The investments of a Client are subject to various conflicts of interest, including those between investors in a Client and between RFM and a Client. The conflicts are more fully discussed in *Item 10 – E. Allocation of Investment Opportunities, and F. Fees for Related Services, Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading and in certain Clients' offering or Governing Documents.*
- *Real Estate Risks.* Because a Client will invest in debt and equity interests primarily secured by commercial real estate debt or similar real estate properties, respectively, a Client will be subject to risks related to real estate generally. These include the risks incident to the ownership and operation of real estate and real estate-related businesses and assets, including changes in the general economic climate, local, national or international conditions (such as an oversupply of space or a reduction in demand for space), the quality and philosophy of management, competition based on rental rates, attractiveness and location of the properties and changes in the relative popularity of property types and locations, changes in the financial condition of tenants, buyers and sellers of properties, changes in operating costs and expenses, changes in taxes, changes in energy pricing, risks due to dependence on cash flows, uninsured losses or delays from casualties or condemnation, changes in applicable laws, government regulations (including those governing usage, improvement and zoning) and fiscal policies, the availability of financing, interest rate levels, environmental liabilities, contingent liabilities, risks and operations problems arising from construction problems or similar liabilities, successor liability for investments in existing entities (e.g., buying out a distressed partner or acquiring an interest in an entity that owns a real property), acts of God, acts of war (declared or undeclared), terrorist acts, work stoppages, shortages of labor, strikes, union relations and contracts, fluctuating prices and supply of labor and/or other labor-related factors and other factors beyond the control of RFM, a Client and their respective affiliates.

- *Future and Past Performance.* The performance of RFM's principals' (the "Principals") prior investments are not necessarily indicative of a Client's future results. While RFM intends for a Client to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that any targeted internal rate of return will be achieved. On any given investment, loss of principal is possible. A Client's investments may differ from previous investments made by the Principals in a number of respects. Accordingly, investors should draw no conclusions from the performance of any other investments made by the Principals and should not expect to achieve similar returns.
- *Concentration of Investments.* A Client will participate in a limited number of investments and may seek to make several investments in certain regions or sectors within a short period of time. As a result, a Client's investment portfolio could become highly concentrated in the future, and the performance of a few holdings or of a particular sector may substantially affect a Client's aggregate return. Furthermore, a Client does not have fixed guidelines for diversification by industry, and investments may be concentrated in only a few industries. Specifically, a Client's focus on the real estate sector may increase the volatility of a Client's returns and expose a Client to the risk of downturns in the real estate sector to a greater extent than if its portfolio also covered other sectors of the economy. Furthermore, to the extent that the capital raised is less than the targeted amount, a Client may invest in fewer real estate and real estate-related assets and thus be less diversified.
- *Lack of Sufficient Investment Opportunities.* The business of identifying, structuring and completing real estate and real estate-related transactions is highly competitive and involves a high degree of uncertainty. It is possible that a Client will never be fully invested if enough sufficiently attractive investments are not identified. Further, the investments sought by a Client may require investors, including a Client and the Manager, to meet certain financial requirements, such as having a minimum amount of assets under management, and there can be no assurances that a Client will qualify as an investor in each investment that RFM believes is suitable for a Client. If a Client does not qualify for such investment, a Client may be required to forego such investment opportunity.
- *Unspecified Future Investments.* Except for the general investment guidelines provided in the Governing Documents of a Client, there is no information as to the nature and terms of any investments that a prospective investor can evaluate when determining whether to invest in a Client. Investors will not have an opportunity to evaluate for themselves or to approve the portfolio investments. Investors will be relying on the ability of RFM to identify and evaluate the investments to be made by a Client. The business of identifying, structuring, completing and realizing debt investments involves a high degree of uncertainty and is subject in some cases to the prevailing capital market, regulatory or political environment. There can be no assurance that RFM will be able to identify, or a Client will be able to complete, portfolio investments that satisfy a Client's rate of return objectives or, if completed, realize such investments for fair or attractive values or that a Client will be able fully to invest its committed capital.
- *Need for Follow-On Investments.* Following its initial investment in any investment, a Client and/or other equity or debt investors in the properties in which a Client invests or that are

collateral for a Client's investments may decide to invest additional funds in such investment or may have the opportunity to increase their respective investments in such investment by investing in additional real estate assets related thereto (whether for opportunistic reasons, to fund the needs of the investment, as an equity cure under applicable debt documents or for other reasons). There is no assurance that a Client or such other persons will make such additional investments or that a Client or such persons will have sufficient funds to make all or any of such investments (including an event of default under applicable debt documents in the event an equity cure cannot be made). Any decision by a Client or such persons not to make follow-on investments or their inability to make such investments may have a substantial negative effect on a particular real estate asset in need of such an investment and a Client's financial performance.

- *Dynamic Investment Strategy.* While RFM generally intends to seek attractive returns for a Client primarily through making investments in commercial real estate debt as described herein, RFM may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process and investment techniques as it determines appropriate. RFM may adjust the investment strategy and guidelines at any time in light of changing market conditions or other considerations. RFM may pursue investments outside the sectors or regions in which the Principals have previously made investments. A Client may invest in short-term investments, and the investment returns from these investments are likely to be lower than the investment returns from real estate investments. Any projections or estimates regarding the number, size or type of investments that a Client may make (or similar estimates) are estimates based only on RFM's intent as of the date of such statements and are subject to change due to market conditions and/or other factors (e.g., RFM may determine to pursue on behalf of a Client one or more investment opportunities in different geographies or sectors that are larger or smaller than any target range described in the Governing Documents of a Client).
- *Illiquidity.* An investment in a Client should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. Accordingly, there can be no assurance that Clients will be able to dispose of investments (in whole or in part) in a timely manner or at all. In some cases, the ability to dispose of investments may be hampered by the need to obtain governmental or other approvals or authorizations. Losses on unsuccessful investments may be realized before gains on successful investments are realized. Furthermore, the expenses of operating a Client (including any fees payable to RFM (or an affiliate thereof)) may exceed its income, thereby requiring that the difference be paid from a Client's capital, including unfunded Commitments.
- *Leverage.* A Client (through one or more direct or indirect subsidiaries) may employ leverage in the acquisition, operation and ownership of its investments and may refinance its investments, if desirable. Debt could take the form of a warehouse line of credit, selling A-Notes, or utilizing credit facilities. Such use of leverage generally magnifies a Client's opportunities for gain and its risk of loss from a particular investment. A Client or such subsidiaries may make use of leverage by incurring or having an entity incur debt to finance a portion of its investment in such entity, including in respect of Fund investments not rated by credit agencies. In addition, recourse debt, which a Client reserves the right to obtain,

may subject other assets of a Client and the Investors' Commitments to risk of loss. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage on terms that RFM believes are reasonable. The use of leverage by a Client and/or its subsidiaries will also result in interest expense and other costs that may not be offset by distributions made to a Client or appreciation of or income from its investments. A Client may provide guarantees in order to secure such leverage. Furthermore, should the credit markets be limited or costly at the time a Client determines that it is desirable to sell all or a part of an investment, a Client may not achieve an exit capitalization rate consistent with its forecasts. Moreover, certain entities in which a Client will invest generally will not be rated by a credit rating agency. A Client may also borrow money or guaranty indebtedness (such as a guaranty of an entity's debt subject to certain limitations in the Partnership Agreement). A Client (through one or more direct or indirect subsidiaries) may incur leverage on a joint and several basis with one or more other investment funds and entities managed by RFM or any of its affiliates and may have a right of contribution, subrogation or reimbursement from or against such entities. In addition, if a Client, directly or indirectly, incurs leverage (or provides such guaranties), such amounts may be secured by capital commitments made by a Client's investors and such investors' contributions may be required to be made directly to one or more lenders instead of a Client. The amount of leverage that a Client may utilize at any time may be large in relation to its capital. Finally, leverage may include so-called "balloon" payments at maturity if leverage is not fully amortized by maturity and such "balloon" payments may be difficult or even impossible to refinance on attractive terms, thus potentially magnifying losses in respect of leveraged investments. In some circumstances, to the extent permitted by a Client's Organizational Documents (or otherwise disclosed to the Client), RFM or its Affiliates may lend money to Clients.

- *Use of Credit Facilities.* A Client (through one or more direct or indirect subsidiaries) is also permitted to borrow funds pursuant to a revolving credit facility or other debt facility, including a facility based on the aggregate Commitments available to be called or based on a pledge of a Client's assets. The use of such facilities will be determined by RFM, and the performance of a Client may be impacted by how RFM causes a Client to utilize such facilities. Although, the use of such a facility may increase a Client's ability to swiftly invest capital, it also will subject the Investors to certain risks and costs. For example, because amounts borrowed under a subscription line typically are secured by pledges of RFM's right to call capital from Investors, Investors may be obligated to contribute capital on an accelerated basis if a Client fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder. Moreover, any Investor claim against a Client would likely be subordinate to a Client's obligations to a subscription line's creditors.

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

the borrowing facility. Because a subscription line's interest rate is based in part on the creditworthiness of Investors and the terms of a Client's governing documents, it may be higher than the interest rate an Investor could obtain individually. To the extent a particular Investor's cost of capital is lower than a Client's cost of borrowing, Fund-level borrowing can negatively impact an Investor's overall individual financial returns even if it increases a Client's reported net returns in certain methods of calculation.

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

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

- Potential Restrictive Covenants in Credit Facilities. A Client may enter into a credit facility with one or more lenders in order to finance its operations (including the acquisition of a Client's investments and/or to bridge capital calls). It is anticipated that any such credit facility will contain a number of covenants that, among other things, might restrict the ability of a Client to: acquire or dispose of assets or businesses; incur additional indebtedness; make expenditures, distributions or capital calls; create liens on assets; enter into leases, investments or acquisitions; consent to transfers of interests in a Client; make amendments to the governing documents of a Client; or engage in certain transactions with affiliates, and otherwise restrict activities of a Client without the consent of the lenders. In addition, such a credit facility would likely require a Client to maintain specified financial ratios and comply with tests, including minimum interest coverage ratios, maximum leverage ratios, minimum net worth and minimum equity capitalization requirements.
- Increase in Market Interest Rates. If interest rates increase, so could a Client's interest costs for new debt, including variable rate debt obligations under any credit facility or other

financing. This increased cost could make the financing of any acquisition more costly. Rising interest rates could limit a Client's ability to refinance existing debt when it matures or cause it to pay higher interest rates upon refinancing, which would negatively impact liquidity and profitability. An increase in interest rates could decrease the access third parties have to credit or the amount they are willing to pay for a Client's assets.

- *Risks of Derivatives.* A Client may utilize derivative instruments and techniques in order to hedge interest rate and currency risk to which it is subject. In addition to the general risks involved in any hedging activities, engaging in derivative transactions is subject to specific risks. The prices of all derivative instruments, including options and swaps, are highly volatile. Price movements of options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of options and swap agreements also depends upon the price of the securities or other instruments underlying them. A Client will also be subject to the risk of the failure of any of the exchanges on which it trades derivative instruments or of their clearinghouses.

There can be no assurance that a Client's hedging activities will have the desired effect on the performance of a Client. The use of hedging transactions involves certain risks, including (i) the possibility that interest and currency rates fluctuate in a manner that would have led to better performance for a Client if a Client had not entered into such a transaction, (ii) the risk of imperfect correlation between the risk being hedged and the instrument used to hedge such risk, and (iii) potential lack of liquidity for the instrument used to hedge the risk. Engaging in hedging transactions may result in worse overall performance for a Client than if it had not engaged in any such hedging transactions.

Certain hedging arrangements may create for RFM and/or one of its affiliates a registration or exemption obligation with the U.S. Commodity Futures Trading Commission ("CFTC") or other regulator or comply with an applicable exemption. Losses may result to the extent that the CFTC or other regulator imposes position limits or other regulatory requirements on such hedging arrangements, including under circumstances where the ability of a Client or an investment to hedge its exposures becomes limited by such requirements.

- *Counterparty Risks in Derivative Transactions.* A Client may effect hedging or other derivative transactions in "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of exchange-based markets. This exposes a Client to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the applicable contract (whether or not such dispute is bona fide) or because of a credit or liquidity problem, causing a Client to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a Client has concentrated its transactions with a single or small group of counterparties. RFM has no internal credit function that evaluates the creditworthiness of a counterparty in such a transaction. Further, while RFM will take great care in selecting brokers or dealers who will maintain custody of certain Client's assets held as margin or

other collateral for a Client's borrowings, there is a risk that any such brokers or dealers may become insolvent. It is expected that all Fund assets that are deposited with such brokers or dealers will be held in such brokers' or dealers' "street name" and hence a Client will be exposed to a credit risk with respect to such parties. During the global recession, several prominent financial market participants failed or nearly failed to perform their contractual obligations when due - creating a period of great uncertainty in the financial markets, government intervention in certain markets and in certain failing institutions, severe credit and liquidity contractions, early terminations of transactions and related arrangements, and suspended and failed payments and deliveries.

- Currency Risk. A Client may make investments denominated in currencies other than U.S. Dollars. Such investments will create currency exchange risks for a Client (including the inability to repatriate currency, devaluation and non-exchangeability). If a Client makes investments denominated in currencies other than U.S. Dollars, it may enter into one or more currency swap agreements or other derivative transactions to hedge the risks associated with exchange rate fluctuations since a Client will calculate its income in U.S. Dollars. However, the amount and timing of distributions on investments denominated in currencies other than U.S. Dollars may not match the anticipated payments hedged by such currency swap agreements, and such mismatch would leave a Client's income subject to risks from exchange rate fluctuations.
- Limited Transferability of Fund Interests. There will be no public market for Client interests, and none is expected to develop. Investors in certain Clients cannot sell, transfer or pledge their interests in each Client except with the consent of RFM or the relevant Management Entity, as applicable, which may be withheld in its sole discretion. In general, Interests in a Client are not redeemable, and voluntary withdrawals are not permitted, except when necessary to comply with particular laws, statutes, and regulations. No public market for interests in RFM's Clients exists and none is expected to develop
- Restricted Nature of Investment Positions; Valuations. There is generally no readily available market for Fund investments, and hence, most of a Client's investments will be difficult to value and may require RFM to estimate, in accordance with its established valuation policies, the value of a Client's investments on a valuation date. Independent appraisals of such investments are typically not obtained. Further, because of the overall size and concentrations in particular markets, including the real estate market, the maturities of positions that may be held by a Client from time to time and other factors, the liquidation values of a Client's investments may differ significantly from the interim valuations of these investments derived from the valuation methods described herein. If RFM's valuation should prove to be incorrect, the stated value of a Client's investments could be adversely affected. RFM may delegate its valuation responsibilities to any other person in its discretion. Absent bad faith or manifest error, valuation determinations of RFM (or its delegate) will be conclusive and binding on the Investors. Valuation of the types of assets in which Clients typically invest are inherently subjective. In certain cases, a Client may hold an investment in an issuer experiencing distress or going through bankruptcy. In such a situation, RFM may continue to place a favorable valuation on such investment due to RFM's determination that the investment is sufficiently secured despite the distressed state or bankruptcy of the

issuer. However, no assurances can be given that this assumption is justified or that such valuations will be accurate in the long term.

In addition, certain investments may be distributed in kind to Investors by a Client and it may be difficult to liquidate such investments received at a price or within a time period that is determined to be ideal by such Investors. After a distribution of an investment is made to Investors, many Investors may decide to liquidate such investment within a short period of time, which could have an adverse impact on the price of such investment. The price at which such investment may be sold by such Investors may be lower than the value of such investment determined pursuant to the applicable Governing Document, including the value used to determine the amount of carried interest available to RFM or the applicable Management Entity with respect to such investment.

- *Third Party Co-Investment; Reliance on Third-Party Joint Venture Partners and Managers.*

A Client may co-invest through partnerships, joint ventures or other entities with one or more third parties as a co-venturer, co-lender or partner, including with the seller (or an affiliate thereof) of the investment, a person involved in the selling or acquisition of the investment, an investor in a Client (or other vehicle controlled by Related) or other third parties. Such investments may involve risks not present in investments where a third party is not involved, including the possibility that: (i) a Client and such co-venturer, co-lender or partner may reach an impasse on a major decision that requires the approval of both parties; (ii) a co-venturer, co-lender or partner of a Client may at any time have economic or business interests or goals that are inconsistent with those of a Client; (iii) the co-venturer, co-lender or partner may encounter liquidity or insolvency issues or may become bankrupt; (iv) the co-venturer, co-lender or partner may be in a position to take action contrary to a Client's investment objective; (v) the co-venturer, co-lender or partner may take actions that subject the investment or related property to liabilities in excess of, or other than, those contemplated; or (vi) in certain circumstances a Client may be liable for actions of its co-venturers, co-lenders or partners. The co-venturer, co-lender or partner may be a joint venture partner or interest holder in another joint venture or other vehicle in which Related or its affiliates has an interest or otherwise controls. A co-venturer or partner may also be entitled to receive payments from, or allocations or performance-based compensation (e.g., carried interest) in respect of, a Client as well as such investments, and in such circumstances, any such amounts may be treated as a Fund expense and will not, even if they have the effect of reducing any retainers or minimum amounts otherwise payable by Related, be deemed paid to or received by Related or reduce the Management Fee. Moreover, the Manager or its affiliates may receive fees associated with capital invested by a co-venturer or partner relating to investments in which a Client participates. This may be in connection with a joint venture in which a Client participates or other similar arrangements with respect to assets or other interests retained by a seller or other commercial counterparty with respect to which the Manager performs services. In addition, a Client may co-invest with non-affiliated co-investors, co-lenders or partners whose ability to influence the affairs of the companies in which a Client invests may be significant, and even greater than that of a Client and as such, a Client may be required to rely upon the abilities and management expertise of such co-venturer, co-lender or partner. It may also be more difficult for a Client to sell its interest in any joint venture, partnership or entity with other owners than to sell its interest in other

types of investments (and any such investment may be subject to a buy-sell right). A Client may grant co-venturers, co-lenders or partners approval rights with respect to major decisions concerning the management and disposition of the investment, which would increase the risk of deadlocks or unanticipated exits from an investment. A deadlock could delay the execution of the business plan for the investment or require a Client to engage in a buy-sell of the venture with the co-venturer, co-lender or partner or conduct the forced sale of such investment or require alternative dispute resolution in order to resolve such deadlock. As a result of these risks, a Client may be unable to fully realize its expected return on any such investment. Further, to the extent that a Client offers any co-investment opportunity to any Investors or third parties, some or all of the risks described above may also apply to such co-investments.

Further, a Client may in certain cases rely on third parties (some of which may also become co-investment partners with a Client) to act as developers or joint venture partners in connection with the acquisition, development, construction, renovation or operation of a property related to a Client's investments. This reliance on third-party developers or joint venture partners may increase the costs to a Client through the payment of development fees, incentive fees, management fees and other amounts and may increase the risks to a Client if, and to the extent, such a developer or operator fails or is unable to comply with agreed-upon plans, budgets or timetables. In such case, although RFM intends to monitor the performance of each investment, it will primarily be the responsibility of third-party property managers to manage certain properties on a day-to-day basis. A Client's results of operations, including its ability to make payments on any indebtedness, will depend in large part on the ability of these third-party managers to operate and lease such properties on economically favorable terms. There can be no assurance that such third-party management firms will be able to operate each investment successfully. Moreover, the risks of dependence on third-party management firms are different by property type and by investment stage (for example, properties in development or redevelopment will have a greater dependence on the leasing abilities of a third-party manager or leasing agent). Property managers may provide management and leasing services to properties owned by others that compete with one or more investments. As a result, these property managers may at times face conflicts of interests in the management and leasing of investments and properties owned by third parties. Property managers may receive a base management fee based upon gross revenues. Such fee arrangements with a property manager may create an incentive for the relevant investment to be managed in a manner that is not consistent with a Client's objectives.

- *Controlling Person Liability.* The exercise of control over an entity can impose additional risks of liability for environmental damage, failure to supervise management, violation of government regulations (including securities laws) or other types of liability in which the limited liability characteristic of business ownership may be ignored. If these liabilities were to arise, a Client might suffer a significant loss.
- *Litigation.* In the ordinary course of its business, a Client may be subject to litigation from time to time. The outcome of such proceedings may materially adversely affect the value of a Client and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of RFM's and the Principals' time and attention, and that time

devoted to these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

- *Adequacy and Availability of Insurance.* While a Client may seek to make investments where insurance and other risk management products are, to the extent available on commercially reasonable terms, utilized to mitigate the potential loss resulting from catastrophic events and other risks customarily covered by insurance, such coverage may not always be practicable or feasible. Moreover, it will not be possible to insure against all such risks, and any insurance proceeds from covered risks may be inadequate to completely or even partially cover a loss of revenues, an increase in operating and maintenance expenses and/or any necessary replacement or rehabilitation. Certain losses of a catastrophic nature (*e.g.*, those caused by force majeure events) may be either uninsurable or insurable at such high rates as to adversely impact a Client's profitability.
- *Contingent Liabilities upon Disposition.* In connection with the disposition of an investment, a Client and/or RFM may be required to make (and/or be responsible for another person's or entity's breach of) certain representations and warranties (*e.g.*, about the business and financial affairs of the applicable underlying property, the condition of its assets and the extent of its liabilities, in each case generally in the nature of representations and warranties typically made in connection with the sale of similar assets) and may be responsible for the content of disclosure documents under applicable securities laws. A Client and/or RFM may also be required to indemnify the purchasers or underwriters of such investment to the extent that any such representations or disclosure documents are inaccurate. Such arrangements may result in contingent liabilities, which would be borne by a Client and, ultimately, the Partners. In such a situation, Partners may be required to return distributions received by them to pay such indemnification obligations, subject to certain limitations provided in the Partnership Agreement. Furthermore, under the Delaware Revised Uniform Investorship Act, each Investor that receives a distribution in violation of such act will, under certain circumstances, be obligated to re-contribute such distribution to a Client.
- *Investments in Real Estate Debt.* In addition to the risks of borrower default (including loss of principal and nonpayment of interest) and the risks associated with real estate investments generally, real-estate related debt investments are subject to a variety of risks. This includes the risks of illiquidity, lack of control, mismanagement or decline in value of collateral, contested foreclosures, bankruptcy of the debtor, claims for lender liability, violations of usury laws and the imposition of common law or statutory restrictions on the exercise of contractual remedies for defaults of such investments. Purchases of participations in real estate loans raise substantially the same risks as investments in real estate loans. Debt investments have special inherent risks relative to collateral value. In the event of default, the source of repayment is limited to the value of the collateral and may be subordinate to other lien holders (and the collateral value of the property may be less than the outstanding amount of a Client's investment).
- *Collateral Value.* A Client expects to originate, participate in and/or acquire real estate loans that are non-recourse to the borrower. Mortgage investments have special inherent risks relative to collateral value. To the extent a Client makes or acquires subordinated or

“mezzanine” debt investments, a Client does not anticipate having absolute control over the underlying collateral as a Client will be dependent upon third party borrowers and agents and will have rights that are subordinate to those of senior lenders. In certain circumstances, a Client’s loans may not be secured by a mortgage, but instead by such other collateral that may provide weaker rights than a mortgage. In an event of default, a Client’s source of repayment will be limited to the value of the collateral and may be subordinate to other lienholders. The collateral value of the property may be less than the outstanding amount of a Client’s investment.

- Debt Investments. The debt securities in which a Client will invest typically will be either secured by a borrower’s ownership interests in a property or unsecured, and subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured. The ability of a Client to influence the affairs of an investment, especially during periods of financial distress or following an insolvency is likely to be substantially less than that of senior creditors. For example, under terms of subordination agreements, senior creditors are typically able to block the acceleration of the mezzanine debt or other exercises by a Client of its rights as a creditor. Accordingly, a Client may not be able to take the steps necessary to protect its investments in a timely manner or at all. In addition, the debt securities in which a Client will invest may not be protected by financial covenants or limitations upon additional indebtedness, may have limited liquidity and may not be rated by a credit rating agency. Debt securities are also subject to other creditor risks, including (i) the possible invalidation of an investment transaction as a “fraudulent conveyance” under relevant creditors’ rights laws, (ii) so-called lender liability claims by the issuer of the obligations and (iii) environmental liabilities that may arise with respect to collateral securing the obligations. Additionally, adverse credit events with respect to any investment, such as missed or delayed payment of interest and/or principal, bankruptcy, receivership, or distressed exchange, can significantly diminish the value of any such Fund investments. Fund investments may be subject to early redemption features, refinancing options, prepayment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by a Client earlier than expected. Depending on fluctuations of the equity markets, warrants and other equity securities may become worthless. Accordingly, there can be no assurance that a Client’s internal net rate of return objective will be realized.
- Non-Performing Loans; Foreclosure Process. Debt investments (including real estate loans) by a Client may be at the time of their acquisition, or may become after origination, participation or acquisition, non-performing for a wide variety of reasons, many of which are outside the control of RFM, a Client or their affiliates. Non-performing real estate loans often require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and a substantial write-down of the principal of such loans. To the extent that a Client purchases partial interests in non-performing loans, a Client may not have control over the workout process or the management of the real estate assets after such a workout.

RFM may find it necessary or desirable to foreclose on collateral securing one or more real estate loans purchased or originated by a Client. The foreclosure process varies jurisdiction

by jurisdiction and can be lengthy and expensive. Borrowers often resist foreclosure actions by asserting numerous claims, counterclaims and defenses against the holder of a real estate loan, including lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action. In some states, foreclosure actions can take up to several years or more to conclude. At any time during the foreclosure proceedings, the borrower may file for bankruptcy, staying the foreclosure action and further delaying the foreclosure process. 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.

- *Distressed Investments*. A Client may invest in the debt, including debt obligations that are in covenant or payment default, of properties experiencing significant financial difficulties and material operating issues, including properties that may have been, are or will become involved in bankruptcy proceedings or other restructuring, recapitalization or liquidation processes. Investments in such properties involve a substantial degree of risk that is generally higher than the risk involved in investing in properties that are not in financial or operational distress. Given the heightened difficulty of the financial analysis required to evaluate distressed properties, there can be no assurance that RFM will correctly evaluate the value of the assets of a distressed property securing its debt and other obligations or correctly project the prospects for the successful restructuring, recapitalization or liquidation of such property. Therefore, in the event that a portfolio property does become involved in bankruptcy proceedings or a restructuring, recapitalization or liquidation is required, a Client may lose some or all of its investment.
- *Prepayments*. The yield on any Client asset, and accordingly the overall return generated by a Client, will be affected by the rate and timing of principal payments of such assets. The rate and timing of these principal payments, or in the case of principal losses, principal or notional write-downs, will be affected by, among other factors, (i) unscheduled principal payments or collections in the form of voluntary prepayments of principal or unscheduled recoveries of principal due to defaults, and (ii) the order of priority in which such principal and collections are distributed in reduction of the actual or notional principal balance of the assets.
- *B-Notes Investments*. A Client may invest in one or more B-Notes. A “B-Note” is a commercial mortgage loan typically (i) secured by a first mortgage on a single large property or group of related properties and (ii) subordinated to an “A-Note” secured by the same first mortgage on the same collateral. As a result, if a borrower defaults, there may not be sufficient funds remaining for the holder of the B-Note. B-Notes do not have any secondary market, raising additional liquidity risks. However, since each B-Note is privately negotiated, B-Notes can vary in their structural characteristics and risks, including, for example, the rights of the holder of the B-Note to control the process following a borrower default. Since they are typically secured by a single property, B-Notes reflect the risks associated with significant concentration.
- *Mezzanine Investments*. The properties in which a Client will invest or that are collateral for a Client’s investments may be highly leveraged, thereby increasing the degree of credit risk inherent in each investment. Leverage often imposes restrictive financial and operating

covenants on a company or property, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs or to pay principal and interest on a Client's investments when due. The leveraged capital structure of these properties will increase the exposure of a Client's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates. A Client's investments in such properties may be unsecured and subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured and bear floating interest rates. In the event any property cannot generate adequate cash flow to meet debt service, a Client may suffer a partial or total loss of capital invested in the property, which could adversely affect the returns of a Client. Furthermore, the entities and investments in which a Client will invest generally will not be rated by a credit rating agency.

The mezzanine and junior debt investments of a Client typically will be subordinated to the senior obligations of an issuer, either contractually (in the case of debt securities) or because of the nature of the security (in the case of preferred stock or common stock). In addition, many of the remedies available to subordinated holders are available only after satisfaction of claims of senior creditors. Any such subordinated investments may be characterized by greater credit risks than those associated with the senior obligations of the same issuer. Adverse changes in the financial condition of an issuer and/or in general economic conditions may impair the ability of this issuer to make payments on the subordinated securities and result in defaults on and declines in the value of these securities more quickly than in the case of the senior obligations of such issuer.

Mezzanine securities may also involve certain additional considerations and risks. For example, the terms of mezzanine securities may restrict transfer of the interests securing such debt (including an involuntary transfer upon foreclosure) or may require the consent of the senior lender or other members or partners of or equity holders in the related underlying property, or may otherwise prohibit a change of control of the related underlying property. These and other limitations on realization on the collateral securing a mezzanine security or the practical limitations on the availability and effectiveness of such a remedy may affect the likelihood of repayment in the event of a default.

- *Lower Credit Quality Investments.* There are no restrictions on the credit quality of the investments of a Client. A Client intends to invest in investments that may have substantial vulnerability to default in payment of interest and/or principal. Investments purchased by a Client generally will not be rated by rating agencies, and, if rated, may have the lowest quality ratings provided by such rating agencies. Lower rated and unrated investments have large uncertainties or major risk exposures to adverse conditions. Generally, such investments offer a higher return potential than higher rated investments but involve greater volatility of price and greater risk of loss of income and principal. The market values of certain of these investments (such as subordinated investments) also tend to be more sensitive to changes in economic conditions than higher rated investments. Declining real estate values in particular will increase the risk of loss upon default, and may lead to a downgrading of the investments by the rating agencies, if rated. The value of such investments may also be affected by changes in the market's perception of the entity issuing or guaranteeing them, or by changes in government regulations and tax policies.

- *Allocation of Revolver or Delayed-Draw Investment Obligations.* A Client may make revolver or delayed-draw investments with funding obligations that extend past the initial date of investment. To the extent a Client makes such an investment alongside other third-party co-investors, later funding obligations related to a revolver or delayed-draw investment may not be allocated pro rata among all the co-investors who participated in the initial funding of an investment. In particular, a Client may participate in the initial funding of an investment, but may not participate in later funding obligations (i.e., the revolver or delayed-draw portions) related to such investment, including because of capacity limitations that an investment vehicle may have for making new revolver or delayed-draw investments. As a result, a Client may be allocated a smaller or larger portion of revolver or delayed-draw investments than other co-investors participating in the investment. Investors that participate in the initial funding of an investment may receive certain economic benefits in connection with such initial funding, such as original issue discount, closing payments, or commitment fees and these benefits are expected to be allocated based on participation in the initial funding, regardless of participation in future funding obligations. In addition, where a Client and any other participating co-investors have not participated in each funding of an investment on a pro rata basis, conflicts of interest may arise between a Client and the other co-investors as the interests of a Client and the other co-investors may not be completely aligned with respect to such investment.
- *Effect of Changes in Interest Rates on Investments in Mortgage Loans.* Most mortgage loans, especially fixed rate mortgage loans, decline in value when long-term interest rates increase. Declines in market value, may ultimately reduce earnings or result in losses to a Client, which may negatively affect cash available for distribution to Investors.
- *Assignments and Participations.* A Client may acquire investments by way of assignment or by way of participation. Holders of participation interests are subject to additional risks not applicable to a holder of a direct assignment interest in a loan. In purchasing a participation, a Client might not have a right to enforce compliance by the obligor with the terms of the loan or credit agreement or other instrument evidencing such loan obligation, or any rights of set-off against the obligor, and a Client may not directly benefit from the collateral supporting the loan obligation in which it has purchased the participation. As a result, a Client would assume the credit risk of both the obligor and the selling institution, which would remain the legal owner of record of the applicable loan. In the event of the insolvency of the selling institution, a Client may be treated as a general creditor of the selling institution in respect of the participation, may not benefit from any set-off exercised by the selling institution against the obligor and may be subject to any set-off exercised by the obligor against the selling institution. Assignments and participations are typically sold strictly without recourse to the selling institution, and the selling institution may make no representations or warranties about the underlying loan, the related underlying property, the terms of the loans or any other collateral securing the loans. Certain debt instruments have restrictions on assignments and participations which may negatively impact a Client's ability to exit from all or part of its investment in a loan.
- *Construction Lending Activities.* A Client may originate loans for the construction of commercial and residential use properties. Construction lending generally is considered to

involve a higher degree of risk than other types of lending due to a variety of factors, including generally larger loan balances, the successful completion of a project, the successful operation of the project (such as achieving satisfactory occupancy and rental rates) for repayment, difficulties in estimating construction cost and loan terms which often do not require the full amortization of the loan over its terms and instead provide for a balloon payment at stated maturity.

- *Loans Secured by Office Properties.* A Client may originate or acquire loans secured by office properties. A large number of factors may adversely affect the value of office properties including the impact of a recession on the local market and the building's tenants; the quality of an office building's tenants; an economic decline in the business operated by the tenants; the physical attributes of the building in relation to competing buildings and technology attributes; the availability of sublease space; the desirability of the area as a labor location; the strength, nature and employment rates of the local economy; and an adverse change in population, patterns of telecommuting or sharing of office space and employment growth (which creates demand for office space).
- *Loans Secured by Industrial Properties.* A Client may originate or acquire loans secured by industrial properties. Significant factors determining the value of industrial properties include the location of the property; the quality of tenants; a reduced demand for industrial space because of a decline in a particular industry segment; property becoming functionally obsolete; unavailability of labor sources; and changes in proximity of supply sources. Also, properties used for many industrial purposes are more prone to environmental concerns than other property types. Further, because of unique construction requirements of many industrial properties, many vacant industrial property spaces may be not be easily converted to other uses. Concerns about the quality of tenants are similar in both office properties and industrial properties.
- *Loans Secured by Retail Properties.* A Client may originate or acquire loans secured by retail properties. Several factors may adversely affect the value and successful operation of a retail property, including, but not limited to: changes in consumer spending patterns and local competitive conditions; the bankruptcy or distress of tenants; the availability of sublease space; alternative forms of retailing; and unemployment rates in the local economy. The general strength of retail sales also directly affects retail properties. If retail sales by the tenant in the Client's properties were to decline, the rents that are based on a percentage of revenue may also decline, and tenants may be unable to pay the fixed portion of their rents or other occupancy costs.
- *Loans Secured by Multifamily Properties.* A Client may originate or acquire loans secured by multifamily residential properties. A large number of factors may adversely affect the value and successful operation of such properties, including: physical attributes of the property; location of the property; ability of management to provide adequate maintenance and insurance; the types of services or amenities that the property provides; the property's reputation; the level of mortgage interest rates; presence of competing properties; the

tenant mix; state and local regulations; and government assistance/rent subsidy programs. Certain jurisdictions regulate the relationship of an owner and its tenants. In addition to U.S. federal, state and/or local regulation of the landlord-tenant relationship, some counties and/or municipalities impose rent control on apartment buildings. These ordinances may limit rent increases to fixed percentages, to percentages of increases in the consumer price index, to increases set or approved by a governmental agency, or to increases determined through mediation or binding arbitration.

- *Fraud.* Of paramount concern with certain types of debt investments is the possibility of material misrepresentation or omission on the part of issuers or guarantors. Such inaccuracy or incompleteness may adversely affect the valuation of the investment or the collateral (if any) underlying the obligation, or may adversely affect the ability of a Client or its affiliates to perfect or effectuate a lien on the collateral securing the obligation. A Client or its affiliates will rely upon the accuracy and completeness of representations made by issuers to the extent reasonable, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to a Client may be reclaimed if any such payment or distribution is later determined to have been made with an intent to defraud or prefer creditors. In addition, the quality of a Client's investments may be subject to the accuracy of representations made by the underlying issuers. Accordingly, a Client may be subject to the risk that the systems used by the originators of debt to control for such accuracy are defective.
- *Risks Arising from Purchases of Secondary Debt.* A Client may invest in secondary debt. A Client is unlikely to be able to negotiate the terms of secondary debt as part of its acquisition and, as a result, these investments may not include some of the covenants and protections generally sought when a Client makes primary investments. For example, debt investments offered in the debt markets in recent years (so-called "covenant lite" deals) often imposed less stringent covenants on the issuers of such debt investments than the covenants included in the terms of debt investments offered in previous periods. Many "covenant lite" debt investments issued during that time period may not obligate the property securing such debt to observe and maintain financial maintenance covenants, such as covenants requiring issuers to comply with a maximum leverage ratio, a minimum interest or fixed charge coverage ratio or maximum capital expenditures. Even if such covenants and protections are included in the investments held by a Client, the terms of the investments may provide an underlying property substantial flexibility in determining compliance with such covenants.
- *Risks Relating to Fraudulent Conveyances and Voidable Preferences by Issuers.* Under U.S. legal principles, in a lawsuit brought by an unpaid creditor or representative of creditors of an issuer of securities (including a bankruptcy trustee), if a court were to find that the issuer did not receive fair consideration or "reasonably equivalent value" for incurring the obligation or for granting security, and that after giving effect to such obligation or such security, the issuer (a) was insolvent, (b) was engaged in a business for which the remaining assets of such issuer constituted unreasonably small capital, or (c) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could determine to invalidate and avoid, in whole or in part, the obligation underlying an investment of a Client as a constructive fraudulent conveyance. The measure of insolvency for purposes

of the foregoing will vary. Generally, an issuer would be considered insolvent at a particular time if the sum of its debts was then greater than all of its property at a fair valuation, or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities on its existing debts as they became absolute and matured. There can be no assurance as to what standard a court would apply to determine whether the issuer was “insolvent” after giving effect to the incurrence of the obligation in which a Client invested or that, regardless of the method of valuation, a court would not determine that the issuer was “insolvent” upon giving effect to such incurrence.

In addition, in the event of the insolvency of an issuer of securities in which a Client invests, payments made on such obligation could be subject to avoidance as a “preference” if made within a certain period of time (which may be as long as one year) before the issuer becomes a debtor in a bankruptcy case. In general, if payments on the obligation are avoidable, whether as fraudulent conveyances or preferences, such payments can be recaptured from a Client.

Even if a Client does not engage in conduct that would form the basis for a successful cause of action based upon fraudulent conveyance or preference law, there can be no assurance as to whether any lending institution or other party from which a Client may acquire such security, or any prior holder of such security, has not engaged in any such conduct (or any other conduct that would subject the obligations under the security to disallowance or subordination under insolvency laws) and, if it did engage in such conduct, as to whether such creditor claims could be asserted in a U.S. court (or in the courts of any other country) against a Client so that a Client’s claim against the issuer would be disallowed or subordinated.

- *Risks Associated with Acquisitions of Portfolios of Debt Instruments.* A Client may invest in portfolios of debt instruments. A Client is unlikely to be able to evaluate the credit or other risks associated with each of the underlying issuers or negotiate the terms of underlying securities as part of their acquisition but instead must evaluate and negotiate with respect to the entire portfolio of debt instruments or, in the case where a Client invests in contractual obligations to purchase portfolios of debt instruments subsequently sourced by a third party, with respect to the origination and credit selection processes of such third party rather than based on characteristics of a static portfolio of debt instruments. As a result, one or more of the underlying investments in a portfolio may not include some of the characteristics, covenants and/or protections generally sought when a Client acquires or makes individual investments. While some amount of defaults are expected to occur in portfolios, defaults in or declines in the value of investments in excess of these expected amounts may have a negative impact on the value of the portfolio and may reduce the return that a Client receives in certain circumstances.
- *Defects.* The properties underlying a Client’s investments may have design, construction or other defects or problems that require unforeseen capital expenditures, special repair or maintenance expenses, or the payment of damages to third parties. Engineering, seismic and other reports on which a Client’s investment committee relies as part of its pre-acquisition due diligence investigations of these properties may be inaccurate or deficient, at least in part because defects may be difficult or impossible to ascertain. Statutory or contractual

representations and warranties made by various issuers or sellers of properties that a Client invests in or acquires may not protect a Client from liabilities arising from property defects.

- *Failure to Maintain REIT Qualification.* RFM may organize one or more entities that have elected to be treated as a REIT for U.S. federal income tax purposes and through which a Client may make investments. Qualification as a REIT involves the application of highly technical and complex provisions of the Code, for which there are only limited judicial or administrative interpretations, and the determination of various factual matters and circumstances is not entirely within the REIT's control. If any REIT fails to maintain its qualification as a REIT in any taxable year, and certain relief provisions do not apply, the REIT would be subject to tax on its taxable income at regular corporate income tax rates. In such an event, there will be less cash available for a Client to distribute to its Partners.
- *Legislative Risks Associated with REITs.* Although a Client may hold certain REIT-qualifying assets through one or more REITs, there can be no assurance that U.S. federal laws and regulations pertaining to REITs will not change before any REIT can be established and qualified, or, once established and qualified, that such potential new laws and regulations would not have a retroactive effect on any or all such REITs. As a result of any such changes, it may be impracticable for a Client and/or any such parallel investment entity to hold assets through a REIT.
- *U.S. Federal Income Tax Liability Resulting From IRS Audits.* U.S. federal income taxes arising from an Internal Revenue Service ("IRS") audit will be paid by a Client absent an election to the contrary. In addition, a "partnership representative" will have the power to act on behalf of a Client and its Partners in all IRS audits and other proceedings involving a Client's U.S. federal income, losses, deductions and credits.
- *Unrelated Business Taxable Income; Effectively Connected Income.* An investment in a Client involves complex federal, state and local income tax considerations that will differ for each Investor. A portion of a tax-exempt U.S. Investor's allocable share of income from a Fund may constitute "unrelated business taxable income" in the hands of such Investor if such Partner borrows to make an investment in a Client or a Client makes an investment directly instead of through a REIT subsidiary. A non-U.S. Investor may be treated as engaged in a U.S. trade or business by reason of its interest in a Client. In addition, gain from the sale or disposition of an interest in a U.S. real property investment generally will be treated as effectively connected with a U.S. trade or business. Furthermore, all Investors may become subject to state and local income or franchise taxes in jurisdictions where a Client acquires real estate or otherwise conducts activities or is deemed to be engaged in business.
- *Income Taxes of Investors May Exceed Cash Distributions.* RFM intends for a Client be treated as a partnership for U.S. federal income tax purposes. Investors will be required to report their share of a Client's income, losses, deductions and credits (which may include the income and other tax items of any partnerships, limited liability companies or other flow-through entities in which a Client invests) on their U.S. federal and state tax returns. For U.S. federal income tax purposes, any taxable income or dividends from any REIT subsidiary held

by a Client and any gain of a Client generally will be allocated among the Partners in accordance with their respective interests in a Client, regardless of whether corresponding distributions are made to the Partners. A Client may make cash distributions to RFM in an amount sufficient to enable RFM to pay its income taxes on income allocated to RFM. Even if a Client has income or gains for U.S. federal income tax purposes, a Client will not be obliged to make distributions (or may lack sufficient cash available for distributions) to enable the Investors to pay their federal, state and local taxes as a result of such income or gain allocations. In such event, the Investors will have to utilize other resources to satisfy tax liabilities. RFM's investment decisions are based primarily upon economic, not tax, considerations, and could result, from time to time, in adverse tax consequences to some or all Partners.

- *Delayed Tax Information.* A Client may not be able to provide final tax information to Investors for any given fiscal year until after the initial tax filing deadlines for Investors' tax returns. Accordingly, Investors should plan to obtain extensions of the filing dates for their tax returns. Each prospective investor should consult with its own adviser as to the advisability and tax consequences of an investment in a Client.
- *Changes in U.S. Tax Laws.* All statements contained herein concerning the U.S. federal income tax (or other tax) consequences of an investment in a Client are based on existing law and interpretations thereof. Recent or future changes in U.S. federal income tax law (or the interpretations thereof) could materially affect the tax consequences of a Investor's investment in a Client, and the tax treatment of a Client's portfolio investments. While some of these changes could be beneficial, others could negatively affect the after-tax returns of a Client and the Investors. Accordingly, no assurance can be given that the currently anticipated tax treatment of an investment in a Client, or of investments made by a Client, will not be modified by legislative, judicial, or administrative changes, possibly with retroactive effect, to the detriment of the Investors.

Recently enacted legislation changes the U.S. taxation of U.S. taxable investors, tax-exempt investors and non-U.S. investors. Among other changes, this legislation modifies the taxation of investments in flow-through entities conducting an operating business, imposes new limitations on various types of deductions (particularly for U.S. individual taxpayers), limits the deductibility of interest expense for investors in flow-through entities, and imposes new limits on the use by tax-exempt investors of losses from unrelated business activities.

The legislation also makes significant changes to the U.S. taxation of corporations. Among other changes, the legislation reduces the U.S. federal income tax rate on corporations from 35% to 21%, adds new limitations on interest expense and net operating loss deductions, allows 100% "bonus" first-year expensing of certain tangible personal property and purchased software, accelerates the time at which certain deferred revenue must be recognized, moves the U.S. towards a modified territorial tax system under which domestic corporations receive a 100% deduction for foreign-source portions of dividends received from 10%-owned foreign corporations, adds new provisions designed to discourage U.S. companies from locating their intellectual property in low-tax jurisdictions, and adds new rules to prevent so-called "base erosion" and corporate inversions.

The full implications of the recent legislation for investors and portfolio companies are not yet clear. Accordingly, there can be no assurance that the recent legislation or subsequent legislation, regulations and interpretations thereof will not have an adverse effect on a Client's investment performance or any investor's after-tax returns from a Client.

- *Impact of Government Regulations.* Government authorities at all levels are actively involved in the regulation of land use and zoning, environmental protection and safety and other matters affecting the ownership, use and operation of real property. Regulations may be promulgated that could restrict or curtail certain usages of existing structures, or require that such structures be renovated or altered in some manner. The promulgation and enforcement of such regulations could increase expenses, and lower the income or rate of return, as well as adversely affect the value of any of a Client's investments secured by such real property. Operators are also subject to laws governing their relationship with employees, including minimum wage requirements, overtime, working conditions and work permit requirements. Compliance with, or changes in, these laws could reduce the revenue and profitability of a Client.
- *Licensing Requirements.* Certain federal and local banking and regulatory bodies or agencies in or outside the U.S. may require a Client, a Management Entity, RFM and/or certain employees of RFM to obtain licenses or authorizations to engage in many types of investment activities including the types of investment activities contemplated by a Client. It may take a significant amount of time and expense to obtain such licenses or authorizations and a Client may be required to bear the cost of obtaining such licenses and authorizations. There can be no assurance that any such licenses or authorizations would be granted or, if granted, they would not impose restrictions on a Client. Such licenses may require the disclosure of confidential information about a Client, Investors or their respective affiliates, including financial information and/or information regarding officers and directors of certain significant Investors. A Client may not be willing or able to comply with these requirements. Alternatively, RFM may be compelled to structure certain potential investments in a manner that would not require such licenses and authorizations. However, such transactions may be inefficient or otherwise disadvantageous for a Client and/or any relevant property related to an investment, including a risk that the licensing authorities would not acknowledge such structuring alternatives in lieu of obtaining a license. The inability of a Client, a Management Entity or RFM to obtain necessary licenses or authorizations, the structuring of an investment in an inefficient or otherwise disadvantageous manner, or changes in licensing regulations, could adversely affect a Client's ability to implement its investment program and achieve their intended results.
- *United Kingdom Exit from the European Union (the "EU").* On March 29, 2017, the United Kingdom (the "UK") formally notified the European Council of its intention to leave the EU ("Brexit"). Irrespective of political developments, any outcome of Brexit may have economic, tax, fiscal, legal, regulatory and other implications for the asset management industry, the European and global financial markets generally and for private funds such as a Client and its portfolio investments. There can be no assurance that any renegotiated laws or regulations will not have an adverse impact on a Client and its investments, including the ability of a Client to achieve its investment objectives. Brexit may result in significant market

dislocation, heightened counterparty risk, an adverse effect on the management of market risk and, in particular, asset and liability management (due in part to redenomination of financial assets and liabilities), an adverse effect on the ability of RFM to manage, operate and invest a Client and increased legal, regulatory or compliance burden for RFM or a Client, each of which may have a negative impact on the operations, financial condition, returns or prospects of a Client.

- Privacy, Data Protection and Information Security Compliance Risk. Compliance with current and future privacy, data protection and information security laws could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and some of Related's current and planned business activities and as such could increase costs for a Client and/or its portfolio investments. A failure to comply with such laws and regulation could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations and overall business, as well as have an impact on reputation.

A Client and certain properties related to a Client's investments are subject to regulations related to privacy, data protection and information security in the jurisdictions in which they do business. As privacy, data protection and information security laws are implemented, interpreted and applied, compliance costs may increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

EU data protection law currently in effect is in the form of the General Data Protection Regulation (EU 2016/679) (the "GDPR") which took direct effect across the EU Member States on May 25, 2018. The GDPR seeks to harmonize national data protection laws across the EU, whilst at the same time, modernizing the law to address new technological developments. The GDPR notably has a greater extra-territorial reach than pre-existing legislation and has a significant impact on data controllers and data processors, (i) with an establishment in the EU, (ii) which offer goods or services to EU data subjects, or (iii) which monitor EU data subjects' behavior within the EU. The GDPR imposes more stringent operational requirements on both data controllers and data processors, and introduces significant penalties for non-compliance with fines of up to 4% of total annual worldwide turnover or €20 million (whichever is higher), depending on the type and severity of the breach.

The current ePrivacy Directive will also be repealed by the EU Commission's Regulation on Privacy and Electronic Communications (the "ePrivacy Regulation"), which aims to reinforce trust and security in the digital single market by updating the legal framework on ePrivacy. Although the ePrivacy Regulation was projected to take effect in early 2019, the draft text is currently in the process of being finalized.

The GDPR principles on the processing of personal data have been implemented into laws enforceable in the UK by the Data Protection Act 2018. As noted in the above Section "United Kingdom Exit from the European Union", the terms of the UK's exit from the EU are unclear and it is uncertain whether a transitional arrangement or a deal will be agreed between the UK and the EU. In the event that a transitional arrangement is not agreed, and

the UK leaves the EU without a deal, the UK will be deemed a “third country” for the purposes of EU data protection law. To the extent a Client and/or its investments transfer personal data from the EU to the UK, additional mechanisms may be required to legitimize such transfers. The UK’s exit from the EU is therefore likely to lead to an increase in data protection compliance costs.

- Public Health Emergencies; COVID-19. Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, ebola and the current outbreak of COVID-19 (as defined below), have and are resulting in market volatility and disruption, and future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to a Client.

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

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

The ongoing COVID-19 crisis and any other public health emergency could have a significant adverse impact and result in significant losses to a Client. The extent of the impact on a Client's and its portfolio investments' operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors may limit the ability of a Client to source, conduct due diligence on and execute new investments and to manage, finance and exit investments in the future. Governmental mitigation actions may constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy a Client intends to pursue, all of which could adversely affect a Client's ability to fulfill its investment objectives. They may also impair the ability of portfolio investments or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences, including the potential for defaults by borrowers under debt instruments held by a Client. With respect to any revolving or delayed draw loans made by a Client to a portfolio company, a portfolio company may be incentivized for liquidity or other reasons to draw on most, if not all, of the unfunded portion of such loan and a Client may not have the ability under the applicable credit agreement to refuse to fund such draw without a Client being in default and suffering financial penalties. In addition, the operations of a Client, its portfolio investments, the Management Entity and the Manager may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, restrictions on travel and movement, remote-working requirements and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity's personnel. These measures may also hinder such entities' ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

ITEM 9 DISCIPLINARY INFORMATION

There are no legal or disciplinary events that are material to a Client or an investor in a Client, or a prospective Client or investor, in their evaluation of RFM's advisory business or the integrity of its management.

ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. Broker-Dealer Registration.

Currently, Sand Capital, RFM's wholly-owned broker dealer, does not provide any broker-dealer or advisory services to RFM Clients, but may do so in the future.

B. Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Advisor.

Neither RFM nor any of its management persons is registered or has a pending application to register as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of the foregoing entities.

C. Relationships Material to Advisory Business.

RFM serves as the investment adviser, manager or managing member of each Client. The Management Entities serve as the general partners or managing members of certain Clients. RFM or an affiliate of RFM is the general partner or managing member of each Management Entity.

The officers and supervised persons of RFM who play key roles in managing the investment program of each Client may spend a significant portion of their time on matters other than, or only tangentially related to, the Clients' investment programs. In particular, these officers and employees of RFM will spend substantial time and resources managing the investment and real estate business of Related (or other entities with which the officers and employees are involved) in which Clients have no interest. Conflicts of interest may arise in the allocation of time management, services or other resources to and among Clients and other investments and projects.

As further described below in *F. Fees for Related Services*, in certain instances, affiliates of RFM are entitled to receive fees from Clients and portfolio entities in consideration for certain services provided, including property management, real estate brokerage, loan servicing, origination, structuring, special servicing, leasing, financing, development, physical security and construction management and other real estate-related services. These services are provided on a non-exclusive basis, and conflicts of interest will arise in allocating time and resources among Clients of RFM and other entities (including Related) to which these affiliates provide similar services. Additionally, third parties in which affiliates of RFM have non-controlling economic interests may provide title, construction management, development and other real estate-related services for Clients in exchange for fees payable by RFM or its investments for such Clients.

For a discussion of additional material conflicts of interest created by the relationships described in this Item 10, please refer to *Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*.

D. Recommending Other Investment Advisers.

RFM does not recommend or select other investment advisers for its Clients.

E. Allocation of Investment Opportunities.

RFM provides investment advisory services to a number of Clients and may in the future provide such services to additional clients. Related and its affiliates (other than) engage in a broad spectrum of real estate investment activity that may overlap with the investment strategies of RFM

Clients.

Each Client's Governing Documents generally include restrictions on the allocation of investment opportunities. In addition, the Governing Documents may include provisions for allocating specific types of investment opportunities to one or more Clients. Subject to specific fund restrictions, RFM generally has discretion to allocate investment opportunities using its best judgment, considering such factors as it deems relevant (including the size of the investment opportunity, the objectives of the applicable Client, target rates of return, diversification considerations, risk profile, available capital and expected holding periods). It may be possible for one Client to compete with other Clients for investment opportunities.

In exercising its discretion, RFM is faced with a variety of potential conflicts of interest. For example, in allocating an investment opportunity among Clients with differing fee, expense and compensation structures, RFM has an incentive to allocate investment opportunities to Clients from which RFM or its related persons may derive, directly or indirectly, a higher fee, compensation or other benefit. However, as an investment adviser registered under the Advisers Act, RFM is required to uphold its fiduciary responsibilities and resolve any conflicts of interest on a fair and equitable basis.

F. Fees for Related Services.

As described under *Item 5 – Fees and Compensation — C. Other Fees and Expenses*, affiliates of RFM are entitled to receive fees from RFM Clients and portfolio entities in consideration for certain services provided, including property management, real estate brokerage, loan servicing, origination, restructuring, special servicing, leasing, financing, development, physical security and construction management and other real estate-related services. Except as disclosed in the Governing Documents of the firm's Clients, the terms of any fees and related services will be on terms no less favorable to the Client than would be obtained on an arm's length basis, taking into account the nature of the transaction and the services provided.

RFM or an Affiliate may act as the "directing certificateholder" (the "DCH") of securitization trusts in which Clients own interests. Except where otherwise specified in the applicable Governing Documents, RFM will be entitled to retain any approval or consent fees payable to the DCH and such fees will not offset or reduce the management fee or incentive compensation payable to RFM by the applicable Client nor will the applicable Client have any right, title or interest in respect of such fees.

The opportunity to earn these fees creates a potential conflict of interest between RFM and its affiliates on the one hand, and each Client and its investors, on the other hand, because (i) the amount of fees may be substantial (although in some cases the amount of these fees may reduce future investment advisory fees paid by Clients), and (ii) Clients and its investors (excluding Related personnel) do not have an interest in affiliates receiving such fees.

ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT

TRANSACTIONS AND PERSONAL TRADING

A. Code of Ethics.

RFM has adopted a Code of Ethics which, among other things, requires its supervised persons and access persons, as applicable, to (i) comply with the letter and spirit of all applicable laws, rules and regulations; (ii) report their personal securities transactions and holdings; (iii) seek and obtain approval in writing prior to acquiring any direct or indirect beneficial ownership in any public or private transaction; and (iv) read, and agree to adhere to, the Code of Ethics. A copy of the Code of Ethics will be provided upon request to Clients or prospective Clients (or any investors or potential investors in each Client).

B. Principal Transactions.

In limited circumstances, RFM may recommend that a Client purchase from, or sell securities or other assets to, RFM, its affiliates or their respective personnel, or RFM may effect the sale on behalf of one Client to another Client. For example, RFM and its affiliates have “warehoused” investments for Clients and may do so in the future. If RFM, its affiliates or their personnel were to engage in any such transaction they would only do so in accordance with the requirements of Section 206(3) of the Advisers Act, including, where applicable, the requirement to obtain the prior consent of each Client that is a party to the transaction. In the case of investment vehicles, this prior consent may be obtained directly from investors in the relevant investment vehicle (which may be granted in the vehicle’s governing documents) or, where expressly written in the Client’s Governing Documents, from an advisory committee comprised of certain investor representatives of the investment vehicle.

C. Investments in Securities Recommended by the Investment Adviser.

RFM, its affiliates and their personnel, or their contacts or service providers, may have a direct or indirect financial interest in the securities and other assets purchased and sold by a Client, including as a result of co-investment and Carried Interest arrangements.

Certain Governing Documents specify that RFM, its affiliates and their personnel (as well as other key advisors/relationships of RFM) will be permitted or required to make investments alongside, or in, the Clients. Such side-by-side investments do not bear fees and will result in Clients (or their investors) being allocated a smaller share of an investment than would otherwise be the case in the absence of such side-by-side investment rights. These arrangements, which are disclosed to each Client, generally are intended to align the interests of RFM’s personnel with investors in each Client. .

D. Purchases of Securities by the Investment Adviser and the Clients at the Same Time.

There are circumstances where an amount that would have otherwise been invested by a Client is instead allocated to co-investors, and there is no guarantee for any investor that it will be offered any co-investment opportunities. The allocation of co-investment opportunities is entirely discretionary and it is expected that many investors who have expressed an interest

in co-investment opportunities will not be allocated any co-investment opportunities or will receive fewer co-investment opportunities than what was originally requested or anticipated. RFM will take into account various facts and circumstances deemed relevant by RFM in allocating co-investment opportunities, including, among others, whether a potential co-investor has expressed an interest in evaluating co-investment opportunities, whether a potential co-investor has a history of participating in co-investment opportunities with Related, the size of the potential co-investor's interest to be held in the underlying investment as a result of the Client's investment (which is likely to be based on the size of the potential co-investor's capital commitment and/or investment in the Client), whether the potential co-investor has demonstrated a long-term and/or continuing commitment to the potential success of Related, the Clients, or other co-investments and/or investment vehicles, and other such factors that RFM deems relevant under the circumstances.

E. Loans to Clients.

Under certain circumstances, to the extent permitted by the Governing Documents of a Client, RFM and its affiliates may make loans to Clients. Where applicable, such loans will be made on the terms and conditions (including the rates) described in the Governing Documents with respect to a Client, or otherwise disclosed to a Client or, if applicable, its Limited Partner Advisory Committee ("LPAC").

ITEM 12 BROKERAGE PRACTICES

RFM typically provides advice with respect to investments in real estate, real estate-related assets or private real estate-related securities. In limited circumstances where a Client purchases public securities or holds such securities as a result of a portfolio entity becoming publicly traded, RFM follows applicable SEC guidelines and seeks to obtain best execution in executing such transactions. In selecting brokers and negotiating commission rates, RFM will look for the lowest possible commission cost or dealer spread, as well as for whether the transaction represents the best qualitative execution, therefore taking into account several factors, including, but not limited to, the financial stability and reputation of the broker, listed bids and asks, speed of execution, the quality of investment research, trading style and investment strategies and special execution capabilities, including the ability to minimize indirect cost factors such as market manipulation and trade settlement costs.

RFM currently has no arrangements with any brokers or dealers to receive research or other services beyond transaction execution in exchange for brokerage commissions from Client transactions (so called "soft dollar" arrangements). RFM may in the future effect transactions through, or otherwise use, Sand Capital or broker-dealers that have, or whose affiliates have, referred or recommended investors to it and broker-dealers or registered representatives of broker-dealers that personally or through related persons or family members have investments in funds managed by RFM. Because RFM's policy is to select brokers on the basis of best execution, RFM does not believe this presents a conflict.

To the extent RFM aggregates orders for purchase and sale, it will aggregate such orders as it deems appropriate and in accordance with the Governing Documents of the Clients and in a

manner that it believes to be in the best interest of each Client.

ITEM 13 REVIEW OF ACCOUNTS

A. Monitoring of Accounts.

RFM's investment staff is responsible for reviewing and monitoring each Client's investments on an ongoing basis. The investment staff includes RFM's executive officers and specialists in investment analysis, research, asset management, capital markets and asset disposition. The investment staff is responsible for identifying, evaluating, structuring and negotiating investments, overseeing the ongoing management of the investments by property managers or services and for management or oversight of financings, recapitalizations and dispositions.

B. Review Triggers.

RFM monitors each Client's performance and investments on an ongoing basis.

C. Reports to Clients.

Reports are prepared and furnished to investors in accordance with the Governing Documents of each Client. Generally, each investor is provided with (i) unaudited financial statements and summary information with respect to each investment on a quarterly basis and (ii) audited financial statements, summary information with respect to each investment and information to enable such investor to complete its U.S. federal income tax return with respect to such investor's investment in the Client on an annual basis.

ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION

A. Non-Client Compensation or Benefit.

RFM and its affiliates provide certain services to Related entities or investments in each Client and may receive compensation from each Client or Related entity accordingly. These services are described in greater detail under *Item 5 – Fees and Compensation — C. Other Fees and Expenses*. Any compensation received in connection with such services may or may not offset all or a portion of the Management Fees received by RFM, depending on the Governing Documents of each Client. RFM generally seeks to address potential conflicts of interest resulting from the provision of additional services to Clients in exchange for fees by (i) agreeing with the Client (or in the case of a single-investor investment vehicle, the investor or investors) that the terms of any such dealing will be on terms no less favorable to the Client than would be obtained on an arm's length basis, taking into account the nature of the transaction and the services provided, (ii) maintaining policies and procedures designed to cause RFM, its affiliates and their personnel to satisfy their fiduciary duties to each Client in connection with their activities, and (iii) in certain vehicles, disclosing such fees and services to the Client or the LPAC.

RFM and certain of its principals have long-standing business relationships with The Related Group of Florida (“Related Florida”) and certain principals beneficially own a minority passive investment in Related Florida. Related Florida or its principals participate with Clients in one or more investments through personal investment vehicles or by way of joint venture. To the extent Related Florida, its principals or entities they control earn any performance fees or carried interest in connection therewith, such fees or carried interest will not accrue to the benefit of RFM Clients.

B. Solicitation Arrangements.

From time to time, RFM or its affiliates may enter into solicitation arrangements pursuant to which RFM or its affiliates compensate third parties for referrals that result in a Client establishing a relationship with RFM or its affiliates, or pursuant to which RFM or its affiliates compensate a placement agent for sales of interests in an investment vehicle that is formed or sponsored by RFM. Any fees and expenses payable to such solicitors or placement agents will be borne by the applicable Client, except as provided in the Governing Documents of such Client.

ITEM 15 CUSTODY

RFM or its affiliates may have, or may be deemed to have, custody (within the meaning of Rule 206(4)-2 under the Advisers Act) of certain funds and securities of its Clients. In most instances, RFM’s Clients are audited within 120 days of the end of the fiscal year of each Client that comply with Rule 206(4)-2(b)(4) under the Advisers Act. For those Clients that are not audited, account statements are provided under Rule 206(4)-2(a) (3) and (5) under the Advisers Act.

ITEM 16 INVESTMENT DISCRETION

Pursuant to each Client’s Governing Documents, RFM (or the applicable Management Entity) have discretionary authority to make investment determinations on behalf of Clients. This authority is subject to limitations set forth in the applicable Governing Documents (including any side letters executed with investors).

ITEM 17 VOTING CLIENT SECURITIES

RFM’s Clients generally invest in real estate and real estate-related assets that do not issue proxies.

To the extent that any Client holds voting securities, RFM (or the applicable Management Entity) has the authority to direct the voting of such securities except to the extent provided in the Governing Documents of a particular Client. The voting securities held by the firm’s Clients in most cases entail large or controlling interests of privately held issuers. Unlike the limited voting

rights attributable to publicly traded securities, Clients generally have broad voting authority (directly or indirectly) on a wide range of matters affecting these privately held issuers. RFM (or the applicable Management Entity) may also have the authority to direct the voting of publicly traded securities. If RFM (or the applicable Management Entity) exercises the voting rights attributable to interests in privately held issuers or publicly traded securities on behalf of Clients, it does so in the interests of the applicable Client and in a manner consistent with the Client's investment objectives. When voting securities, RFM (or the applicable Management Entity) considers relevant factors, which may include, among many others, the impact on the value of the securities, the anticipated economic and non-economic costs and benefits associated with a proposal, the effect on liquidity, and customary industry and business practices. RFM has adopted a proxy voting policy, which is designed to ensure that RFM (or the applicable Management Entity) votes a Client's securities in the best interests of each Client. In the voting of Client securities, RFM does not believe material conflicts of interest would arise between its interests on the one hand and the interests of the Clients on the other.

Clients cannot direct the vote of RFM or the Management Entities in a particular solicitation.

Clients or, in the case of an investment vehicle, existing investors in the investment vehicle, may request information from RFM about how any voting securities held by each Client were voted. RFM will provide a copy of its proxy voting policy to any existing Client or investor upon request.

ITEM 18 FINANCIAL INFORMATION

RFM does not require or solicit prepayment of more than \$1,200 in fees per Client six months or more in advance. RFM does not have any financial condition that is reasonably likely to impair its ability to meet contractual commitments to Clients, and it has not been the subject of a bankruptcy petition at any time during the past ten years.

ITEM 19 REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Not applicable.