

# Square Mile Capital Management LLC

## Part 2A of Form ADV

### The Brochure

350 Park Avenue  
15<sup>th</sup> Floor  
New York, New York 10022  
[www.squaremilecapital.com](http://www.squaremilecapital.com)

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This brochure provides information about the qualifications and business practices of Square Mile Capital Management LLC. If you have any questions about the contents of this brochure, please contact us at 212-605-1000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Square Mile Capital Management LLC is a registered investment adviser. Registration of an investment adviser with the SEC does not imply a certain level of skill or training.

Additional information about Square Mile Capital Management LLC is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 - Material Changes

Since the last annual amendment filed on March 28, 2020, SMCM (as defined below) filed an other-than-annual amendment on May 1, 2020 to update Items 4, 5, 8, 10 and 11 to include information regarding the sale of a controlling interest in USAA Real Estate (as defined below), which has a strategic relationship with SMCM, effective April 1, 2020, and the conversion of USAA Real Estate from a corporation to a limited liability company, effective April 1, 2020. SMCM subsequently filed an other-than-annual amendment on January 28, 2021 to update Items 4, 5, 8, 10, 11 and 13 to reflect the sale by Jeffrey Citrin of his interests in Square Mile to USAA Real Estate on December 30, 2020.

In this annual amendment, no material changes have been made. However, please carefully read Items 4, 8, 10 and 11, which describe the advisory business, the potential risk of loss, financial industry activities and affiliations and certain potential conflicts of interest, respectively, which have been updated.

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## Item 4 - Advisory Business

Square Mile Capital Management LLC (“SMCM”), founded in 2006, is jointly owned by Craig H. Solomon (the “Chief Executive Officer”) and USAA Real Estate Company, LLC (together with its controlled affiliates, where applicable, “USAA Real Estate”).

SMCM serves as the sponsor of a number of real estate-related investment funds organized to make only real estate and real estate-related investments and also provides investment advisory services to one or more separately managed accounts (each, including related vehicles, referred to herein as a “Partnership” and collectively “Partnerships”). In providing services to each Partnership, SMCM or a wholly-owned subsidiary thereof, including (i) Square Mile Capital Management III LLC, (ii) Square Mile Capital Management IV LLC, (iii) Square Mile Capital Management V LLC, (iv) Square Mile Capital Management VI LLC, (v) Square Mile Capital Management Core Credit LLC, (vi) Square Mile Capital Management Core Credit II LLC, (vii) Square Mile Capital Management Credit II LLC, (viii) Square Mile Capital Management Tactical LLC, (ix) Square Mile Capital Management Tactical II LLC, (x)

Square Mile Capital Management Hospitality LLC, (xi) Square Mile Capital Management Hospitality B LLC, (xii) Square Mile Capital Management KP LLC, (xiii) Square Mile Capital Management 1166 AOA LLC, (xiv) Square Mile Capital Management (MHG) LLC, (xv) Square Mile Capital Management (MUL) LLC, (xvi) Square Mile Capital Management PE LLC, (xvii) Square Mile Capital Management PE II LLC, (xviii) Square Mile Capital Management Urban Infill LLC and (xix) Square Mile Capital Management (GoReLux) LLC (collectively “Square Mile”), as applicable, and typically in the case of investment funds together with an affiliate of Square Mile that serves as a general partner or managing member of the respective Partnership (each, a “General Partner” and collectively “General Partners”), directs and manages the investment of each Partnership’s assets and provides periodic reports to investors in each Partnership. Square Mile also manages investment vehicles that facilitate co-investment in one or more portfolio entities of other Partnerships. In addition, the Partnerships hold interests through conduit vehicles and/or subsidiaries that usually serve as general partners or managing members of other vehicles or joint ventures. The General Partners typically act on behalf of the Partnerships that serve in such capacity and are usually able to approve or reject investment decisions.

Square Mile makes investment decisions based on careful research and decision-making procedures that help Square Mile identify and assess investment risks and opportunities. Square Mile manages the assets of each Partnership (including, without limitation, co-investment vehicles) in accordance with the terms of the governing documents (including, without limitation and as the context requires, any limited partnership agreements, limited liability company agreements and investment management agreements) applicable to each such Partnership. Investment advice is provided directly to each Partnership and not individually to the investors in the Partnerships.

Square Mile has a strategic relationship with USAA Real Estate, pursuant to which USAA Real Estate owns a 74.95% interest in Square Mile. Founded in 1982, USAA Real Estate manages United Services Automobile Association (“USAA”)’s portfolio of real estate investments across the United States, in addition to real estate investments made on behalf of certain institutional partners. USAA Real Estate has extensive experience in the acquisition, development, ownership, management and leasing of commercial real estate. See “Activities of USAA, USAA Real Estate and the USAA Real Estate Acquirer Businesses; Strategic Relationship with Square Mile” and “No Assurance of Ability to Participate in Investment Opportunities” in Item 11 for additional information.

Square Mile is currently owned by the Chief Executive Officer and USAA Real Estate, which is indirectly owned by entities owned and controlled by Leonard J. O’Donnell (USAA Real Estate’s Chief Executive Officer), Fritz H. Wolff and James A. Davidson. More information about Square Mile’s ownership is provided in Schedules A and B of its Form ADV Part 1.

As of December 31, 2020, Square Mile managed assets worth approximately \$6,901,726,623 on a discretionary basis and \$726,020,617 on a non-discretionary basis.

## **Item 5 - Fees and Compensation**

In addition to Square Mile typically earning a management fee, the General Partners of certain Partnerships receive performance-based compensation in accordance with each such Partnership’s governing documents. Management fees are generally payable quarterly in advance or in arrears. The management fee varies by Partnership and by investor (for example, the management fee is permitted to vary for certain investors in a Partnership based on the size of an investor’s capital commitment) and is based on invested capital and/or committed capital, as applicable. Square Mile, however, typically charges reduced management fees or no management fee to the General Partners (and their direct or indirect members or affiliates) and/or certain investors in the Partnerships (including, without limitation, investors in co-investment vehicles). Furthermore, after the achievement of certain thresholds, the

Partnerships are generally subject to performance-based compensation of up to 20% of profits on all distributions derived from current income and the disposition of investments or securities. The General Partners, however, typically receive reduced performance-based compensation or no performance-based compensation from their direct or indirect members or affiliates and/or certain investors in the Partnerships (including, without limitation, investors in co-investment vehicles). Please see “Coinvestments” in Item 11 for additional information. In addition, certain Partnerships are permitted to pay Square Mile certain other fees including, but not limited to, acquisition, disposition and/or asset management fees paid quarterly in advance or in arrears, as set forth more fully in each such Partnership’s governing documents with Square Mile.

Pursuant to each Partnership’s governing documents with Square Mile, fees can generally be deducted directly from the Partnerships’ and the respective investors’ capital account balances or share of income, or the investors can be required to make capital contributions for the purpose of paying fees. In the event that Square Mile does not provide services for the full quarterly period, the management fee is typically required to be returned on a pro rata basis to the investors in the applicable Partnership. In the rare event that the investment management agreement between Square Mile and a Partnership is terminated, a pro rata portion of fees is refunded to such Partnership and, in general, the amount of fees returned is calculated based on the number of days remaining in the applicable period.

Any transaction and other similar fees paid to or received by Square Mile in connection with investments or unconsummated transactions are generally applied (subject to the governing documents of a Partnership) to reduce the management fee on a dollar-for-dollar basis (net of out-of-pocket expenses incurred by Square Mile in connection with such investments or unconsummated transactions and not reimbursed by the Partnership); however, special servicing fees or other similar fees and certain bona fide compensation to employees of Square Mile (which generally excludes the Chief Executive Officer) who are seconded to portfolio entities, so long as such fees and compensation are at arm’s length and at competitive market rates, together with related expenses and allocable overhead, and de minimis processing payments from borrowers as part of their loan applications (which are applied against all out-of-pocket expenses incurred by the applicable Partnership, Square Mile or their affiliates in connection with the making of the actual investment to which such payment relates to the extent not reimbursed by the applicable borrower) are excluded from such reduction with respect to certain Partnerships. Such secondment expenses are borne by such Partnerships or the applicable portfolio entity based on each applicable portfolio’s allocable portion of the seconded employees’ compensation. Added to a portfolio entity’s allocable portion of seconded payroll is a portion of Square Mile’s out-of-pocket expenses allocable to the secondees employed with respect to investments in that portfolio (including rent, insurance and general and administrative expenses).

To the extent such offsets reduce the management fee for a fiscal quarter below zero they are carried forward and reduce future installments of the management fee. To the extent a Partnership incurs placement fees for the use of a placement agent with respect to a certain investor, such investor’s share of the management fee is reduced on a dollar-for-dollar basis.

In addition to any management fees and any performance-based compensation collected by Square Mile or the General Partners, investors in the Partnerships are subject to a variety of other fees and expenses payable to third parties or incurred internally by Square Mile, as more fully described in each Partnership’s governing documents and/or private placement memorandum. Examples of fees and expenses that are paid by the Partnerships and indirectly borne by the investors include, but are not limited to, organizational expenses and costs of establishing, maintaining, liquidating or otherwise dealing with any Partnership subsidiary; fees, costs, taxes and expenses directly related to identifying, investigating, purchasing, holding, monitoring, disposing of, financing, hedging, developing, negotiating and structuring potential or actual investments (including, but not limited to, expenses related to attending

trade association meetings, conferences or similar meetings for purposes of evaluating potential investment opportunities and advertising in trade publications for the purpose of generating potential investment opportunities and costs of advisers, consultants, engineers and other professionals and service providers and, in certain cases, actual compensation of in-house attorneys and of Square Mile employees who are seconded to portfolio entities); costs and expenses associated with any alternative vehicle; principal, interest on and fees and expenses arising out of all borrowings made by the Partnerships (including, without limitation, borrowings from any subscription line facilities), including the arranging thereof; cash distributions payable with respect to any preferred interests; any sales, leasing commissions, development fees, loan servicing fees and other investment costs incurred in connection with investments; travel expenses (including private charter, first class and/or business class airfare, lodging, meals, ground transportation and other travel means); premium meals and entertainment events with deal counterparties and service providers; meals and transportation for Square Mile employees that work late or on weekends with respect to Partnership-related matters; political and/or charitable contributions made with respect to portfolio entities; expenses of dissolving and liquidating the Partnerships and their assets; any brokerage commissions and custodial expenses; any insurance (including the costs of any fidelity bond, D&O liability or similar insurance), indemnity (including advancement of any such fees, costs or expenses to persons entitled to such indemnification) or litigation expense involving the Partnerships, its subsidiaries or a portfolio entity and the amount of any judgments, fines, remediation or settlements paid in connection therewith or extraordinary expense or liability to the extent such costs directly relate to the affairs of the Partnership; expenses associated with portfolio and risk management, including currency hedging and interest rate management; expenses incurred in connection with any tax audit or examination, investigation, settlement, review or other proceeding of the Partnerships; fees, costs and expenses associated with the Partnerships' administrative and reporting costs, including fees, costs and expenses of holding any annual or other informational meeting of one or more of the investors in a Partnership (including accommodation, meal, event, entertainment and other similar fees, costs and expenses) and any fees, costs and expenses in relation to calling capital from and making distributions to the investors in a Partnership, the administration of assets, financial planning and treasury activities, the representation of the Partnerships or investors in a Partnership by the "partnership representative" or the "tax matters partner" (as defined in the applicable Partnership's governing documents), the preparation and delivery of all financial statements, tax returns and Schedule K-1s (including any successors thereto), capital calls, distribution notices, other reports and notices and other required and requested information (including the cost of any third-party administrator), fees, costs and expenses incurred to audit such reports, provide access to such reports or information (including through a website or other portal) and any other operational, secretarial or postage expenses relating thereto or arising in connection with the distribution thereof and expenses associated with the Partnerships' information, technology, communication, research and reporting costs (including internally allocated charges); any taxes (other than taxes treated as distributions), fees or other governmental charges levied against the Partnerships (including out-of-pocket expenses incurred in connection with legal and regulatory compliance of the Partnerships and/or Square Mile with U.S. federal, state, local, non-U.S. or other law or regulation required as a result of the Partnerships' activities), including, for example, preparation and filing of regulatory filings of Square Mile and its affiliates relating to the applicable Partnership's activities, including reports to be filed with the U.S. Commodity Futures Trading Commission (if any) and reports, disclosures, filings and notifications prepared in accordance with the European Union Alternative Investment Fund Managers Directive; expenses incurred in connection with complying with provisions in side letter agreements entered into with investors in a Partnership (including the process of distributing and implementing applicable elections pursuant to any "most favored nations" provisions in side letters); costs and expenses associated with the translation into any non-English language of offering or marketing materials or legal documentation, entering into a separate and/or discretionary account arrangement (including any expenses associated with any licensing or similar requirements in such case), or any other costs and expenses incurred in connection with the offering to entities or persons organized or domiciled in any non-U.S. jurisdiction, or offering interests in any non-U.S. jurisdiction, as applicable; and expenses

of the investor advisory committee and its members and observers (including accommodation, meal, event, entertainment and other similar fees, costs and expenses in connection with any meetings of the advisory committee and the fees, costs and expenses of any legal counsel or other advisors retained by, or at the direction or for the benefit of, the advisory committee); and out-of-pocket expenses of boards of directors of REITs that constitute Partnerships or subsidiaries thereof in attending meetings of the board. In addition, the Partnerships are responsible for all fees and expenses due any legal (including, in certain cases actual compensation of in-house attorneys, so long as such fees and compensation are at arm's length and at competitive market rates), financial, accounting, consulting or other advisors (including appraisers, valuation experts, tax advisors, fund administrators, loan servicers, debt and equity position servicers, asset managers, property managers and other professionals and service providers) or any lenders, investment banks and other financing sources and other costs and fees in connection with transactions that are not consummated, including broken deal expenses, reverse "break up", broken deal or similar fees and lost deposits. In order to calculate the costs of in-house counsel allocable to each Partnership, in-house attorneys submit timesheets showing hours worked on specific investments, and applicable funds reimburse accumulated in-house legal expenses based upon hourly rates. Such in-house counsel-related reimbursements are reported to the advisory boards or other committees of investor representatives for applicable Partnerships generally on an annual basis.

Square Mile allocates expenses to the Partnerships in a manner that it believes is fair and equitable considering all factors as Square Mile deems relevant, but in its sole discretion, subject to the governing documents of the Partnerships. The allocation of expenses can create potential conflicts of interest. Shared expenses will typically be allocated among Partnerships obligated to bear expenses of such kind. The allocations of such expenses will typically be done pro rata among Partnerships but at times will not be proportional and any such determinations involve discretion by Square Mile. There can be no guarantee that prospective investors in yet to be formed co-investment vehicles will agree to bear expenses related to unconsummated investments and therefore all such expenses may be borne by the Partnerships.

Square Mile is permitted to invest assets of a Partnership in other limited partnerships or pooled investment vehicles that specialize in particular real estate investments. Through these types of investments, investors in a Partnership will generally bear two layers of fees that include fees paid to the sponsor of such other vehicle and fees paid to Square Mile.

Moreover, although transaction fees paid by a Partnership or its portfolio entities to affiliates of Square Mile are generally subject to a management fee offset unless the Partnership's governing documents expressly provide otherwise, Square Mile and its personnel can be expected to receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of the Partnerships that will not be subject to the management fee offset or otherwise shared with the Partnerships and/or their investors. For example, airline travel or hotel stays incurred as Partnership expenses typically result in "miles" or "points" or credit in loyalty/status programs, and such benefits and/or amounts will, whether or not de minimis or difficult to value, inure exclusively to Square Mile and/or such personnel (and not the Partnerships and/or their investors) even though the cost of the underlying service is borne by the Partnerships. Please see "Fees for Services" in Item 11 for additional information.

Current and prospective investors should carefully review the more detailed descriptions of the fees and expenses paid by the Partnerships that are included in each Partnership's governing documents and/or private placement memorandum.

## **Item 6 - Performance Based Fees and Side-by-Side Management**

The General Partners, which are affiliated with Square Mile, typically receive performance-based compensation from certain Square Mile clients. The General Partners, however, do not receive performance-based compensation from their direct or indirect members or affiliates. For a description of such compensation, see “Fees and Compensation” above. The ability of the General Partners to earn performance-based compensation from some, but not all, Square Mile clients (and the different levels of performance-based compensation among the Partnerships) aligns the interests of Square Mile and the Partnerships in some ways, but the arrangements can also pose potential conflicts of interest. Square Mile and the General Partners have an incentive to invest the Partnerships’ capital more speculatively than would otherwise be prudent in an effort to generate outsized returns. However, this incentive is mitigated in part by the capital commitment that the General Partners and/or Square Mile affiliates make to the Partnerships.

Square Mile manages multiple Partnerships with similar investment strategies on a side-by-side basis. In addition, certain Partnerships have and are expected to have in the future varying rates and structures of performance-based compensation, which gives Square Mile an incentive to disproportionately allocate time, services or functions to Partnerships paying an effective higher rate of performance-based compensation or effective lower hurdle, or to allocate investment opportunities to such Partnerships. Management of multiple vehicles on a side-by-side basis has the potential to create conflicts of interest with regard to Square Mile’s allocation of investment opportunities, expenses, time and attention of advisory personnel and consideration for certain transactions. To help minimize such conflicts of interest, each Partnership’s governing documents set forth specific procedures designed to ensure that all investors are treated fairly and to prevent such potential conflict from unduly influencing the allocation of investment opportunities among Partnerships, including but not limited to provisions outlining the parameters of Square Mile’s and the respective General Partner’s ability to launch new investment funds while current funds are being actively invested.

## **Item 7 - Types of Clients**

Square Mile’s only clients are privately offered real estate-related funds and managed accounts. Minimum investment in the Partnerships, as applicable, is generally \$10,000,000, but lesser amounts may be accepted at the discretion of Square Mile and, in fact, have at times been accepted in respect of certain Partnerships.

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

Certain Partnerships seek to achieve attractive risk-adjusted returns for their investors by searching out investments in distressed, mispriced, underperforming or out-of-favor real estate, real estate related assets or entities, as well as performing real estate-related debt. These Partnerships make investments across the capital structure and in various property types primarily located in the United States, and to a lesser extent in appropriate non-U.S. markets. Other Partnerships seek to achieve attractive risk-adjusted returns for their investors primarily by making investments in originated or purchased first mortgage and subordinated debt investments backed by high quality commercial real estate. Yet other Partnerships are established to invest in a broad range of commercial real estate related investments including first mortgages, B-notes, mezzanine debt, B-Pieces, commercial mortgage-backed securities (“CMBS”), equity, preferred equity, performing, nonperforming, subperforming instruments, and entities. The Partnerships often hold interests through conduit vehicles and/or subsidiaries and usually serve as general partners or managing members of these vehicles or joint ventures. The General Partners, acting on behalf of the Partnerships, act on behalf of such vehicles and joint ventures and are usually able to approve or reject investment decisions.

With respect to all prospective investments, Square Mile aims to discern the intrinsic value of the collateral or property in question and structure each prospective investment with the flexibility to optimize potential upside while also reducing downside risk.

Square Mile seeks to assemble a balanced, diversified and non-correlated portfolio of real estate-related investments across the capital structure spectrum for the Partnerships, and intends to target a portfolio comprised of the following types of assets and investment strategies: high yield structured debt, common equity, preferred equity, project equity, distressed debt and special situations, as well as performing real estate-related debt.

Investing in real estate, real estate debt and other real estate-related interests and instruments involves the risk of loss. The purchase of interests in a Partnership involves a number of significant risks, including but not limited to those listed below, that should be carefully considered by potential investors before making any investment. Additional risks factors are disclosed in the governing documents and/or private placement memoranda of the relevant Partnerships. As a result of these risks, and other risks inherent in any investment, there can be no assurance that a Partnership will meet its investment objectives or otherwise be able to carry out its investment program successfully or that an investor will receive a return of its capital. The possibility of partial or total loss of capital exists and investors must be prepared to bear capital losses that might result from investing in a Partnership.

**Reliance on Key Management Personnel.** The success of a Partnership will depend, in large part, upon the skill and expertise of the management of a General Partner and the applicable manager under the leadership of the Chief Executive Officer as well as the contributions provided by other key personnel of Square Mile and USAA Real Estate (including senior employees of Square Mile and Leonard J. O'Donnell, the Chief Executive Officer of USAA Real Estate). If a General Partner were to lose the services of the Chief Executive Officer, such senior employees of Square Mile or Mr. O'Donnell, the financial condition and operations of the Partnerships will likely be materially adversely affected. There can be no assurance that such persons will continue to be affiliated with any Partnership throughout its term or that the relative ownership of Square Mile by the Chief Executive Officer and USAA Real Estate will not change at any time in the future. In fact, it is expected that, in the near future, USAA Real Estate or its affiliate(s) will purchase the interests in Square Mile held by the Chief Executive Officer. See "Activities of USAA, USAA Real Estate and the USAA Real Estate Acquirer Businesses; Strategic Relationship with Square Mile" in Item 11. Additionally, there is ever-increasing competition among alternative asset firms, financial institutions, private equity firms, investment managers and other industry participants for hiring and retaining qualified investment professionals. There can be no assurance that the General Partners' and Square Mile's personnel will not be solicited by and join competitors or other firms and/or that the General Partners and Square Mile will be able to hire and retain any new personnel that it seeks to add to its team of investment professionals. In addition, Square Mile's professionals involved with a Partnership are not dedicated exclusively to such Partnership and will have other responsibilities for Square Mile. Conflicts of interest can arise in allocating management time, services or functions, including with respect to allocating such management time, services or functions between the Partnerships.

**No Assurance of Investment Return.** Square Mile cannot provide assurance that it will be able to choose, make and realize investments in any particular asset, company, portfolio of assets or investment. There can be no assurance that any Partnership will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the type of portfolio entities, transactions and assets described in the relevant private placement memorandum and/or governing documents. There can be no assurance that any limited partner in any Partnership will receive any distribution from such Partnership. Accordingly, an investment in a Partnership should only be considered by persons who can afford a loss of their entire investment. Past activities of investment entities associated with Square Mile



is not necessarily indicative of future success. There can be no assurance that projected or targeted returns for any Partnership or any of its investments will be achieved.

**Illiquid and Long-Term Investments.** The Partnerships generally invest in debt and equity obligations and other investments in real estate properties and real estate businesses for which the number of potential purchasers and sellers, if any, is often very limited. This factor can have the effect of limiting the availability of these assets for purchase by the Partnerships and can also limit the ability of the Partnerships to sell such assets at their fair market value prior to termination of the Partnerships or in response to changes in the economy or financial and real estate markets. Illiquidity can also result from legal or contractual restrictions on their resale. Investments in the Partnerships requires a long-term commitment, with no certainty of return. The return of capital and realization of gains, if any, from an investment will generally occur only upon the partial or complete disposition or refinancing of such investment. Investors in a Partnership should thus expect that they may not receive a return of capital for an extended period of time following their withdrawal from such Partnership even if such Partnership's investments prove successful.

**Investments Longer than Term.** The Partnerships are permitted to make investments that will not necessarily be advantageously disposed of prior to the date that the Partnerships will be dissolved, either by expiration of a Partnership's term or otherwise. Although Square Mile expects that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, the Partnerships may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. There can be no assurances with respect to the time frame in which the winding up of any Partnership and the final distribution of proceeds to investors of any Partnership will occur.

**Availability of Suitable Investments.** Purchasers of the interests of a Partnership will generally not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the investments to be made by such Partnership and, accordingly, will be dependent upon the judgment and ability of the applicable General Partner and Square Mile in investing and managing the capital of such Partnership. The activity of identifying, completing and realizing attractive investments has from time to time been highly competitive, and involves a high degree of uncertainty. The Partnerships will be competing for investments with many other real estate investment vehicles, as well as individuals and companies, real estate investment trusts ("REITs"), open ended funds, closed ended funds, financial institutions (such as mortgage banks and pension funds), hedge funds and investment funds affiliated with other financial sponsors or institutional investors, private equity and debt investors, credit vehicles and commercial mortgage-backed securities vehicles. Further, over the past several years, many real estate investment funds, REITs and other vehicles have been formed for the purpose of investing in debt-oriented and other real estate investments (including debt-oriented investments and preferred equity) and many such existing funds and vehicles have grown substantially in size and others have consolidated (resulting in larger funds and vehicles). As a result, an unprecedented amount of capital is available for debt-oriented and other real estate investments. Additional funds, REITs and other vehicles with similar investment objectives may be formed in the future by other unrelated parties and further consolidation could occur. Some of these investors will likely make competing offers for investment opportunities identified by the Partnerships and could have greater resources than the Partnerships, or could have better relationships with sellers and brokers. These competitors could have different investment objectives than the Partnerships, enabling them to accept more risk, pay higher prices or invest on inferior terms or accept lower returns than the General Partners could deem reasonable or appropriate for the applicable Partnership. Consequently, it is possible that competition for appropriate investment opportunities can increase, thus reducing the number of investment opportunities available to the Partnerships and adversely affecting the terms upon which investments can be made. The Partnerships are permitted to incur negotiation, bid, due diligence or other costs on investments which may not be consummated or successful. As a result, the Partnerships may not recover all of their costs, which would

adversely affect returns. To the extent applicable, participation in auction transactions will also increase the pressure on a Partnership with respect to the price of a transaction. There can be no assurance that real estate investments of the type in which the Partnerships seek to invest in will continue to be available for the Partnerships' investment activities, that available investments will meet the Partnerships' investment criteria or that the Partnerships will be able to fully invest their committed capital. Further, to the extent suitable investments are available, there can be no assurance that if such investments are made, the objectives of the Partnerships will be achieved. Certain markets in which the Partnerships seek to invest in are extremely competitive for attractive investment opportunities and, as a result, there could be reduced expected investment returns.

**Risk of Partnership Investments.** The Partnerships will primarily invest in debt and equity securities and other investments in real estate properties as well as, to a lesser degree, real estate businesses. Deterioration of U.S. real estate fundamentals will negatively impact the performance of the Partnerships. Such changes in fundamentals could involve fluctuations as a result of general and local economic conditions, changes in supply of and demand for competing properties in an area (as a result, for instance, of overbuilding), fluctuations in real estate fundamentals (including average occupancy and room rates for hotel properties), changes in the financial resources of tenants, increases in property taxes and operating expenses, changes in building, environmental, zoning and other laws, casualty or condemnation losses, regulatory limitations on rents, decreases in property values, changes in the appeal of properties to tenants, changes in real property tax rates and operating expenses, changes in energy and supply shortages, various uninsured or uninsurable risks, natural disasters, increases in interest rates and the availability of debt financing and/or mortgage funds which can render the sale or refinancing of properties difficult or impracticable, increases in mortgage defaults, increases in borrowing rates, negative developments in the economy that depress travel activity and demand and/or real estate values generally, environmental liabilities, contingent liabilities on disposition of assets, terrorist attacks, war and other factors that are beyond the control of Square Mile. The value of interests in companies that service the real estate business sector can also be affected by such risks.

Because Square Mile is permitted to invest a portion of Partnership assets in REITs, the Partnerships can also be subject to certain risks associated with direct investment in REITs. In addition, because REITs are permitted to be part of the structure of certain Square Mile products, certain Partnerships (as applicable) are expected to be subject to REIT-related risks. REITs could be affected by changes in the value of their underlying properties and by defaults by borrowers or tenants. Furthermore, REITs are dependent upon specialized management skills, have limited diversification and are, therefore, subject to risks inherent in financing a limited number of projects. REITs depend generally on their ability to generate cash flow to make distributions to shareholders, and certain REITs have self-liquidation provisions by which assets held can be realized or disposed and distributions of capital returns can be made at any time. In addition, the performance of a REIT could be affected by changes in the tax laws or by its failure to qualify for tax-free pass-through of income.

The profitability of a significant portion of each Partnership's investment program depends to a great extent upon correctly assessing the future value of investments. There can be no assurance that Square Mile will be able to predict accurately these future values. With respect to the investment strategy utilized by the Partnerships, there is always some, and occasionally a significant, degree of market risk.

The Partnerships are permitted to invest in CMBS and mezzanine debt. Some of these investments in CMBS and mezzanine debt are permitted to be unsecured and subordinated or otherwise junior in an issuer's and/or borrower's capital structure to substantial amounts of senior indebtedness, all or a significant portion of which are permitted to be secured. Investments in subordinated debt involve greater credit risk of default and loss than the more senior classes or tranches of debt in an issuer's capital structure. Subordinated tranches of debt instruments absorb losses from default before other more senior

tranches of such instruments to which they are subordinate are put at risk, particularly if such instruments have been issued with little or no credit enhancement or equity. As a result, to the extent a Partnership invests in subordinate debt instruments, such Partnership would likely receive payments or interest distributions after, and must bear the effects of losses or defaults on the senior debt before, the holders of other more senior tranches of debt instruments with respect to such issuer. The ability of a Partnership to influence a company's affairs, especially during periods of financial distress or following an insolvency, is likely to be substantially less than that of a senior creditor. For example, under terms of subordination agreements, senior creditors will typically be able to block the acceleration of the mezzanine debt or other exercises by such Partnership of its rights as a creditor. Accordingly, such Partnership may not be able to take the steps necessary to protect its investments in a timely manner or at all. Further, the ability of a borrower to make payments on such a loan is dependent primarily upon the successful operation of the underlying property rather than upon the existence of independent income or assets of the borrower. A Partnership's investments will be affected, where applicable, by (i) the relative payment priorities of the respective classes of instruments/securities or other interests issued by portfolio entities (or affiliates thereof) in which a Partnership has an investment, (ii) the order in which the principal balances of such respective classes will be reduced in connection with losses and default-related shortfalls and (iii) the characteristics and quality of the underlying loans in a Partnership. In the event of default and the exhaustion of any equity support, reserve fund, letter of credit and any classes of interests junior to those in which such Partnership invests, such Partnership will not be able to recover all of its investment in the interests purchased. Investments in subordinate securities, such as CMBS and mezzanine debt, have a higher risk of loss than investments in more senior securities. CMBS and mezzanine 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 could arise with respect to collateral securing the obligations. The securities in which the Partnerships invest are permitted to be subject to early redemption features, refinancing options, pre-payment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by a Partnership earlier than expected, resulting in a lower return to the Partnerships than projected. In many cases, a Partnership's management of its investments and its remedies with respect thereto, including the ability to foreclose on any collateral securing such investments, will be subject to the rights of senior lenders and/or holders of more senior tranches in an issuer's capital structure and, to the extent applicable, contractual inter-creditor, co-lender and/or participation agreement provisions. In addition, depending on fluctuations of the equity markets and other factors, warrants and other equity securities could become worthless. Accordingly, there can be no assurance that a Partnership's rate of return objectives will be realized.

The Partnerships are permitted to also invest in debt instruments that will not be rated by any recognized rating agency. Generally, the value of unrated classes is more subject to fluctuation due to economic conditions than rated classes. Overall credit quality moves up or down frequently within this category. A Partnership's acquisition of credit support classes of securitizations (which generally are expected to be first-loss classes) that are unrated at the time of acquisition and have lower ratings incrementally increases the risk of nonpayment or of a significant delay in payments on these classes. Should assets be downgraded, their value and the value of the Partnerships would be adversely affected.

Certain Partnerships are permitted to also invest in construction loans, which presents an increased risk of loss. If such Partnership fails to fund its entire commitment on a construction loan or if a borrower otherwise fails to complete the construction of a project, there could be adverse consequences associated with the loan, including, without limitation: (i) a loss of the value of the property securing the loan, especially if the borrower is unable to raise funds to complete it from other sources; (ii) a borrower claim against such Partnership for failure to perform under the loan documents; (iii) cost overruns or increased costs to the borrower that the borrower is unable to pay; (iv) a bankruptcy filing by the borrower; and (v) abandonment by the borrower of the collateral for the loan. The occurrence of such events could result in

losses to such Partnership. In addition, costs of construction or renovation to bring a property up to standards established for the market intended for that property could exceed original estimates, possibly making a project uneconomical. Other risks could include: environmental risks, permitting risks, other construction risks and subsequent leasing of the property not being completed on schedule or at projected rental rates. If such construction or renovation is not completed in a timely manner, or if it costs more than expected, the borrower could experience a prolonged impairment of net operating income and may not be able to make payments of interest or principal to a Partnership, which could materially and adversely affect that Partnership. Other loan types are permitted to also include unfunded future obligations that could present similar risks.

**Cyber Security Breaches and Identity Theft.** Square Mile's and portfolio entities' information and technology systems could be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although Square Mile has implemented, and portfolio entities will likely implement, various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, Square Mile, the Partnerships and/or a portfolio entity could have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Square Mile's, the Partnerships' and/or a portfolio entity's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm Square Mile's, the Partnerships' and/or a portfolio entity's reputation, subject any such entity and their respective affiliates to legal claims and otherwise affect their business and financial performance.

**General Economic and Market Conditions.** The real estate industry generally and the success of the Partnerships' investment activities will both be affected by general economic and market conditions, as well as by changes in laws, currency exchange controls and national and international political and socioeconomic circumstances. These factors could affect the level, volatility, value and liquidity of the Partnerships' investments, which could impair the Partnerships' profitability or result in losses. In addition, general fluctuations in market prices of assets and interest rates could affect the Partnerships' investment opportunities and the value of the Partnerships' investments. Square Mile's financial condition could be adversely affected by a significant general economic downturn and it could be subject to legal, regulatory, reputational and other unforeseen risks that could have a material adverse effect on Square Mile's businesses and operations (including those of a Partnership). Moreover, a sustained downturn in the U.S. or global economy (or any particular segment thereof) or weakening of credit markets (including a perceived increase in counterparty default risk) could adversely affect such Partnerships' profitability, impede the ability of such Partnerships' investments to perform or refinance their existing obligations, impair such Partnerships' ability to effectively deploy its capital or realize investments on favorable terms and could have an adverse impact on the availability of credit to businesses generally, which in turn could have an adverse impact on the business and operations of such Partnerships. Any of the foregoing events could result in substantial or total loss to such Partnerships in respect of certain investments, which losses will likely be exacerbated by the presence of leverage in an investment's capital structure. Square Mile could also be affected by difficult conditions in the capital markets and any overall weakening of the financial services industry. It is possible that such Partnerships could suffer other adverse consequences, any of which could adversely affect the business of such Partnerships, restrict such Partnerships' investment activities and impede such Partnerships' ability to effectively achieve its investment objective.

**Systemic Risk.** Credit risk could arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs. A default by one institution could cause a series of defaults by the other institutions. This is sometimes referred to as a “systemic risk” and could adversely affect financial intermediaries, such as clearing houses, banks, securities firms and exchanges with which certain Partnerships interact. A systemic failure could have material adverse consequences on certain Partnerships and on the markets for the assets in which such Partnerships seek to invest.

**Environmental Liabilities.** Certain Partnerships could be exposed to a substantial risk of loss arising from investments involving undisclosed or unknown environmental, health or occupational safety matters, or inadequate reserves, insurance or insurance proceeds for such matters that have been previously identified. Under various U.S. federal, state and local and non-U.S. laws, ordinances and regulations, an owner of real property could be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Such laws could impose joint and several liability, which can result in a party being obligated to pay for greater than its share, or even all, of the liability involved. Such liability could also be imposed without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The cost of any required remediation and the owner’s liability therefor as to any property are generally not limited under such laws and could exceed the value of the property and/or the aggregate assets of the owner. The presence of such substances, or the failure to properly remediate contamination from such substances, could adversely affect the owner’s ability to sell the real estate or to borrow funds using such property as collateral, which could have an adverse effect on such Partnerships’ return from such investment. Environmental claims with respect to a specific investment could exceed the value of such investment, and under certain circumstances, subject the other assets of such Partnerships to such liabilities. In addition, some environmental laws create a lien on contaminated property in favor of governments or government agencies for costs they could incur in connection with the contamination.

The ongoing presence of environmental contamination, pollutants or other hazardous materials on a property (whether known at the time of acquisition or not) could also result in personal injury (and associated liability) to persons on the property and persons removing such materials, future or continuing property damage (which could adversely affect property value) or claims by third parties, including as a result of exposure to such materials through the spread of contaminants.

In addition, certain Partnerships’ operating costs and performance could be adversely affected by compliance obligations under environmental protection statutes, rules and regulations relating to investments of such Partnerships, including additional compliance obligations arising from any change to such statutes, rules and regulations. Statutes, rules and regulations could also restrict development of, and the use of, property. Certain clean-up actions brought by federal, state, county and local agencies and private parties could also impose obligations in relation to investments and result in additional costs to such Partnerships.

**Coronavirus and Public Health Emergencies; Government Responsive Measures.** As of the date hereof, there is an outbreak of a novel and highly contagious form of coronavirus (“COVID-19”), which the World Health Organization has declared to constitute a “Public Health Emergency of International Concern”. The outbreak of COVID-19 has resulted in numerous deaths, adversely impacted global commercial activity, contributed to significant volatility in certain equity, debt, derivatives and commodities markets and led to dislocation in certain real estate markets. The global impact of the outbreak is rapidly evolving, and many countries have reacted by instituting (or strongly encouraging) quarantines, prohibitions on travel, the closure of offices, businesses, schools, retail stores, restaurants, hotels, courts and other public venues, and other restrictive measures designed to help slow the spread of COVID-19. Businesses are also implementing similar precautionary measures. In addition, state, federal

and non-U.S. laws and regulations have been implemented (and other laws and regulations are being considered) that place restrictions on landlords as well as lenders in the real estate sector and other industries from exercising certain of their rights in the event of tenant or borrower defaults or delinquencies, including with respect to eviction and foreclosure rights. For example, certain jurisdictions have suspended the enforcement of residential and commercial evictions or implemented debt payment relief packages. Countries across Europe and Asia have also instituted similar protections, including residential and commercial protections for non-payment of rent, payment holidays and increased notice periods prior to evictions.

Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, are creating significant disruption in supply chains and economic activity and are having a particularly adverse impact on transportation, hospitality, tourism, entertainment and other industries and their lenders (and may have significant adverse impacts on the value of a Partnership's investments and ability to sell existing investments or enforce their rights against borrowers, including to foreclose on and dispose of collateral). Moreover, with the continued spread of COVID-19, governments and businesses could take increasingly aggressive measures to help slow its spread, which could include, among other things, the halting of construction projects. In addition, key public health officials in the U.S. have indicated that they believe the COVID-19 pandemic could continue to worsen in the near term, which would be expected to lead to increased social and economic uncertainty. For this reason, among others, as COVID-19 continues to spread, the potential impacts on real estate markets and the economy at large (including the prospect of a global, regional or other economic recession) are uncertain and difficult to assess.

Any public health emergency, including any outbreak of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, Ebola or other existing or new epidemic diseases, or the threat thereof, could have a significant adverse impact on a Partnership and its portfolio entities and could adversely affect a Partnership's ability to fulfill its investment objectives.

The extent of the impact of any public health emergency on a Partnership's and its portfolio entities' operational and financial performance will depend on many factors, including the duration and scope of such public health emergency, the extent of any related travel advisories and restrictions implemented, in addition to the restrictions implemented to protect borrowers in the real estate and other industries, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and spending levels, and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. The effects of a public health emergency could materially and adversely impact the value and performance of a Partnership's portfolio entities, a Partnership's ability to source, manage and divest investments and a Partnership's ability to achieve its investment objectives, all of which could result in significant losses to a Partnership. In particular, a public health emergency could have a greater impact on leveraged assets.

In addition, the operations of a Partnership, its portfolio entities and Square Mile could be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of the personnel of any such entity or the personnel of any such entity's key service providers.

Lastly, while there recently have been coordinated efforts in many countries to distribute vaccines among populations, it remains uncertain how effective these efforts will be in combating the spread of the virus and what impact these efforts will have on consumer confidence and economic activity levels.

**Deteriorating Current Market Conditions.** The ongoing COVID-19 coronavirus pandemic and oil price shocks resulting from oversupply in the current economic environment and disputes among members of the Organization of Petroleum Exporting Countries (“OPEC”), together with, among other events, the ensuing global market turmoil, unprecedented global travel restrictions and regional and nationwide quarantines that have been implemented by governments around the world and the slowing and/or complete idling of certain significant U.S. and global businesses and sectors, have led to a market correction in the U.S. and elsewhere, and have led to economic downturns in North America, Europe and elsewhere. Political and economic leaders in the U.S. and abroad have begun implementing measures to attempt to address the increasing uncertainty in global markets and the global economy. Such measures have included and could include in the future additional travel bans impacting the movement of people and goods between the U.S. and other major economic centers and material monetary and/or fiscal policy programs and changes. As discussed above, the outbreak of the COVID-19 pandemic has resulted in numerous deaths, adversely impacted global commercial activity, contributed to significant volatility in certain equity, debt, derivatives and commodities markets and led to dislocation in certain real estate markets.

To the extent that current conditions continue (or worsen as some expect), Square Mile expects that there will be adverse impacts on the availability of credit to businesses as well as on asset prices, including real estate, and more generally the public and private markets, which, in each case, could impact a Partnership’s ability to implement its investment objectives, consummate transactions and/or adequately assess and react to actual and potential downside risks to a Partnership’s existing portfolio of investments. In addition, the full impacts of the pandemic and energy price shocks on markets, business activity and the U.S. and global economy, as well as potential changes in U.S. economic and fiscal policies that could be adopted to address the pandemic, price shocks and related externalities, are not yet fully identified or understood.

Moreover, the operations of a Partnership, its investments and its General Partner could continue to be significantly impacted, or temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of the personnel of any such entity or the personnel of any such entity’s key service providers.

Further, there is an increased risk of default in a Partnership’s investments due to the slowing and/or idling of large segments of business activity. Such investments could face material declines in demand and/or the ability to maintain current rental rates, for example, and could face both increased governmental intervention and regulation and/or litigation in respect of current events. Further, such investments could face decreased cash flows and could, as a result, be unable to meet their debt obligations, which would, in turn, have a material adverse effect on the performance of the Partnership.

**Force Majeure Risk.** Investments could be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes and other natural disasters, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism and labor strikes). Some force majeure events could adversely affect the ability of a party (including a portfolio entity or a counterparty to the Partnerships or a portfolio entity) to perform its obligations until it is able to remedy the force majeure event. In addition, the cost to a portfolio entity or the Partnerships of repairing or replacing damaged assets resulting from such force majeure event could be considerable. Certain force majeure events (such as war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which the Partnerships could invest specifically. Additionally, a major governmental intervention into an industry, including the nationalization of an industry or the assertion of control over one or more portfolio entities or its assets, could result in a loss to

the Partnerships, including if its investment in such portfolio entity is canceled, unwound or acquired (which could be without what the Partnerships consider to be adequate compensation). Any of the foregoing could therefore adversely affect the performance of the Partnerships and their investments.

**Diversification.** Although each Partnership intends to have certain diversification limitations, as set forth more fully in such Partnership's governing documents, to the extent Square Mile concentrates a Partnership's investments in a particular market, such Partnership's portfolio could become more susceptible to fluctuations in value resulting from adverse economic or business conditions affecting that particular market. In transactions where a General Partner intends to refinance all or a portion of the capital invested, there will be a risk that such refinancing could not be completed, which could lead to increased risk as a result of such Partnership having an unintended long-term investment as to a portion of the amount invested and/or reduced diversification.

**Expedited Transactions.** Investment analyses and decisions by the General Partners and Square Mile are expected frequently to be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the General Partners and Square Mile at the time of making an investment decision could be limited, and they may not have access to detailed information regarding the investment. Therefore, no assurance can be given that the General Partners and Square Mile will have knowledge of all circumstances that could adversely affect an investment. In addition, the General Partners and Square Mile expect to often rely upon independent consultants in connection with their evaluation of proposed investments. No assurance can be given as to the accuracy or completeness of the information provided by such independent consultants and the Partnerships could incur liability as a result of such consultants' actions.

**Legal, Tax and Regulatory Risks.** The Partnerships must comply with various legal requirements, including those imposed by securities laws, tax laws and pension laws. Should any of such laws change over the scheduled term of the Partnerships, the legal requirements to which the Partnerships and the limited partners and General Partners could be subject could differ materially from the current requirements and adversely affect such limited partners and General Partners. The regulatory environment for private investment funds is evolving, and changes in the regulation of private investment funds could adversely affect the value of investments held by the Partnerships, as applicable, and the ability of any Partnership to effectively employ its investment and trading strategies. Increased scrutiny and newly proposed legislation applicable to private investment funds and their sponsors could also impose significant administrative burdens on Square Mile and could divert time and attention from portfolio management activities. In addition and in particular in light of the changing global regulatory climate, a Partnership could be required to register under certain foreign laws and regulations and could need to engage distributors or other agents in certain non-U.S. jurisdictions in order to market its interests to potential investors. The effect of any future regulatory change on the Partnerships could be substantial and adverse. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action.

**Enhanced Scrutiny and Potential Regulation of the Private Investment Fund Industry and the Financial Services Industry.** The Partnerships' ability to achieve their investment objectives, as well as the ability of a Partnership to conduct its operations, is based on laws and regulations which are subject to change through legislative, judicial or administrative action. There have been significant legislative developments affecting the private investment fund industry and there continues to be discussion regarding enhancing governmental scrutiny and/or increasing the regulation of the private investment fund industry. It is difficult to determine what impact, if any, any increased regulatory scrutiny or



initiatives will have on the private investment fund industry generally or on Square Mile and the Partnerships specifically. Future legislative, judicial or administrative action could adversely affect the Partnerships' ability to achieve their investment objectives, as well as the ability of the Partnerships to conduct their operations.

Increased political and regulatory scrutiny of the alternative investment industry has been particularly acute since the recent global financial crisis. For example, in addition to the U.S. legislation below applicable to the alternative investment industry, other jurisdictions, including many European jurisdictions, have proposed modernizing financial regulations that have called for, among other things, increased regulation of and disclosure with respect to, and possibly registration of, private equity funds and hedge funds. In addition, certain countries have sought to tax (or have taxed) the investment gains derived by non-resident investors, including private investment funds, from the disposition of the equity in investments located in those countries. In some cases, this is the result of new legislation or changes in the interpretation of existing legislation and in other cases tax authorities have challenged investment structures that benefit from tax treaties between countries. There is, therefore, a material risk that regulatory agencies in the United States, Europe or elsewhere could adopt burdensome laws (including tax laws), rules or regulations, or changes in laws, rules or regulations, or in the interpretation or enforcement thereof, which are specifically targeted at the alternative investment industry, or other changes that could adversely affect alternative investment firms and the funds they sponsor, including the Partnerships.

The U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), as well as future related legislation, could have an adverse effect on the private equity industry generally and/or on Square Mile or a Partnership, specifically. There can be no assurance that any continued regulatory scrutiny or initiatives will not have an adverse impact on Square Mile or otherwise impede such Partnerships' activities. The current regulatory environment in the United States could be impacted by future legislative developments, such as amendments to key provisions of the Dodd-Frank Act.

The U.S. Department of the Treasury has issued a series of recommendations in several reports for streamlining banking regulation and changing key features of the Dodd-Frank Act and other measures taken by regulators following the most recent financial crisis. For example, on May 24, 2018, the Economic Growth, Regulatory Relief and Consumer Protection Act (the "Reform Act") was signed into law. Among other regulatory changes, the Reform Act amends various sections of the Dodd-Frank Act, including by modifying the so-called "Volcker Rule" to exempt depository institutions that do not have, and are not controlled by a company that has, more than \$10 billion in total consolidated assets or significant trading assets and liabilities. The ultimate consequences of the Reform Act and such regulatory developments on a Partnership and its activities remain uncertain. More generally, the private investment fund industry could in the future be subject to further enhanced governmental scrutiny and/or increased regulation, including as a result of the recent changes in U.S. executive administration and Congressional leadership and other U.S. political developments and events, and some legal experts do anticipate that such recent political developments and events will likely result in heightened governmental scrutiny of, and increased levels of enforcement activity against, sponsors of private investment funds. The full extent of President Biden's legislative and regulatory agenda is not yet completely known. It is also difficult to anticipate the legislative and regulatory initiatives and reforms that will be prioritized and taken up by the Biden administration and the new Congress. Any significant changes in, among other things, economic policy (including with respect to interest rates and foreign trade), the regulation of the financial services industry in general and the asset management industry in particular, tax law, immigration policy, public health policy, infrastructure spending, government sponsored enterprises, environmental protection and/or climate change policies or regulations, tenant protection laws and/or government entitlement programs could have a material adverse impact on the Partnerships' or Square Mile's activities.

While Square Mile is currently registered under the Investment Advisers Act (the “Advisers Act”), the enactment of these reforms and/or other similar legislation could nonetheless have an adverse effect on the private investment funds industry generally and on Square Mile and/or a Partnership specifically, and could impede such Partnerships’ ability to effectively achieve their investment objectives.

As a registered investment adviser under the Advisers Act, Square Mile is required to comply with a variety of periodic reporting and compliance-related obligations under applicable U.S. federal and state securities laws (including, without limitation, the obligation of Square Mile and its affiliates to make regulatory filings with respect to the Partnerships and their activities under the Advisers Act). In light of the heightened regulatory environment in which the Partnerships and Square Mile operate and the ever-increasing regulations applicable to private investment funds and their investment advisers, it has become increasingly expensive and time-consuming for the Partnerships, Square Mile and their affiliates to comply with such regulatory reporting and compliance-related obligations. Any further increases in the regulations applicable to private investment funds generally or the Partnerships and/or Square Mile in particular could result in increased expenses associated with the Partnerships’ activities and additional resources of Square Mile being devoted to such regulatory reporting and compliance-related obligations, which could reduce overall returns for the investors and/or have an adverse effect on the ability of the Partnerships to effectively achieve their investment objectives.

Furthermore, various U.S. federal, state and local agencies have been examining the role of placement agents, finders and other similar service providers in the context of investments by public pension plans and other similar entities, including investigations and requests for information, and, in connection therewith, new and/or proposed rules and regulations in this arena could increase the possibility that the General Partners and its affiliates could be exposed to claims and/or actions that could require an investor to withdraw from a Partnership. As a related matter, the General Partners could be required to provide certain information regarding some of the investors in the Partnerships to regulatory agencies and bodies in order to comply with applicable laws and regulations, including the U.S. Foreign Corrupt Practices Act (the “FCPA”).

It is anticipated that, in the normal course of business, the General Partners and Square Mile will have contact with governmental authorities and/or could be subjected to responding to questionnaires or examinations. A Partnership could also be subject to regulatory inquiries concerning its positions and investment activity.

As a result, there can be no assurance that any of the foregoing will not have an adverse impact on Square Mile or otherwise impede the Partnerships’ ability to effectively achieve their investment objectives.

**1940 Act and Volcker Rule Considerations.** It is intended that certain Partnerships that are investment funds will rely on certain exemptions from the registration requirements of the Investment Company Act of 1940, as amended (“1940 Act”), other than (or, generally, in addition to) Section 3(c)(1) or Section 3(c)(7) thereof. These are expected to include the exemptions pursuant to Sections 3(c)(5)(C) and 3(c)(6) thereof. For example, to qualify for the exemption pursuant to 3(c)(5)(C), such Partnerships (on a Partnership by Partnership basis) generally will be required to hold at least (i) 55% of their assets in “qualifying” real estate assets and (ii) at least 80% of their assets in “qualifying” real estate assets and real estate-related assets. As a consequence of such Partnerships seeking to comply with such tests on an ongoing basis, such Partnerships expect to be restricted from making certain investments and/or expect to be required to structure investments in a manner that would be less advantageous to such Partnerships than would be the case in the absence of such requirements. In addition, seeking to be in compliance with such tests could cause such Partnerships to dispose or not dispose of investments at different times than it would otherwise, which could result in lower proceeds to such Partnerships than it would have received if

it were not seeking to comply with such requirements. To the extent that the SEC provides further guidance regarding the application of Section 3(c)(5)(C), the Partnerships could be required to adjust their investment strategies and investment portfolios in order to continue to comply with such exemption.

As a consequence of USAA's ownership interest in affiliates of USAA Real Estate (an affiliate of Square Mile), Square Mile must analyze if it and each of its affiliates meets the definition of a "banking entity" (generally defined as any insured depository institution, subject to certain exceptions including for depository institutions that do not have, and are not controlled by a company that has, more than \$10 billion in total consolidated assets and significant trading assets and liabilities, any company that controls such an institution, a non-U.S. bank that is treated as a bank holding company for purposes of U.S. banking law and any affiliate or subsidiary of the foregoing entities) subject to Section 13 of the Bank Holding Company Act of 1956, as amended (together with the regulations promulgated thereunder, the "Volcker Rule"), and as such, is subject to the restrictions of the Volcker Rule. The Volcker Rule generally prohibits banking entities from acquiring or retaining an ownership interest in, or sponsoring, certain types of funds (each, a "covered fund"), including certain commodity pools and funds that would be treated as investment companies but for the exemptions set forth in Section 3(c)(1) and Section 3(c)(7) of the 1940 Act. If a Partnership is unable to rely on one or more other exemptions from registration under the 1940 Act and consequently relies solely on the exemption provided in Section 3(c)(1) or in Section 3(c)(7) of the 1940 Act, then such Partnership will be a "covered fund" under the Volcker Rule unless an applicable exception applies. Square Mile's relationship with a Partnership that is a "covered fund" under the Volcker Rule will be subject to the restrictions of the Volcker Rule and any regulations promulgated thereunder applicable to covered funds. In addition, such restrictions will apply if such Partnership is deemed to be a "commodity pool" as defined in the regulations implementing the Volcker Rule.

In 2019, the Federal Reserve and other U.S. federal regulatory agencies issued final rules to implement the Volcker Rule (the "Implementing Regulations"). The Implementing Regulations contain a number of important exemptions. The Volcker Rule and Implementing Regulations have been subject to administrative interpretations and guidance, and in 2018 the five U.S. regulatory agencies responsible for implementing the Volcker Rule proposed certain limited modifications to the Implementing Regulations. Whether such administrative modifications will be adopted (or in what ultimate form) is uncertain.

Compliance with such Implementing Regulations will impose certain restrictions on activities of certain Partnerships and could adversely affect their business and operations. For example, Square Mile (or its owners) could be required to reduce its funded and unfunded commitment to a Partnership (which could require a transfer of a significant portion of their direct or indirect interests in such Partnership). Also, to avoid having any of the Partnerships be treated as a commodity pool and therefore a covered fund, it could become necessary for Square Mile to restrict the use by the Partnerships of swaps and caps, including for the purpose of hedging interest rate exposure on variable rate financings.

**CFTC Considerations.** Some Partnerships are expected, from time to time in certain limited circumstances, to use swaps or caps in connection with its operations, including for the purpose of hedging interest rate exposure on variable rate financings. To the extent a Partnership utilizes any such instruments, which could be treated as commodity interests, the Partnership could become a commodity pool within the meaning of the Commodity Exchange Act ("CEA"), and the General Partner could become a commodity pool operator (a "CPO") within the meaning of the CEA. Given that the Partnership could use swaps or caps in connection with its operations, the General Partner will claim an exemption from the registration requirements applicable to CPOs under Commodity Futures Trading Commission ("CFTC") Rule 4.13(a)(3) prior to the Partnership's initial closing and expects to be able to comply with the requirements of that exemption. Doing so, however, could require the Partnership to restrict its use of swaps, including for the purpose of hedging interest rate exposure on variable rate financings. If the

General Partner becomes a CPO within the meaning of the CEA and fails to comply with the requirements of CFTC Rule 4.13(a)(3) with respect to the Partnership and is required to register with the CFTC as a CPO, regardless of whether the General Partner avails itself of the relief under CFTC Rule 4.7, the Partnership would become a “covered fund” for purposes of the Volcker Rule, in which event it would be required to comply with the restrictions of the Volcker Rule applicable to covered funds.

**OFAC and FCPA Considerations.** Economic sanction laws in the United States and other jurisdictions could prohibit Square Mile, Square Mile’s professionals and the Partnerships from transacting with or in certain countries and with certain individuals and companies. In the United States, the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) administers and enforces laws, Executive Orders and regulations establishing U.S. economic and trade sanctions. Such sanctions prohibit, among other things, transactions with, and the provision of services to, certain foreign countries, territories, entities and individuals. These entities and individuals include specially designated nationals, specially designated narcotics traffickers and other parties subject to OFAC sanctions and embargo programs. The lists of OFAC prohibited countries, territories, persons and entities, including the List of Specially Designated Nationals and Blocked Persons, as such list may be amended from time to time, can be found on the OFAC website at ([www.treas.gov/ofac](http://www.treas.gov/ofac)). In addition, certain programs administered by OFAC prohibit dealing with individuals or entities in certain countries regardless of whether such individuals or entities appear on the lists maintained by OFAC. These types of sanctions could restrict the Partnerships’ investment activities.

In some countries, there is a greater acceptance than in the United States of government involvement in commercial activities, and of corruption. Square Mile, the Square Mile professionals and Partnerships are committed to complying with the FCPA and other anti-corruption laws, anti-bribery laws and regulations, as well as anti-boycott regulations, to which they are subject. As a result, the Partnerships could be adversely affected because of its unwillingness to participate in transactions that violate such laws or regulations. Such laws and regulations could make it difficult in certain circumstances for the Partnerships to act successfully on investment opportunities and for portfolio entities to obtain or retain business.

In recent years, the U.S. Department of Justice and the SEC have devoted greater resources to enforcement of the FCPA. In addition, the United Kingdom (the “UK”) has recently significantly expanded the reach of its anti-bribery laws. While Square Mile has developed and implemented policies and procedures designed to promote strict compliance by Square Mile and its personnel with the FCPA, such policies and procedures may not be effective in all instances to prevent violations. In addition, in spite of Square Mile’s policies and procedures, affiliates of Square Mile (or employees) or portfolio entities, particularly in cases where a Partnership or another Square Mile sponsored fund or vehicle does not control such entity or person, could engage in activities that could result in FCPA violations. Any determination that Square Mile has violated the FCPA or other applicable anti-corruption laws or anti-bribery laws could subject Square Mile to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect Square Mile’s business prospects and/or financial position, as well as the Partnerships’ ability to achieve their investment objective and/or conduct their operations.

**UK Withdrawal from the EU.** The UK formally left the EU on January 31, 2020. There followed an implementation period, during which EU law continued to apply in the UK and the UK maintained its EU single market access rights and EU customs union membership. The implementation period expired on December 31, 2020. Consequently, the UK has become a third country vis-à-vis the EU, without access to the single market or membership of the EU customs union.

On December 30, 2020, the UK and the EU signed a trade and cooperation agreement (the “TCA”) to govern their on-going relationship. The TCA was officially ratified by the UK Parliament on December 30, 2020 and is currently awaiting ratification by the EU Parliament and Council. The TCA has applied provisionally since January 1, 2021, pending the EU’s formal ratification. It is anticipated that further details of the relationship between the UK and the EU will continue to be negotiated even after formal ratification of the TCA.

Over time, UK regulated firms and other UK businesses could be adversely affected by the terms of the TCA (assuming it is formally ratified by the EU), as compared with the position prior to the expiration of the implementation period on December 31, 2020. For example, the TCA introduces new customs checks, as well as new restrictions on the provision of cross-border services and on the free movement of employees. These changes have the potential to materially impair the profitability of a business, and to require it to adapt or even relocate.

Although it is probable that any adverse effects flowing from the UK’s withdrawal from the EU will principally affect the UK (and those having an economic interest in, or connected to, the UK), given the size and global significance of the UK’s economy, unpredictability about the implications of the UK’s withdrawal from the EU is likely to be an ongoing source of instability, produce significant currency fluctuations and/or have other adverse effects on international markets, international trade agreements and/or other existing cross-border cooperation arrangements (whether economic, tax, fiscal, legal, regulatory or otherwise). The withdrawal of the UK from the EU could therefore adversely affect the Partnerships. In addition, although it seems less likely now than at the time of Britain’s referendum, the withdrawal of the UK from the EU could have a further destabilizing effect if any other member states were to consider withdrawing from the EU, presenting similar and/or additional potential risks and consequences to the Partnerships.

Following the UK’s withdrawal from the EU, over time there is likely to be increased divergence between the UK and the EU on legal, political and economic matters. It is possible that this could affect the eligibility of the Partnerships for certain UK investors if such investors become subject to restrictions on their ability to invest in vehicles established outside the UK and/or managed by a manager situated outside the UK. As a consequence, UK investors could be forced to sell or otherwise dispose of interests in the Partnerships. Furthermore, investment in the Partnerships could become less attractive for certain UK investors, in the event of increased capital charges or capital requirements or different quota allocations for investors.

**Regulatory Investigations.** Square Mile as an asset manager manages a number of investment funds. Governmental investigations, audits and inquiries could occur in the course of Square Mile’s business. Such claims and governmental investigations, inquiries and audits could impact the Partnerships, including by virtue of reputational damage to Square Mile. The unfavorable resolution of such items could result in criminal or civil liability, fines, penalties or other monetary or non-monetary remedies that could negatively impact Square Mile. While Square Mile has implemented policies and procedures to protect against non-compliance with applicable rules and regulations, there is no guarantee that such policies and procedures will be adequate in all instances or will protect Square Mile in all instances.

**European Commission Action Plan on Financing Sustainable Growth.** The European regulatory environment for alternative fund managers and financial services firms continues to evolve and increase in complexity, making compliance more costly and time-consuming. In March 2018, the European Commission published an Action Plan on Financing Sustainable Growth (the “EU Action Plan”) to set out an EU strategy for sustainable finance. The EU Action Plan identified several legislative initiatives, including the Sustainable Finance Disclosure Regulation (the “SFDR”), which applies as of March 10, 2021. The SFDR requires transparency with regard to the integration of sustainability risks and the

consideration of adverse sustainability impacts in an alternative investment fund manager's processes and the provision of sustainability-related information with respect to alternative investment funds, which could have an impact on Square Mile and the Partnerships.

Square Mile may be subject to remuneration requirements under the SFDR. Any required changes to compensation structures and practices could make it harder for Square Mile to recruit and retain key personnel, thereby potentially affecting the Partnerships. The SFDR could expose Square Mile to conflicting regulatory requirements in the United States and other jurisdictions.

**Valuation Risk.** There will generally be no readily available markets for a substantial number of the Partnerships' investments. As such, many investments will be difficult to value. Valuations of the investments will be determined by Square Mile. Valuations are estimates of future results that are based upon assumptions made at the time that the valuations are developed. Therefore, there can be no assurance that the projected results will be obtained, and actual results could vary significantly from the valuations. The valuation of investments could affect the amount of management fees payable to Square Mile or its affiliates. As a result, there could be circumstances where Square Mile or its affiliates are incentivized to determine valuations that are higher than the actual fair value of investments.

**Leverage.** Certain Partnerships are permitted to borrow on a secured or unsecured basis for any purpose, including to make any investments and to increase investment capacity, pay fees and expenses or to make other distributions. Although certain Partnerships are subject to limitations with respect to the incurrence of fund-level indebtedness as set forth in the applicable Partnerships' governing documents, the Partnerships are permitted to achieve leverage in certain transactions and such leverage could fluctuate depending on market conditions. The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation in the investments purchased or carried. Gains realized with borrowed funds could cause the Partnerships' returns to be higher than would be the case without borrowings. If, however, investment results fail to cover the cost of borrowings, the Partnerships' returns could also decrease faster than if there had been no borrowings. Borrowing money to take positions provides the Partnerships with the advantages of leverage, but exposes it to greater market risks and higher current expenses. Such leverage will increase the exposure of an investment to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the investment. Moreover, in connection with non-recourse investment leverage, the Partnerships could be required to provide lenders with guaranties and indemnities that are customarily provided in real estate financings for "bad boy acts" and other so-called "recourse carveouts," which if triggered could adversely affect the Partnerships' assets. If a Partnership defaults on secured indebtedness, the lender could foreclose and the Partnerships could lose its entire investment in the security for such loan. In connection with one or more credit facilities entered into by the Partnerships, distributions to the investors in a Partnership are permitted to be subordinated to payments required in connection with any indebtedness contemplated thereby. In addition, borrowings by the Partnerships are permitted to be secured by their investors' unfunded commitments as well as by the Partnerships' assets. Further, to the extent income received from investments is used to make interest and principal payments on such borrowings, investors in a Partnership could be allocated income, and therefore tax liability, in excess of cash received by them in distributions. The presence of leverage substantially increases the risk profile of the Partnerships and their investments.

**Indemnification.** A Partnership will be required to indemnify its General Partner, Square Mile, their respective affiliates and the respective members, partners, shareholders, officers, directors, employees, agents and representatives thereof for liabilities incurred in connection with the affairs of such Partnership. Such liabilities could be material and have an adverse effect on the returns to the investors. The indemnification obligation of such Partnership would be payable from the assets of such Partnership, including the unfunded commitments of the investors. If the assets of such Partnership are insufficient,

the General Partners are permitted to recall the distributions previously made to the investors, subject to certain limitations set forth in the applicable governing documents. Furthermore, as a result of the provisions contained in such governing documents, investors could have a more limited right of action in certain cases than they would in the absence of such limitations. A General Partner are permitted to cause the respective Partnership to purchase insurance for such Partnership, the General Partner, Square Mile and their employees, agents and representatives.

**In-Kind Distributions.** Dispositions could also take the form of in-kind distributions to the investors. When securities or other assets are distributed to the investors, such investors generally would be unable to protect their interests as effectively as the Partnerships. In certain circumstances provided for in such Partnerships' governing documents, securities or other assets of such Partnerships are permitted to be distributed that are not marketable or are otherwise illiquid. The risk of loss and delay in liquidating securities or other assets distributed in-kind will be borne by the recipient investors, with the result that such investors could receive less cash than was reflected in the fair value of such securities or other assets as determined by the applicable General Partner pursuant to such Partnerships' governing documents.

**Misconduct of Employees and Third-Party Service Providers.** Misconduct by employees of Square Mile or by third-party service providers could cause significant losses to the Partnerships. Employee misconduct could include binding the Partnerships to transactions that exceed authorized limits or present unacceptable risks and unauthorized investment activities or concealing unsuccessful investment activities (which, in either case, could result in unknown and unmanaged risks or losses). Losses could also result from actions by third-party service providers, including, without limitation, failing to recognize trades, misappropriating assets or a failure of a custodian that holds securities of the Partnerships. In addition, employees and third-party service providers could improperly use or disclose confidential information, which could result in litigation or serious financial harm, including limiting the Partnerships' business prospects or future marketing activities. No assurances can be given that the due diligence performed by Square Mile will identify or prevent any such misconduct.

The Partnerships are speculative investments, and the preceding paragraphs identify only some of the potentially applicable risks. Each Partnership's governing documents and/or private placement memorandum includes a more detailed description of the relevant risks. Each prospective investor in a Partnership must acknowledge in writing that it has read and understood the description of such risk.

**Social Unrest.** Recent events concerning discrimination, race relations and inequality have led to protests, demonstrations, marches and other forms of political and social activism on a local, regional, national and international level as well as rioting in some instances. Such activism, which has ranged from peaceful to, in some instances, violent, has resulted in curfews, the deployment of the national guard, damage to government property and other local and national interference, and could lead to increased political and social volatility and uncertainty, which was already heightened in wake of the COVID-19 pandemic. While the overall effect of such activism remains unknown, investors should note that this type of volatility and uncertainty could materially and adversely impact the projects, businesses and assets in which a Partnership invests, as well as the real estate space more generally.

## **Item 9 - Disciplinary Information**

In the past ten years, neither Square Mile nor its employees have been involved in any legal or disciplinary events that would be material to a client's evaluation of Square Mile or its personnel.

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

In addition to those provided by SMCN, services are provided to the Partnerships through the following affiliates thereof (acting as investment adviser and/or General Partner to a Partnership):

- Square Mile Capital Management III LLC
- Square Mile Capital Management IV LLC
- Square Mile Capital Management V LLC
- Square Mile Capital Management VI LLC
- Square Mile Capital Management Core Credit LLC
- Square Mile Capital Management Core Credit II LLC
- Square Mile Capital Management Credit II LLC
- Square Mile Capital Management Tactical LLC
- Square Mile Capital Management Tactical II LLC
- Square Mile Capital Management Hospitality LLC
- Square Mile Capital Management Hospitality B LLC
- Square Mile Capital Management KP LLC
- Square Mile Capital Management 1166 AOA LLC
- Square Mile Capital Management (MHG) LLC
- Square Mile Capital Management (MUL) LLC
- Square Mile Capital Management PE LLC
- Square Mile Capital Management PE II LLC
- Square Mile Capital Management Urban Infill LLC
- Square Mile Capital Management (GoReLux) LLC
- Square Mile GP III LLC
- Square Mile GP IV LLC
- Square Mile GP V LLC
- Square Mile GP VI LLC
- Square Mile Credit GP LLC
- Square Mile Credit GP II LLC
- Square Mile Core Credit GP LLC
- Square Mile Core Credit MM II LLC
- Square Mile Tactical GP LLC
- Square Mile Tactical GP II LLC
- Square Mile Tactical Partners II MRI Co-Investment GP LLC
- Square Mile DTLA Co-Investment GP LLC
- Square Mile Poultry GP LLC
- Square Mile Austin Hotel GP LLC
- Square Mile Hospitality GP LLC
- SM Hospitality MM Member LLC
- Square Mile 1166 AOA GP LLC
- Square Mile GP IV (AIV) LLC
- Square Mile OCS Co-Investment GP LLC
- Square Mile PE GP LLC
- Square Mile PE GP A LLC
- Square Mile PE GP II LLC



- Square Mile TP II/CP II JIV MM LLC
- Square Mile TVC Co-Investment GP LLC
- Square Mile Media Co-Investment GP LLC
- Square Mile Bronx Logistics Co-Investment GP LLC
- Square Mile Urban Infill GP LLC

In addition, the Partnerships hold interests through conduit vehicles and/or subsidiaries that usually serve as general partners or managing members of other vehicles or joint ventures. The General Partners typically act on behalf of the Partnerships that serve in such capacity and are usually able to approve or reject investment decisions.

USAA Real Estate, which has a 74.95% interest in Square Mile, and its affiliates have extensive investment activities that are independent from, and from time to time are expected to conflict with, activities of Square Mile and the Partnerships. USAA Real Estate is also providing fundraising and investor relation as well as certain compliance, finance and reporting services for Square Mile with respect to its investment vehicles. Please see “Activities of USAA, USAA Real Estate and the USAA Real Estate Acquirer Businesses; Strategic Relationship with Square Mile” and “No Assurance of Ability to Participate in Investment Opportunities” in Item 11.

It has been Square Mile’s practice, dating back to its inception, to separately engage EA Real Estate Systems Implementation Group, LLC (“RESIG”), a consulting firm now affiliated with EisnerAmper LLP that provides fund administration services, and its affiliate, Imowitz Koenig & Co., LLP (“Imowitz”), a firm of certified public accountants that specializes in the real estate industry, to provide fund administration and tax services, respectively, with respect to Square Mile and each of the Partnerships. Accounting and administrative services provided to the Partnerships by employees of RESIG or Imowitz are charged as Partnership expenses and indirectly borne by the investors therein. Neil Koenig, an employee of RESIG and Imowitz, has a small investment in Square Mile Partners III LP, along with a carry allocation, which he is obligated to share with other partners of RESIG and Imowitz. However, Square Mile does not consider Mr. Koenig’s Partnership investment in determining whether to continue its relationship with him, RESIG or Imowitz. None of RESIG, Imowitz or Mr. Koenig is an affiliate of Square Mile or any of the Partnerships, and the fees paid by the Partnerships to RESIG and Imowitz therefore do not reduce the management fees payable by the Partnerships.

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

**Code of Ethics.** Square Mile has adopted a written Code of Ethics to ensure that Square Mile fulfills its role as a fiduciary to the Partnerships. The Code of Ethics is designed to address and avoid potential conflicts of interest and is applicable to all employees. The Code of Ethics requires employees to pre-clear certain personal securities transactions, report personal securities transactions on at least a quarterly basis, provide a detailed summary of certain holdings over which such employees have direct or indirect beneficial ownership upon commencement of employment and annually thereafter, internally report violations of the Code of Ethics to the Chief Compliance Officer (the “CCO”) and certify their compliance with the Code of Ethics on an annual basis.

A copy of Square Mile’s Code of Ethics is available upon request by an investor or prospective investor from the CCO, Daniel M. Kasell, who can be reached at (212) 616-1558 or [dkasell@squaremilecapital.com](mailto:dkasell@squaremilecapital.com), or from the Compliance Counsel, Miriam Sussman, who can be reached at (212) 271-4365 or [msussman@squaremilecapital.com](mailto:msussman@squaremilecapital.com).

**Participation or Interest in Client Transactions and Personal Trading.** The General Partner of each Partnership or an affiliate of the General Partner generally has a material investment in its related Partnership. The foregoing relationships and any actual or potential conflicts of interest arising from these types of relationships are disclosed in the respective private placement memorandum and/or governing documents. To the extent Square Mile or a related person invests in the same securities as a Partnership or in securities offered by a third-party sponsor with whom a Partnership also invests in other deals, such transactions introduce a potential conflict of interest between the interests of the Partnerships and the interests of Square Mile or its related persons. For example, a conflict of interest can arise in the possibility that Square Mile employees are allocating potentially profitable deals to themselves instead of the Partnerships. As another example, a potential conflict of interest can arise in that the interested related person could benefit from such a purchase or sale of the applicable securities by the Partnership. In order to mitigate these conflicts, Square Mile has adopted a Code of Ethics, whereby the CCO assesses such conflicts of interest before allowing Square Mile employees to make any such private investments (the CCO's assessment will include, among other considerations, compliance with applicable provisions of a Partnership's governing documents).

Further, if a related person makes a personal investment in a deal with a specific third-party sponsor, such related person can be conflicted when evaluating other deals with the same third-party sponsor for Partnerships managed by Square Mile, as investing Partnership assets in additional deals with the same sponsor is expected to allow such related person access to future personal investment opportunities with the sponsor that they would not otherwise be granted. In such cases, Square Mile would take appropriate steps to address potential conflicts of interest based on the specific facts and circumstances in accordance with the relevant governing documents of such Partnership.

**Management Fee.** The payment of the management fees can give rise to certain conflicts of interest. For some Partnerships, the management fee amounts increase as the Partnerships invest more capital. As a result, it is possible that the management fees will create an incentive for the General Partners to seek to draw down and deploy capital more quickly and to retain investment longer than it would if the management fees were calculated based on capital commitments. There can be no guarantee that this incentive will not result in the General Partners selecting investments that will be less profitable than those investments that they would have selected if they were not incentivized to deploy capital quickly.

**Fees for Services.** The General Partners and their affiliates are permitted to receive transaction fees, origination fees, commitment fees, extension fees, prepayment fees, fees for waivers or consents to, or amendments in respect of, investments, and other similar fees (which include warrants or other securities in portfolio entities or other entities in or through which a Partnership invests or other entities for which transactions are being undertaken), which are payable in cash or securities, in connection with investments or unconsummated transactions with respect to certain Partnerships (e.g., transaction, consulting, special servicing, investment banking, advisory, closing, topping, break-up and other similar fees). Although the investors generally will receive an equivalent reduction in the management fee with respect to such fees, conflicts of interest can arise in connection with the payment of such fees. In addition, the General Partners and their affiliates are permitted to receive management and other similar fees from co-investors and joint venture partners with respect to investments made alongside such Partnerships, which co-investment fees will not cause a reduction in the management fee, and such co-investment fees can create an incentive for the General Partners to pursue an investment and structure the terms of such Partnerships' investment differently than they otherwise would in the absence of such co-investment fees. Moreover, Square Mile and its personnel will receive intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of the Partnerships, which will not be subject to management fee offset or otherwise shared with the Partnerships, investors and/or portfolio entities. For example, airline travel or hotel stays incurred as partnership expenses typically result in "miles" or "points" or credit in loyalty/status programs, and such benefits and/or amounts will, whether or

not de minimis or difficult to value, inure exclusively to Square Mile and/or such personnel (and not the Partnerships, investors and/or portfolio entities) even though the cost of the underlying service is borne by the Partnerships and/or portfolio entities. Similarly, Square Mile, its affiliates and their personnel and related parties, and third parties designated by the foregoing, are also permitted to receive discounts on products and services provided by portfolio entities. The investors consent to the existence of these arrangements and benefits.

In addition to the advisory services it provides to the Partnerships, Square Mile from time to time provides consulting services to third parties. Square Mile receives consulting fees in connection with such services. Such third parties could also be investors in a Partnership or could have other business relationships with Square Mile and/or a Partnership. While it is generally expected that these consulting services will be unrelated to the investments or prospective investments of a Partnership, the consulting services could, under certain circumstances, relate to such investments. As a result, Square Mile's performance of these consulting services could give rise to potential conflicts of interest.

**Allocation of Investment Opportunities.** Circumstances are expected to arise from time to time where two or more Partnerships with similar or overlapping investment strategies will invest alongside each other in a particular investment opportunity. In allocating investment opportunities between such Partnerships, Square Mile will seek to allocate such opportunities in a manner that it believes to be in the best interest of all Partnerships involved and shall seek to allocate investment opportunities in a manner believed to be appropriate and on an equitable basis and in accordance with each applicable Partnership's governing documents and policies and procedures. Among the factors that can impact allocation and investment decisions across Partnerships are differing investment strategies and objectives, account restrictions, risk parameters, property-type and geographic diversification needs, cash flows, liquidity needs, tax considerations and other factors.

**Co-investments.** From time to time, Square Mile seeks co-investment partners for the Partnerships, particularly with respect to relatively large transactions. Co-investment opportunities are permitted to be, and typically will be, offered to some but not other investors, and certain persons other than investors (e.g., third parties) are often offered co-investment opportunities, including individuals or entities with which Square Mile's senior executives have longstanding relationships. All decisions regarding whether and to whom to offer co-investment opportunities are made in the sole discretion of Square Mile and the General Partners. For each such co-investment offer, the investment committee of the applicable Partnership will generally determine, in good faith, that the allocation between the applicable Partnership and any co-investment partner(s) is in the Partnership's best interest. As a general matter, Square Mile, in determining the allocation of discretionary co-investment opportunities to co-investment partners, generally expects to take into account various facts and circumstances deemed relevant by Square Mile, including among others, whether a potential co-investment partner has expressed interest in evaluating co-investment opportunities, whether a potential co-investment partner has a history of participating in co-investment opportunities with Square Mile, the size of the potential co-investment partner's interest to be held in the underlying asset(s) as a result of the applicable Partnership's investment (which could be based on the size of the potential investor's capital commitment and/or investment in the applicable Partnership), whether the potential co-investment partner has demonstrated a long-term and/or continuing commitment to the potential success of Square Mile, the applicable Partnership or other co-investment and/or other Partnerships, and such other factors that Square Mile deems relevant under the circumstances. In particular, Square Mile is permitted to agree with co-investment partners (including third-party investors and investors in the applicable Partnership) to more favorable rights with respect to co-investment opportunities than the rights afforded the applicable Partnership with respect to the subject underlying transaction, and, to the extent any such arrangements are entered into, they could result in fewer co-investment opportunities being made available to other investors. Furthermore, in connection with any such co-investment by third-party co-investors, Square Mile is permitted to establish one or

more investment vehicles managed or advised by Square Mile to facilitate such co-investors' investment alongside a Partnership. Square Mile will document such determinations, including its identification and evaluation of any relationships between Square Mile and/or its senior executives and the co-investment partner(s) that present a potential conflict of interest.

The allocation of co-investment opportunities often involves a benefit to Square Mile including, without limitation, fees or carried interest from the co-investment opportunity, and capital commitments to the applicable Partnership, and such co-investment fees create an incentive for the applicable General Partner to pursue an investment, and structure the terms of the Partnership's investment in a manner, different than it otherwise would in the absence of such co-investment fees. The terms of any such co-investment will be negotiated by the applicable General Partner and the co-investment partner(s) on a case-by-case basis in their respective sole and absolute discretion. Strategic advisors, consultants, senior advisors and other similar professionals may co-invest alongside certain Partnerships. Management fees, carried interest or other similar fees received by Square Mile from co-investments will not offset management fees, carried interest or other similar fees paid by Partnerships to Square Mile. Also, certain co-investors may not pay any fees or carried interest in connection with the co-investment opportunity.

**Investments with Third Parties.** Square Mile is permitted to invest assets of a Partnership in other limited partnerships or pooled investment vehicles that specialize in particular real estate investments. As discussed in Item 5, through these types of investments, investors in the applicable Partnership generally bear two layers of fees that include fees paid to the third-party sponsor of such other vehicle and fees paid to Square Mile. In addition, from time to time, Square Mile employees have personally invested in deals sponsored by third parties, and are permitted to continue to invest in such deals in the future. In addition, Square Mile employees can be conflicted when evaluating third-party sponsored deals for investment by a Partnership, as making such an investment could allow them access to future personal investment opportunities with such third-party that they would not otherwise be granted. Square Mile has implemented procedures that require the CCO to evaluate and pre-approve any proposed investment of the Partnerships in any investment with a third-party that is the sponsor of another transaction in which one or more Square Mile employees are invested.

**Other Investment Vehicles.** The General Partners and Square Mile or their affiliates have managed and advised and will in the future manage and advise other investment vehicles, accounts and clients which have objectives similar, in whole or in part, to those of an applicable Partnership. In particular, each General Partner, Square Mile and their affiliates reserve the right to raise and/or manage one or more other Partnerships for the benefit of a limited number of specific investors which, in each case, can employ investment strategies that are substantially the same as, or that overlap with, those of such applicable Partnership. A Partnership is permitted to co-invest with such other Partnership on a basis that the applicable General Partner believes in good faith to be fair and reasonable, including consideration of the deployment of remaining available capital of such applicable Partnership; provided, that any other Partnership that co-invests with such applicable Partnership in a completed investment will generally bear no less than its pro rata share (based on aggregate capital commitments) of all expenses related to such investment; provided, however, that the applicable General Partner is permitted to cause such expenses to be allocated on a different basis if it determines in its sole discretion that such other allocation is appropriate. There can be no guarantee that prospective investors in yet to be formed co-investment vehicles will agree to bear expenses related to unconsummated investments and therefore all such expenses may be borne by the Partnerships. Where another Partnership participates alongside such applicable Partnership in an investment, Square Mile intends that such applicable Partnership and such other Partnership shall generally participate proportionately based on the aggregate capital commitments of such applicable Partnership relative to the portion of such other Partnership's capital that has been designated to be used in investments alongside the applicable Partnership, adjusted (as determined by the applicable General Partner) to take into account any non-participation with respect to one or more

investments, relative borrowing capacities of the entities and other relevant factors. The closing of other Partnerships can result in the reallocation of Square Mile personnel to such other Partnerships. In addition, potential investments that are suitable for one Partnership will at times be directed toward or shared with such other Partnerships. To the extent that a Partnership holds interests that are different (or more senior) than those held by any other Partnerships or any of such other vehicles, accounts and clients, the applicable General Partner and Square Mile will be presented with decisions involving circumstances where the interests of such other Partnerships or such other vehicle, account or client are in conflict or competition with those of the applicable Partnership. In that regard, actions could be taken for such other Partnerships or other vehicle that are adverse to the applicable Partnership.

It should be noted that the terms of another Partnership (including the economic terms, investment limitations, diversification parameters and governance rights afforded to investors in such other Partnership) can materially differ from, or be materially more favorable to the investors in such other Partnership than, the terms of an applicable Partnership. Moreover, as a result of another Partnership's terms, including, for example, its investment limitations, diversification parameters and excuse and exclusion provisions (including the right of the other Partnership to voluntarily cease to fund new investments for any or no reason), there could be one or more investment opportunities where such other Partnership's participation is restricted or with respect to which such applicable Partnership's share is disproportionate relative to such other Partnership's interest therein. Conversely, it is also possible that another Partnership will receive a disproportionate share with respect to certain investment opportunities for such reasons. In addition, conflicts can arise in connection with the operation of such applicable Partnership and another Partnership. Specifically, the limited partners in such applicable Partnership and the investors in such other Partnership vote separately on matters pertaining to their respective entities. For example, a determination by the investors in the other Partnership to terminate such other Partnership or its investment period where a corresponding action is not taken on behalf of such applicable Partnership could affect the applicable General Partner's ongoing investment management decisions with regard to such applicable Partnership's investments, including, with respect to the timing, size and terms of any disposition of such investments on behalf of such applicable Partnership, and any actions taken on behalf of such other Partnership with respect to the winding up of its portfolio can adversely affect such applicable Partnership's investments. A Partnership is permitted to also participate in an investment that finances or otherwise provides the capital for the repayment, redemption or disposition of an investment held by another Partnership. There can be no assurance that the return on any of such applicable Partnership's investments will be equivalent to or better than the returns obtained by such other Partnership participating in such transaction.

**Activities of USAA, USAA Real Estate and the USAA Real Estate Acquirer Businesses; Strategic Relationship with Square Mile.** USAA Real Estate and its affiliates have extensive investment activities that are independent from, and from time to time are expected to conflict with, activities of Square Mile and the Partnerships. USAA, which holds a minority ownership interest in USAA Real Estate, engages in a broad spectrum of activities, including property and casualty insurance, life insurance, consumer banking, investment management and financial advisory activities. In addition, James A. Davidson and Fritz H. Wolff, each of whom directly or indirectly holds a substantial ownership stake in USAA Real Estate, directly or indirectly control, hold equity interests in, provide management services to and/or are associated with a number of private businesses, including, but not limited to, Paxion Capital, LP (a private partnership managed by Messrs. Davidson and Wolff), which collectively engage in a broad spectrum of activities, including investment, asset management, real estate acquisition and development, property management, technology-based services and construction services (the "USAA Real Estate Acquirer Businesses"). USAA Real Estate also has invested in, and maintains a strategic relationship with, certain of the USAA Real Estate Acquirer Businesses, pursuant to which it expects from time to time to source real estate investment opportunities. As a result, USAA, USAA Real Estate and the USAA Real Estate Acquirer Businesses have extensive investment activities that are independent from, and from

time to time are expected to conflict with, activities of Square Mile and the Partnerships. In addition, USAA Real Estate, the USAA Real Estate Acquirer Businesses and their affiliates are expected to provide services in the future beyond those currently provided. The Partnerships will not receive a benefit from any fees received by USAA Real Estate, the USAA Real Estate Acquirer Businesses and their affiliates in connection with those services that are unrelated to the Partnerships' business.

It is also expected that USAA Real Estate, the USAA Real Estate Acquirer Businesses and their affiliates will, from time to time, provide services to the Partnerships' properties and other investments, including, without limitation, management, construction, leasing, consulting, development and other property management services ("Property-Level Services"). It is intended that the fees and other compensation paid to USAA Real Estate, the USAA Real Estate Acquirer Businesses and their affiliates for Property-Level Services will be generally at market rates for the relevant activities. In connection with such arrangements, Square Mile will make determinations of market rates based on its consideration of a number of factors, which are generally expected to include its experience with non-affiliated service providers as well as benchmarking data and other methodologies determined by Square Mile to be appropriate under the circumstances. While Square Mile will generally seek to obtain benchmarking data regarding the rates charged or quoted by third parties for similar services, it is possible that appropriate comparisons are not available for a number of reasons, including, for example, a lack of a substantial market of providers or users of such services or the confidential and/or bespoke nature of such services. Accordingly, any such market comparison efforts could potentially result in inaccurate information regarding market terms for comparable services. Expenses to obtain benchmarking data will be borne by the relevant portfolio entity (and indirectly by the applicable Partnerships) or directly by the applicable Partnerships that invest in such investment.

Each of USAA Real Estate, USAA and the USAA Real Estate Acquirer Businesses has long-term relationships with a significant number of institutions and their senior management. In determining whether to invest in a particular transaction on behalf of the Partnerships, the General Partners will consider those relationships, which could result in the General Partners not undertaking certain transactions on behalf of the Partnerships in view of such relationships. In addition, the Partnerships could be obligated to sell or otherwise be restricted from selling existing investments as a result of relationships that USAA Real Estate, USAA or the USAA Real Estate Acquirer Businesses could have or as a result of transactions or investments that they could make or have made. Likewise, the current or future operations of USAA Real Estate, USAA or the USAA Real Estate Acquirer Businesses (or any of their respective affiliates) could result in restrictions on the interactions between Square Mile and such other businesses. There can be no assurance that all potentially suitable investment opportunities that come to the attention of Square Mile, USAA Real Estate, USAA or the USAA Real Estate Acquirer Businesses will be made available to the Partnerships. The Partnerships could also co-invest with clients or partners of USAA Real Estate, USAA or the USAA Real Estate Acquirer Businesses in particular investment opportunities, and the relationship with such clients or partners could influence the decisions made by the General Partners with respect to such investments.

**No Assurance of Ability to Participate in Investment Opportunities.** The governing documents of certain Partnerships include certain restrictions on affiliates of Square Mile, including USAA Real Estate and its controlled affiliates, from investing in the privately-negotiated acquisition or capitalization of certain types of debt and equity investments in real estate and real estate-related securities and businesses, or sponsoring, managing or advising investment vehicles with the same primary investment objective as the Partnerships, subject to certain exceptions, some of which are described below. The governing documents of such Partnerships do not similarly restrict USAA, the USAA Real Estate Acquirer Businesses and their respective controlled affiliates (other than USAA Real Estate), which have investment activities that from time to time are expected to conflict with activities of Square Mile and the Partnerships.

It should be noted, however, that the governing documents of the Partnerships do not restrict USAA Real Estate from investing outside the Partnerships (or sponsoring an investment vehicle formed primarily to make investments) in first mortgage whole loans to be held as whole loans by USAA Real Estate and/or its co-lenders, which could be investments that would otherwise fall within a Partnership's primary investment focus. In addition, the governing documents of the Partnerships do not restrict USAA Real Estate from engaging in development activities, including providing capital to any component of the capital structure for any such development activities.

Moreover, USAA Real Estate and its controlled affiliates advise other investment vehicles, accounts and clients having objectives that are expected to overlap in certain circumstances with those of the Partnerships, including other collective investment vehicles in which USAA Real Estate has an equity interest. The Partnerships will not have any rights to investment opportunities in relation to the rights of investment vehicles, accounts or clients managed by, sponsored by, or affiliated with USAA Real Estate, USAA, or the USAA Real Estate Acquirer Businesses, and there are circumstances where investments that are consistent with the investment objectives of the Partnerships will be required or permitted to be made by or shared with such investment vehicles, accounts, or clients. The Partnerships are permitted to, in certain circumstances, co-invest with such other investment vehicles, accounts and clients on a basis that Square Mile believes in good faith to be fair and reasonable. Except as set forth in a Partnership's governing documents, USAA, USAA Real Estate and the USAA Real Estate Acquirer Businesses will be under no obligation to make any opportunity available to the Partnerships.

**Material, Non-Public Information.** As a result of the business activities of USAA Real Estate and its affiliates as well as investments made by USAA Real Estate and its affiliates for their own account, USAA Real Estate and its affiliates could acquire confidential or material non-public information and therefore be restricted from initiating transactions in certain securities. Disclosure of such information to the Square Mile personnel responsible for the affairs of the Partnerships will be on a need-to-know basis only, and the Partnerships may not be free to act upon any such information. Therefore, the Partnerships may not be provided access to material non-public information in the possession of USAA Real Estate and its affiliates that might be relevant to an investment decision to be made by the Partnerships, and a Partnership could initiate a transaction or sell a portfolio investment that, if such information had been known to such Partnership, it may not have done. If any material, non-public information is disclosed to the Chief Executive Officer, or any other person responsible for the affairs of the Partnerships, the Partnerships could be prohibited by applicable securities laws and internal policies of USAA Real Estate and its affiliates from acting upon any such information. Due to these restrictions, the Partnerships may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell a portfolio investment that it otherwise might have sold. In addition, under certain circumstances Square Mile and the General Partners may not be given access to material non-public information in the possession of USAA Real Estate or its affiliates that could be relevant to an investment decision to be made by the Partnerships.

**Side Letters.** The Partnerships or the General Partners are permitted to enter into a side letter or other similar agreement with a particular investor with respect to a Partnership without the approval or vote of any other investor, which would have the effect of establishing rights under, altering or supplementing the terms of the governing documents with respect to such investor in a manner more favorable to such investor than those applicable to other investors in such Partnership. Such rights or terms in any such side letter or other similar agreement could include, without limitation, (i) excuse rights applicable to particular investments (which could increase the percentage interest of other investors in, and contribution obligations of other investors with respect to, such investments), (ii) reporting obligations of the General Partners, (iii) waiver of certain confidentiality obligations, (iv) consent of the General Partners to certain transfers by such investor or other exercises by the General Partners of their discretionary authority under

the governing documents for the benefit of such investor, (v) restrictions on, or special rights of, such investor with respect to the activities of the investor, (vi) withdrawal rights due to legal, tax, regulatory or policy matters, including matters related to political contributions, gifts and other such policies, (vii) other rights or terms necessary in light of particular legal, regulatory or public policy characteristics of an investor, (viii) additional obligations and restrictions of the Partnerships with respect to the structuring of any investment (including with respect to alternative investment vehicles), and (ix) certain adjustments with respect to certain economic provisions. Costs of meeting requirements in a side letter or other similar agreement will generally be treated as a Partnership expense and thus will be borne by investors, including those investors who are not beneficiaries of such provisions. Side letters or other similar agreements relating to a Partnership (or the forms thereof with any investor identifying information redacted or otherwise omitted) will be made available after the final closing of such Partnership to certain investors upon request.

Square Mile and its affiliates (other than the Partnerships or the General Partners) from time to time enter into agreements with investors, which agreements are entered into with such investors other than in their respective capacities as investors of the Partnerships. Such agreements do not constitute side letters since they do not establish rights under or alter or supplement the terms of the Partnerships' governing documents and therefore will not be disclosed or offered to other investors of the Partnerships. Such agreements include, without limitation, strategic partnerships with investors, arrangements regarding investments with Square Mile in one or more investment strategies, which could include co-investments alongside the Partnerships and other Square Mile investment funds, vehicles and accounts, and similar arrangements established by Square Mile and its affiliates with investors other than in their respective capacities as investors of the Partnerships.

**Insurance.** The General Partners will cause the Partnerships to purchase, and/or bear premiums, fees, costs and expenses (including any expenses or fees of insurance brokers) for, insurance to insure the Partnerships, the General Partners, Square Mile and/or their respective directors, officers, employees, agents, representatives, members of the applicable Partnerships' Advisory Committees and other indemnified parties, against liability in connection with the activities of the Partnerships. This includes a portion of any premiums, fees, costs and expenses for one or more "umbrella" or other insurance policies maintained by Square Mile or its affiliates that cover the Partnerships and/or Square Mile (including their respective directors, officers, employees, agents, representatives, members of the applicable Partnerships' Advisory Committees and other indemnified parties). The General Partners will make judgments about the allocation of premiums, fees, costs and expenses for such "umbrella" or other insurance policies among the Partnerships, other-Square Mile sponsored vehicles and/or Square Mile on a fair and reasonable basis, in its sole discretion, and may make corrective allocations should it determine subsequently that such corrections are necessary or advisable. There can be no assurance that a different allocation would not result in the Partnerships bearing less (or more) premiums, fees, costs and expenses for insurance policies.

**Joint Venture Partners; Strategic Relationships.** The General Partners are permitted to designate certain investors that have made substantial financial commitments to the Partnerships and other investment vehicles sponsored by Square Mile as "Strategic Investors", which entitles them to certain rights that are distinct from their interests and/or are not afforded to other investors. Strategic Investors are not considered "affiliates" of the General Partners or any of their affiliates. Strategic Investors are typically permitted to appoint representatives to the applicable Partnerships' Advisory Committees. These representatives could be motivated by interests that are different from other investors, which interests could influence their votes, actions and discussions, including votes, actions or discussions as members of (or being represented by members of) the applicable Advisory Committees. Any representative on the applicable Advisory Committees is permitted to take any action or decline to take



any action without regard to any potential conflict of interest resulting from its status as a representative of a Strategic Investor, provided that such action is not taken in bad faith.

Some of the third parties and joint venture partners with which a General Partner elects to co-invest a Partnership's capital have pre-existing investments with or alongside Square Mile. The terms of these pre-existing investments at times are expected to differ from the terms upon which a Partnership invests with such third parties and joint venture partners. To the extent a dispute arises between Square Mile and such third parties and partners, a Partnership's investments relating thereto could be affected. Square Mile has entered into and expects in the future to enter into strategic Partnerships or other multi-strategy or multi-asset class arrangements with investors that commit capital to a range of Square Mile's platform of products, investment ideas and asset classes (including the strategy of a Partnership). Such arrangements could include Square Mile granting certain preferential terms to such investors (including Strategic Investors), including blended fee and carried interest rates that are lower than those applicable to the Partnerships when applied to the entire strategic partnership or arrangement and training by Square Mile of personnel of the investor. Such investors participate in the Partnerships directly or through dedicated investment vehicles or accounts as part of such arrangements, and such investors and/or such vehicles and accounts are granted terms, including management fees or carried interest, that are more favorable than those applicable to other investors notwithstanding that the capital commitment of the relevant investors to such vehicles or accounts and/or the commitments to the Partnerships by such vehicles or accounts or directly by such investors could be smaller than other investors' capital commitments to the Partnerships. Such additional rights and benefits also include specialized reporting, secondment of personnel from the investor to Square Mile, rights to participate in the investment review and evaluation process, as well as priority rights for co-investments alongside Square Mile funds, including, without limitation, preferential allocation thereof and preferential terms and conditions related to such participation (including in respect of any carried interest and/or management fees to be charged with respect thereto), which include investments made by the Partnerships. Investors will not receive a copy of the agreement memorializing such a multi-strategy arrangement (even if in the form of a side letter) and will be unable to elect any rights or benefits granted to such multi-strategy investor. The existence of any such arrangements can result in fewer co-investment opportunities (or reduced or no allocations) being made available to investors. Where management fees and carried interest are applicable at the level of such vehicles and accounts, such terms at times include a waiver of management fees and carried interest on their investment in such Partnership. The foregoing preferential terms are not subject to the "most favored nation" provisions of such Partnership and are therefore unavailable to investors in such Partnership that have not entered into comparable arrangements with Square Mile.

**Service Providers.** Certain advisors and other service providers, or their affiliates (including accountants, appraisers, valuation experts, tax advisors, fund administrators, lenders, servicers, asset managers, bankers, brokers, attorneys, consultants and investment or commercial banking firms), to a Partnership and its portfolio entities also provide goods or services to or have business, personal, political, financial or other relationships with Square Mile, the General Partners, USAA Real Estate, the USAA Real Estate Acquirer Businesses and/or any of their respective affiliates. Some of such advisors and service providers are investors in a Partnership, affiliates of the General Partner, sources of investment opportunities or otherwise are co-investors with or counterparties to transactions involving the foregoing. These relationships have the potential to influence a General Partner and Square Mile in deciding whether to select or recommend any such advisor or service provider to perform services for a Partnership or a portfolio entity, especially because such advisors and service providers are located at Square Mile's offices (the cost of which will generally be borne directly or indirectly by a Partnership or its portfolio entities, as applicable). Notwithstanding the foregoing, the General Partners and Square Mile will generally seek to engage advisors and service providers in connection with investment transactions for a Partnership that require their use on the basis of the overall quality of advice and other services provided, the evaluation of which includes, among other considerations, such service provider's provision of certain

investment-related services and research that a General Partner believes to be of benefit to a Partnership. In certain circumstances, advisors and other service providers or their affiliates could charge rates or establish other terms in respect of advice and services provided to Square Mile, a General Partner or their affiliates or their portfolio entities that are different and more favorable than those established in respect of advice and services provided to a Partnership and its portfolio entities.

**Advisors.** Square Mile has engaged and retained and will in the future engage and retain strategic advisors, consultants, senior advisors, industry experts, joint venture and other partners and professionals (collectively, “Advisors”), any of whom might be former executives or other personnel of Square Mile, to provide a variety of services. Similarly, the Partnerships and their portfolio entities are permitted to retain and pay compensation to Advisors to provide services in a particular sector or involving a particular strategy. Advisors from time to time receive payments from, or allocations with respect to, portfolio entities (as well as from Square Mile or the Partnerships), and such persons could receive fees for services that overlap with services provided by Square Mile. Any amounts paid by the Partnerships or a portfolio entity to Advisors in connection with the above, including performance-based compensation, retainers and expense reimbursements, will not, even if they have the effect of reducing any retainers or minimum amounts otherwise payable by Square Mile, be deemed paid to or received by Square Mile and such amounts will not be subordinated to return of the investor’s capital. Amounts charged by Advisors will not necessarily be confirmed as being comparable to market rates for such services. Such amounts are often borne directly by the Partnerships as partnership expenses (or broken deal expenses, if applicable) or indirectly through expenditures by a portfolio entity.

Advisors could, from time to time, be offered the ability to co-invest alongside the Partnerships in portfolio entities and investments, including in those investments in which they are involved, or otherwise participate in equity plans for management of any such portfolio entity, or invest directly in the Partnerships or vehicles controlled by the Partnerships subject to reduced or waived management fees and/or carried interest. Such co-investment or participation (which generally will result in the Partnerships’ being allocated a smaller share of an investment and less co-investment being available to investors) could or could not be considered part of Square Mile’s side-by-side co-investment rights, as determined by the General Partners in their sole discretion. Advisors’ benefits described in this paragraph could continue after termination of status as an Advisor.

The nature of the relationship with each Advisor and the amount of time devoted or required to be devoted by them could vary considerably. In certain cases, they could provide the General Partners and/or Square Mile with industry-specific insights and feedback on investment themes, assist in transaction due diligence and make introductions to and provide reference checks on management teams. In other cases, they could take on more extensive roles and contribute to the identification and origination of new investment opportunities.

There is no assurance that any Advisor will continue to be involved with the Partnerships for any length of time. In certain instances Square Mile could enter into formal arrangements with these Advisors (which could or could not be terminable upon notice by any party and could include compensation, no compensation or deferred compensation until occurrence of a future event, such as commencement of a formal engagement), and in other cases the relationships could be more informal. They could be either compensated (including pursuant to retainers and expense reimbursement) from Square Mile, the Partnerships and/or portfolio entities or otherwise uncompensated unless and until an engagement with a portfolio entity develops. In certain cases, Advisors have attributes of Square Mile “employees” (e.g., they could have dedicated offices at Square Mile, receive administrative support from Square Mile personnel, participate in general meetings and events for Square Mile personnel or on Square Mile matters as their primary or sole business activity, have Square Mile-related e-mail addresses or business cards and participate in certain benefit arrangements typically reserved for Square Mile employees), even

though they are not Square Mile employees, affiliates or personnel for purposes of each Partnership's governing documents, and their salary and related expenses are paid by the Partnerships as partnership expenses or by portfolio entities. Some Advisors work only for the Partnerships and their portfolio entities, while other Advisors could have other clients. Advisors could have conflicts of interest between their work for the Partnerships and their portfolio entities, on the one hand, and themselves or other clients, on the other hand, and the General Partners are limited in their ability to monitor and mitigate these conflicts.

**Portfolio Entity Service Providers.** A Partnership can engage one or more portfolio entities of one or more other Partnerships to provide property-level services, including without limitation management services, operational services and loan management. Some of the services performed by portfolio entity service providers could also be performed by Square Mile and their affiliates and vice versa. Fees paid by the Partnerships or their portfolio entities to portfolio entity service providers do not offset or reduce the management fee payable by any limited partner of the Partnerships and are not otherwise shared with the Partnerships. Accordingly, Square Mile can have an incentive to engage portfolio entity service providers to provide these services to the Partnerships or their portfolio entities as an alternative to performing such services in-house.

Some of these service providers will charge for services at rates generally consistent with those available in the market for similar services. Other service providers pass through expenses on a cost reimbursement, no-profit or break-even basis, in which case the service provider allocates costs and expenses directly associated with work performed for the benefit of the Partnerships and their portfolio entities to them, along with any related tax costs and an allocation of the service provider's overhead. Any of the foregoing costs and expenses, although allocated in a particular period, will, in certain circumstances, relate to activities occurring outside the period, and therefore a Partnership could pay more than its pro rata portion of fees for services. Square Mile will not always obtain benchmarking analysis or third-party verification of expenses with respect to services provided on a cost reimbursement, no profit or break-even basis. There can be no assurance that amounts charged by portfolio entity service providers will be consistent with market rates or that any benchmarking, verification or other analysis will be performed with respect to such charges.

Portfolio entity service providers described herein are generally owned and controlled by the Partnerships. In certain instances, a similar company could be owned and controlled by Square Mile directly. Square Mile could cause a transfer of ownership of one of these service providers from one Partnership to another Partnership and such transfer will generally be consummated for minimal or no consideration, and without obtaining any consent from the applicable Partnership's Advisory Committee, to the extent permitted by applicable law. Square Mile can, but is not required to, obtain a third-party valuation confirming the same, and, if it does, Square Mile can be expected to rely on such valuation.

**Secondments and Internships.** Personnel of USAA Real Estate, portfolio entities, vendors, service providers (including law firms and accounting firms) and existing or prospective investors of the Partnerships could be seconded, or serve internships at, Square Mile and portfolio entities of the Partnerships. While often the Partnerships and their portfolio entities are the beneficiaries of these types of arrangements, Square Mile is from time to time a beneficiary of these arrangements as well, including in circumstances where the vendor or service provider also provides services to the Partnerships in the ordinary course. For some such arrangements, Square Mile or the portfolio entity pay salary or cover expenses associated with such secondees and interns, and if a portfolio entity pays the cost it will be borne directly or indirectly by the Partnerships. The personnel described above provide services in respect of multiple matters, including in respect of matters related to Square Mile, its affiliates and related parties, and any costs of such personnel could be allocated accordingly.

**Conflicting Fiduciary Duties to Other Square Mile Partnerships.** Certain General Partners and their affiliates could in the future structure investments a result of which is that one or more other Partnerships or affiliates thereof are offered the opportunity to participate in the same or a separate position in such investment's capital stack as allocated to a particular Partnership. As investment adviser to both such Partnership and such other funds and vehicles, Square Mile and/or an affiliate thereof would owe a fiduciary duty to such other funds and vehicles as well as to such Partnership.

## **Item 12 - Brokerage Practices**

Square Mile focuses on making investments in real estate-related assets, thus it does not ordinarily deal with any financial intermediary such as a broker-dealer, and commissions are not ordinarily payable to financial intermediaries such as broker-dealers in connection with such investments. To the limited extent Square Mile transacts in public securities it intends to select brokers based upon the broker's ability to provide best execution for the applicable Partnership. Square Mile does not select broker-dealers based on investor referrals.

## **Item 13 - Review of Accounts**

Square Mile focuses on real estate and real estate-related investments. All investments are carefully reviewed and approved by the investment committee of the applicable Partnership. The investments are carefully monitored on a regular basis and are subject to the constant supervision and review by the investment committee of the applicable Partnership. The operations of Square Mile are managed by the Chief Executive Officer, with certain major decisions with respect to the business of Square Mile subject to the approval of SMCM's board of directors, which as of the date hereof comprises the Chief Executive Officer and two directors appointed by USAA Real Estate. The Chief Executive Officer generally also has primary oversight responsibilities for the Partnerships and together with representatives of USAA Real Estate as well as one or more current senior Square Mile employees and/or Mr. Citrin, as applicable, constitute the investment committees of certain Partnerships, each of which is responsible for all investment and disposition decisions of the related Partnership. Such investment committees utilize a consensus driven process requiring unanimity.

Square Mile provides each investor with unaudited quarterly financial reports of the applicable Partnership and audited financial statements annually. In addition, Square Mile holds an annual meeting for investors in those Partnerships that are commingled investment funds and provides each of such investors with a Schedule K-1 annually and a capital account statement quarterly.

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

In connection with certain Partnerships, Square Mile has engaged a third-party placement agent to introduce prospective investors to such Partnerships. In addition, Square Mile expects, in certain circumstances, to engage one or more third-party placement agents to introduce prospective investors to future Partnerships. To the extent a Partnership incurs placement fees for the use of a placement agent with respect to a certain investor, such investor's share of the management fee is reduced on a dollar-for-dollar basis.

## **Item 15 - Custody**

Investors will not receive statements from any custodians. Instead, the Partnerships the assets of which Square Mile has custody are subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and the audited financial statements are distributed to each investor. The audited financial statements are prepared in accordance with generally accepted accounting principles and, in accordance with Rule

206(4)-2 under the Investment Advisers Act of 1940, as amended, are distributed within 120 days of the relevant Partnership's fiscal year-end.

## **Item 16 - Investment Discretion**

Square Mile generally has full discretionary authority over the Partnerships, as described in the governing documents and/or private placement memoranda of the Partnerships. The operations of Square Mile are managed by the Chief Executive Officer, with certain major decisions with respect to the business of Square Mile subject to the approval of SMCM's board of directors. The investment committee of certain Partnerships, on which USAA Real Estate has representation, controls investment decisions on behalf of the related Partnership. USAA Real Estate, in consultation with the Chief Executive Officer, is entitled to designate a majority of the members of SMCM's board of directors. In the near future, it is expected that USAA Real Estate or its affiliate(s) will purchase the interests in Square Mile held by the Chief Executive Officer. However, the Chief Executive Officer is expected to be responsible for the operations of Square Mile and the Partnerships, and is expected to remain a member of SMCM's board of directors and the investment committees of certain Partnerships, for so long as he remains affiliated with Square Mile and its affiliates. Each prospective investor in a Partnership should review the Partnership's governing documents and/or private placement memorandum and Part 2B of Square Mile's Form ADV for additional information related to the composition of that Partnership's investment committee.

## **Item 17 - Voting Client Securities**

The Partnerships are primarily invested in private entities that typically do not issue proxies. In the limited circumstances where Square Mile or its affiliates hold publicly traded securities and receive proxies in connection with its publicly traded portfolio entities, it is Square Mile's policy to exercise the proxy vote in the best interest of its clients, taking into consideration all relevant factors, including, without limitation, acting in a manner that Square Mile believes will: (i) maximize the economic benefits to the client and (ii) promote sound corporate governance by the issuer. Whenever Square Mile is required to exercise a vote for a privately-held portfolio entity, the same standards and procedures shall apply. Square Mile will seek to avoid material conflicts of interest between its own interests on the one hand, and the interests of its Partnerships and investors on the other. If such conflicts of interest arise, they will generally be disclosed and/or resolved in a way that favors the interests of the Partnerships and/or investors over the interests of Square Mile and its employees.

Square Mile has adopted written policies and procedures governing the proxy voting process. A copy of these policies and procedures, as well as specific information about how Square Mile has voted in the past, is available to investors upon request.

## **Item 18 - Financial Information**

Square Mile has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage the Partnerships.