

# Form ADV Part 2A: Firm Brochure

## Prime Group

March 30, 2021

600 Montgomery Street, Suite 1700

San Francisco, CA 94111

415-986-2415

415-986-4518

<http://www.primegrp.com/>

This brochure (“Brochure”) provides information about the qualifications and business practices of Prime Finance Advisor, L.P. (“Prime Finance”), Prime Residential Advisor, LLC (“Prime Residential”), Prime Finance Advisor Chicago, L.P. (“Prime Finance Chicago”), and Prime Finance Advisor New York, L.P. (“Prime Finance New York”, and together with Prime Finance, Prime Residential, Prime Finance Chicago and their respective affiliates, the “Advisors” or “Prime Group” and individually, each an “Advisor”), as well as information about certain of their respective affiliates. The Advisors do business as “Prime Group.” If you have any questions about the contents of this Brochure, please contact Josh Frieman, our Chief Compliance Officer (“CCO”), at 415-986-2415 or email [josh.frieman@primegrp.com](mailto:josh.frieman@primegrp.com).

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

Prime Finance, Prime Finance Chicago, Prime Finance New York and Prime Residential are registered as investment advisers with the United States Securities and Exchange Commission (“SEC”) under the Investment Advisers Act of 1940 (the “Advisers Act”). Prime Finance has filed Form ADV, including this Brochure, on behalf of itself and on behalf of Prime Finance Chicago, Prime Finance New York and Prime Residential, each of which relies on the Form ADV of Prime Finance to effect its registration as an investment adviser with the SEC. Registration as an investment adviser with the SEC does not imply a certain level of skill or training. In addition, the information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

**Item 2: Material Changes**

This Brochure contains no material changes since Prime Group filed its last annual amendment to the Brochure on March 27, 2020. However, this Brochure includes the changes to the following Items: (a) Item 4, which updates the description of services provided or that may be provided in the future; (b) Item 5, which supplements and expands the description of certain fees and expenses; (c) Item 8, which updates expands upon potential risks of loss; (d) Item 10, which updates the description of certain activities of the firm's affiliates and related entities, particularly with respect to co-investment opportunities, cross-transactions and certain business relationships; (e) Item 11, which discloses additional potential conflicts of interest and Prime Group's efforts to manage them; (f) Item 12, which updates the description of how Prime Group intends to achieve best execution for the Funds (as defined below); (g) Item 13, which updates the description of how Prime Group reviews and manages the Funds' investments; (h) Item 17, which expands upon how Prime Group may exercise the voting or comparable rights of client securities; and (i) other sections to make certain immaterial and/or conforming changes related to the foregoing.

In late 2020, Prime Finance launched the Special Situations Fund (as defined in Item 4), including several related co-investment vehicles. In the future, this item will also identify and discuss the material changes, if any, since the last annual update to assist clients and investors and make them aware of certain information that has changed since the prior year's Brochure and that may be important to them. We encourage all recipients of this Brochure to read it carefully in its entirety.

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**Item 4: Advisory Business**Firm History and Owners

Prime Finance was formed in 2011 under the name “Prime Group Advisor, L.P.”, a Delaware limited partnership and was doing business as “Prime Group”, “Prime Residential” and “Prime Finance”. On December 31, 2012, Prime Group Advisor, L.P. changed its legal name to “Prime Finance Advisor, L.P.”, and certain owners of Prime Finance formed Prime Residential, which relies on the Form ADV of Prime Finance to effect its registration as an investment adviser with the SEC. Prime Finance formed Prime Finance Chicago and Prime Finance New York, each of which is a subsidiary of Prime Finance and provides certain advisory services directly to the Finance Funds (as defined below) and relies on the Form ADV of Prime Finance to effect its registration as an investment adviser with the SEC. Prime Finance is the sole limited partner of each of Prime Finance Chicago and Prime Finance New York. In combination with its affiliated and predecessor firms, Prime Group has more than 27 years of experience in sourcing, underwriting and managing real estate equity in the United States and more than 12 years of experience making real estate debt investments. The owners of Prime Finance, Prime Finance Chicago and Prime Finance New York are: John C. Atwater, Jon W. Brayshaw, Scott G. Douglass, Steve A. Gerstung and Daniel H. James (collectively, the “Co-Founders”). The owners of Prime Residential are John C. Atwater and Daniel H. James. As of December 31, 2020, Prime Group managed \$13,110,972,212 on a discretionary basis.

Services Provided

The Advisors provide discretionary advisory services only to private pooled investment funds and any related parallel, co-investment and/or alternative investment vehicles (each, a “Fund” and, collectively, the “Funds”). Prime Group’s investment business primarily consists of two distinct platforms, each advised by either Prime Finance or Prime Residential. The Funds advised by Prime Finance (including certain advisory services provided directly by Prime Finance Chicago and Prime Finance New York) encompass private pooled investment funds organized primarily for the purpose of originating, acquiring and/or investing in real estate debt instruments or assets (“Finance Funds”), including Funds that are organized as parallel funds (“Parallel Funds”) and/or feeder funds (“Feeder Funds”) for legal, regulatory, tax or other reasons.

As of the date of this Brochure, the Finance Funds advised by the Advisor currently consist of three types of funds pursuing similar real-estate debt investment strategies:

The “Short Duration Funds” invest primarily in performing, mid-size (i.e., generally \$10 to \$100 million face amount) whole loans, senior loans, subordinated loans, mezzanine loans, preferred equity interests or similar debt or debt-like instruments (collectively, “Loans”). Subject to the investment allocation restrictions and considerations set forth in the Governing Fund Documents (as defined below), the active Short Duration Funds may also invest in Special Situations Investments (defined below), commercial mortgage-backed securities (“CMBS”), securities of collateralized loan obligations (“CLO Securities”) and other securities issued in private securitizations of commercial real estate loans (“Other Structured Finance Securities”), senior or subordinated participation interests and other debt

or debt-like securities or instruments. The Short Duration Funds' investments are each collateralized or otherwise backed by loans or other interests in U.S. commercial real estate or in companies whose primary assets are U.S. commercial real estate assets, or secured by pledges of interests in entities owning, directly or indirectly, U.S. commercial real estate, and have an original (meaning at the time the investment instrument was created) or expected remaining (as determined by Prime Finance) investment life of five years or less.<sup>1</sup>

The "Long Duration Funds" invest primarily in unrated or below investment-grade CMBS, as well as tranches or classes of such CMBS ranked senior in priority to, and related to or purchased in connection with, such securities, as well as, Loans or loan participations, which a Long Duration Fund may originate or acquire, directly or indirectly through any of its subsidiaries, to be contributed to one or more CMBS issuances from which it intends to acquire a B-Piece (as defined below) for the purposes of satisfying the credit risk retention requirements of Section 15G of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). Subject to the investment allocation restrictions and considerations set forth in the Governing Fund Documents, the active Long Duration Funds may also invest in (i) investment-grade CMBS; (ii) CLO Securities, Other Structured Finance Securities and/or "rake" bonds backed by B notes, as well as tranches or classes of such CMBS, CLO Securities and Other Structured Finance Securities ranked senior in priority to, and related to or purchased in connection with, such securities (collectively with unrated or below investment-grade CMBS, "B-Pieces"); (iii) Loans, loan participations, tranches or classes of CMBS, CLO Securities or Other Structured Finance Securities identified for investment on an opportunistic basis; (iv) secured and unsecured corporate debt issued by public or private entities whose primary business is owning real estate; and (v) other similar interests, securities or joint ventures in connection with any such asset types. The Long Duration Funds' investments are each backed by commercial real estate, or secured by pledges of interests in entities owning, directly or indirectly, commercial real estate.

The "Special Situations Fund" was launched in late 2020 to invest in (i) defaulted, nonperforming or sub-performing Loans or Loans which, at the time of investment, Prime Finance expects, in its sole discretion, to become nonperforming and/or require restructurings, workouts, foreclosures or similar processes; (ii) Loans which at the time of investment, Prime Finance expects, in its sole discretion, to have a higher risk profile as compared to the investments typically made by the Short Duration Funds; and (iii) other distressed assets or opportunities (including whole companies or operating divisions) related to commercial real estate.

The Advisor may manage in the future other funds, separately managed accounts or other similar vehicles or arrangements which invest in Loans, securities or other obligations related to real estate assets. Any future funds, separately managed accounts and other similar vehicles or arrangements

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<sup>1</sup> Investment life means the period of time beginning with the origination of the instrument or the Fund's purchase of an investment, as applicable, until such time the investment is expected to be paid off or sold by the Fund and is determined by the General Partner in its sole discretion at the time the Fund makes such investment. The General Partner may, but is not obligated to, consider certain factors in making such determination, including, without limitation, the stated duration of the investment instrument, its (or its affiliates') prior experience with similar investments, its due diligence on the borrowers and/or underlying collateral and general commercial real estate debt market conditions.

may, accordingly, have investment strategies which are similar to or overlap with those of the existing Finance Funds. While the Finance Funds generally do not currently or, in the future, intend to compete for the same investments, Prime Group has established policies and procedures to help mitigate any conflicts should they arise. Such policies and procedures, as well as Prime Finance's investment allocation considerations, are more fully described in the Governing Fund Documents.

Many Short Duration Funds use a variety financing facilities, including, without limitation, subscription lines, investment-level financing facilities, collateralized loan obligations, stand-alone debt, and A/B note structures, to leverage their investments and otherwise finance their activities. The Long Duration Funds may also use subscription lines to manage fund liquidity and leverage their respective portfolios, but the Long Duration Funds do not currently utilize investment-level leverage (although they may do so if an appropriate opportunity arises). The Special Situations Fund uses a subscription line credit facility and also intends to pursue investment-level leverage. Prime Finance is always looking for opportunities to optimize Fund leverage and use new financing solutions of any form in the future to the extent permitted by the applicable Fund Governing Documents

The Funds advised by Prime Residential encompass private funds organized primarily for the purpose of investing directly in real estate and real estate-related assets ("Residential Funds"). Residential Funds generally use mortgage financings and may, from time to time, also use mezzanine or preferred equity to finance their investments and/or subscription lines to acquire investments, manage liquidity, leverage their respective portfolios or fund capital improvements at or otherwise provide for the operations of their respective assets. One of the Residential Funds is organized primarily to invest cash reserves held by some of the other Residential Funds (the "Liquidity Fund"). The Liquidity Fund invests primarily in other pooled investment vehicles. It also owns individual debt and equity securities which are managed as separate accounts by external managers. The Liquidity Fund does not currently leverage its investments, although it invests in leveraged strategies. An outside advisor also assists with manager selection and asset allocation for most investments in the Liquidity Fund.

Within each private fund structure, there is a designated general partner, manager, or person or entity occupying a role similar to that of a general partner or manager ("General Partner"). The General Partners that manage Funds are considered affiliates of the Advisors for the purposes of this Brochure and are controlled by one or more of the Co-Founders.

Prime Group formulates each Fund's investment objectives and facilitates the acquisition, management, monitoring, and disposition of each Fund's investments. Each Advisor provides investment advice directly to the applicable Funds and not individually to the Funds' limited partners, members, or shareholders (collectively, "Investors"). Prime Group does not consider the Investors' individual investment objectives when managing the Funds. Prime Group manages the assets of the Funds in accordance with the terms of each Fund's confidential offering and/or private placement memoranda and/or individual limited partnership or limited liability company agreement, or any other governing documents applicable to each Fund, including the advisory agreement and holding company service and sub-service agreement(s) applicable to certain Finance Funds (collectively, "Governing Fund Documents").

Each of the Funds is organized as a limited partnership or limited liability company. In order to facilitate investment by certain investors, the General Partner (or an affiliate thereof) has, in certain circumstances, created a Feeder Fund, which invests substantially all of its assets in the Fund for which it was formed in exchange for interests in such Fund and which, accordingly, is a limited partner of such Fund. Some of the Finance Funds also have one or more Parallel Funds, which, subject to applicable legal, tax, regulatory or other considerations, generally invest and divest proportionally in all investments on effectively the same terms and conditions as such Finance Funds.

The Funds are organized as closed-end investment vehicles. All terms are generally established at the time of the formation of a Fund and may only be amended, modified or waived in accordance with their respective Governing Fund Documents. From time to time, the General Partners and/or their respective affiliates, have entered into side letters or other similar agreements with particular Investors with respect to a Fund without the approval of any other Investor in such Fund, which have the effect of establishing rights under, altering or supplementing the terms of such Fund's Governing Fund Documents with respect to such Investor in a manner more favorable to such Investor or different from than those applicable to other Investors in the same Fund. Such rights or terms in any such side letter or other similar agreement may include, among other things, (i) excuse rights applicable to particular investments or investments in certain jurisdictions (which may increase the percentage interest of other Investors in, and contribution obligations of other Investors with respect to, such investments), (ii) exclusions from delivering investor letters, opinions, parent guarantees and/or financial statements to Fund lenders, (iii) additional information rights for an Investor or additional reporting obligations of the General Partner, (iv) waiver or modification of certain confidentiality obligations, (v) consent of the General Partner to certain transfers by an Investor or other exercises by the General Partner of its discretionary authority under the Governing Fund Documents for the benefit of such Investor, (vi) rights or terms necessary in light of particular legal, regulatory or public policy characteristics of an Investor, (vii) confirmations of the right to receive management fee rebates as provided for in the Governing Fund Documents, (viii) additional obligations and restrictions of the General Partner and a Fund with respect to the structuring of any investment in light of the legal, tax and regulatory considerations of particular Investors, (ix) preferential access to co-investment opportunities, (x) put rights with respect to the sale of an Investor's interests in a particular Fund, (xi) right to appoint representatives to the Advisory Boards (as defined below), if applicable to the Fund, and (xii) obligation of the General Partner to solicit consents to amend particular provisions of the Governing Fund Documents as requested by particular investors. Any rights or terms so established in a side letter or other similar agreement with an Investor will govern solely with respect to such Investor (but not necessarily any of such Investor's assignees or transferees unless so specified in such side letter or otherwise agreed by the General Partner) and will not require the approval of any other Investor notwithstanding any other provision of the Governing Fund Documents. Nonetheless, Investors do not participate in the investment decisions made by the Funds and may only make withdrawals from the Funds as permitted under limited circumstances by the Governing Fund Documents.

#### Other

Limited partnership interests or limited liability company interests in the Funds (collectively, the "Interests") are not registered under the U.S. Securities Act of 1933, as amended (the "Securities

Act”), or any state securities laws or other securities laws or the laws of any non-U.S. jurisdiction, nor is such registration contemplated. The Interests are offered and sold in the United States or to U.S. persons pursuant to the exemption from the registration requirements of the Securities Act provided by Section 4(a)(2) thereof and Regulation D promulgated thereunder and in compliance with the applicable securities laws of the states and other jurisdictions where the offering will be made. The Interests may be offered and sold outside the United States and to non-U.S. persons pursuant to the exemption from registration requirements provided by Regulation S promulgated under the Securities Act and in compliance with the applicable securities laws of the jurisdiction where the offer will be made. The Funds are not registered under the U.S. Investment Company Act of 1940, as amended (the “Investment Company Act”).

The fair values of the investments held by the Residential Funds are estimated by the valuation committee established for the Residential Funds, as such committee’s members deem necessary, but generally annually. The fair values of the investments held by the Finance Funds are estimated quarterly by the applicable valuation committee established for the Short Duration Funds, the Long Duration Funds or the Special Situations Fund, as the case may be. The values of the investments held by the Liquidity Fund are obtained from the custodians of the Liquidity Fund and the managers of the underlying pooled investment vehicles in which the Liquidity Fund invests.



**Item 5: Fees and Compensation**General

The Advisors provide investment advisory services to each of the Funds (including their subsidiaries) pursuant to separate investment advisory, services and/or sub-services agreements (the “Agreements”). The Agreements for each Fund, along with any specific organizational documents of such Fund, set forth the Prime Group entity which receives management or similar fees in connection with the investment advisory services provided by the Advisors to such Funds.

Depending on the Fund, various Prime Group entities receive management fees (including the Administration Fees and Residential Fund Commitment Fees (each as defined below)) and also are eligible to receive performance fees or carried interest based on the returns of the Funds. For the Residential Funds, Prime Group affiliates generally also receive property management fees, construction management fees, and financing fees. For the Finance Funds, Prime Group does not receive any compensation other than management fees and either carried interest or performance fees. Investors should review all fees charged by Prime Group and its affiliates to fully understand the total amount of fees to be paid by a Fund and, indirectly, by its Investors. The fees paid by the Funds are subject to negotiation with Investors during the fundraise period for the relevant Fund, but thereafter are not negotiable.

Asset and Management Fees

**Residential Funds.** The Residential Funds pay Prime Group an administrative fee (which, in the case of Prime/SCRC, L.P., is referred to as a “General Partner’s Fee” in its Governing Fund Documents) that generally ranges from 1.50% to 1.75% of gross income of the property or properties owned by the Fund (the “Administration Fee”). Notwithstanding the foregoing, (i) Prime Property Fund II, L.P. (“Prime Property Fund II”) pays a fixed annual Administration Fee of \$62,500, (ii) Prime/Devonshire, LLC pays a fixed annual fee of \$26,400 to Prime Devonshire Investments, LLC, (iii) Prime/Park LaBrea Investment, L.P. (“Prime/Park LaBrea”) pays an Administration Fee of 1.0% of gross income of the properties owned by Prime/Park LaBrea, and (iv) each of Prime Residential 2019 Fund, L.P. and Prime Residential 2020 Fund, L.P. (collectively, the “Residential Blind Pool Funds”) also pays a quarterly commitment fee (the “Residential Fund Commitment Fees”) to Prime Residential (or an affiliate thereof designated by Prime Residential) equal to 0.5% of the Investors’ callable commitments to such Residential Funds (in addition to the 1.75% Administration Fee on gross property income). Consequently, the valuation of assets held by the Residential Funds do not impact the Administration Fees paid by the Residential Funds. Administration Fees are calculated, deducted from the Residential Funds, and paid to Prime Group on a monthly basis in arrears, except that the Prime Property Fund II and the Prime/Devonshire, LLC Administration Fees are paid annually in arrears. In addition, under the Governing Fund Documents of the Residential Blind Pool Funds, Prime Residential may, without the consent of or notice to any Investor, delegate to affiliated subadvisors and/or assign to one or more of its affiliates all or any portion of its right to receive, and its obligations with respect to, the Residential Fund Commitment Fees, or any of the Residential Blind Pool Funds may enter into a new advisory agreement with any such affiliate with respect to all or any portion of the Residential Fund

Commitment Fee to be paid by such Residential Blind Pool Fund, in each case, which will be on substantially similar economic terms and conditions in all material respects as described above.

**Finance Funds.** Each Finance Fund and/or one or more of its subsidiaries pays, without duplication, Prime Finance (and/or Prime Finance Chicago and Prime Finance New York) an annual fee (the “Management Fee”) for providing investment advisory and related services as set forth in each Finance Fund’s Governing Fund Documents. During a Finance Fund’s investment period, the aggregate annual Management Fee is generally equal to 1.8% to 1.9% of such Finance Fund’s total committed capital, as defined in the applicable Governing Fund Documents. After a Finance Fund’s investment period and throughout its remaining term, the aggregate annual Management Fee generally is 1.8% to 1.9% of such Finance Fund’s net equity invested, as defined in the applicable Governing Fund Documents. The Management Fee is calculated for each Finance Fund (and, if applicable, such Finance Fund’s holding company or holding companies), deducted from such Finance Fund (and/or their holding company(ies), as applicable) and paid quarterly in advance to Prime Finance (and/or Prime Finance Chicago and Prime Finance New York) from capital contributions received from the Investors or cash received from such Finance Fund’s investments or financings. Prime Finance then provides cash refunds to certain Investors based on, among other things, the size of each such Investor’s aggregate capital commitments to one or more Finance Funds and whether such Investor is deemed by the General Partner to be a “strategic investor” and/or has participated in a Finance Fund’s first closing. Such cash refunds are explicitly provided for in each Fund’s Governing Fund Documents (and confirmed in certain Investors’ side letters) and generally result in net Management Fees to Prime Finance (including Prime Finance Chicago and Prime Finance New York, as applicable) of 1.25% to 1.9% of committed capital or net equity invested, as applicable, with respect to each individual Investor.

Under certain Governing Fund Documents, Prime Finance may, without the consent of or notice to any Investor or Advisory Board of the relevant Finance Fund(s), delegate to affiliated subadvisors and/or assign to one or more of its affiliates all or any portion of its right to receive, and its obligations with respect to, the Management Fees paid by such Finance Fund(s), or such Finance Fund(s) may enter into a new advisory, service or similar agreements with any such affiliate, which will be on substantially similar economic terms and conditions in all material respects as described above.

The Governing Fund Documents also provide that the Management Fees paid by the Finance Funds are to be offset on a dollar-for-dollar basis (but not below zero) to the extent a General Partner, any Co-Founder or any of their respective affiliates receives any cash or non-cash asset management, transaction, investment banking, break-up, advisory, monitoring, directors, servicing, collateral monitoring and drop fees, expense credits, price adjustments and other similar fees (other than any carried interest, management fees or performance fees) in connection with any such Finance Fund’s investments. Specifically, certain special servicers involved in the Long Duration Funds’ investments often agree to share with Prime Finance certain fees that the special servicer collects in connection with its special servicing role. Such fees are paid to Prime Finance and credited dollar-for-dollar against Management Fees otherwise payable by the applicable Long Duration Fund.

From time to time, Prime Finance will invite investors in Finance Funds, their affiliates and/or other unaffiliated third parties to coinvest in one or more investments (typically to manage a Finance Fund’s concentration in a specific investment or capital allocation strategy). Co-investment fees

realized by Prime Finance and the costs that the co-investor bears, including the extent to which a co-investor would share in any Broken Deal Expenses (as defined below), are negotiated by Prime Finance on a case-by-case basis. These activities create a possible conflict of interest as Prime Finance will receive certain fees (e.g., management fees and carried interest) in some cases that are not credited against the management fees of the related Finance Fund. This will also typically result in the Finance Fund bearing all such Broken Deal Expenses and the potential co-investor bearing none. In addition, co-investment fees (e.g., management fees and carried interest) realized by Prime Finance with respect to co-investment vehicles can be as high as (or higher than) those received with respect to the related Finance Fund but as low as zero.

**Liquidity Fund.** Prime Group invests assets of some Residential Funds in the Liquidity Fund. Investors in such Residential Funds will therefore generally bear multiple layers of management fees and expenses relating to their indirect investment in the Liquidity Fund: (i) their *pro rata* share of a \$10,000 fixed annual management fee paid in arrears by the Liquidity Fund to Prime/Park LaBrea, which together with its subsidiary owns a majority of the Liquidity Fund interests, (ii) management fees paid to third-party advisors to the Liquidity Fund, which generally amount to approximately 0.15% to 0.20% annually on the Liquidity Fund's assets, and (iii) other fees and expenses charged inside the investment funds in which the Liquidity Fund invests. Such fees and expenses relating to the Liquidity Fund are separate from and in addition to the Administration Fees of the Residential Funds described above, which are based on gross property income of the real estate held by such Residential Fund (or fixed in the case of Prime Property Fund II and Prime/Devonshire, LLC), and the Residential Fund Commitment Fees, which are based on Investors' callable capital.

Prime Group, to the extent permissible by the Governing Fund Documents, reserves the right to waive or reduce all or any portion of the Administration Fees and/or the Management Fees for certain Investors, including employees, Prime Group principals, a limited number of strategic partners, advisors and consultants and others, as may be determined in Prime Group's sole discretion.

#### Incentive Compensation

**Finance Funds.** The General Partner of each Finance Fund, Advisor and/or one or more of their respective affiliates (but without duplication) receive a carried interest or similar performance-based fee that is borne by the relevant Finance Fund or its subsidiaries, as the case may be (but without duplication), and is calculated based on a portion of such Finance Fund's profits. The method for calculating the carried interest or other performance fee is disclosed in the Governing Fund Documents of each Finance Fund and varies by Fund. Generally, Investors receive a return of their invested capital plus a preferred return prior to the distribution of any carried interest or performance fee paid to the relevant General Partner or Advisor. The preferred return is currently 8% per annum for each Finance Fund. The carried interest or performance fee is limited to 20% of the cash available for distribution in excess of the limited partners' capital contributions and is subject to an 80%/20% General Partner catch-up and final clawback as discussed in the applicable Governing Fund Documents.

**Residential Funds.** With the exception of certain Residential Funds, each General Partner of the Residential Funds receives a special allocation or carried interest that is deducted from the Fund

and is equal to 20-25% of the Fund's distributions after all capital contributions have been returned to investors.

**Liquidity Fund.** No incentive fee is paid to Prime Group directly by the Liquidity Fund, although the Liquidity Fund may bear incentive fees paid to third-party managers of some of its investments. Moreover, most of the investors in the Liquidity Fund are Residential Funds that take into account any returns from the Liquidity Fund in determining special allocations or carried interest payable by the Residential Funds (as described above).

Prime Group's incentive compensation in each Fund's profits creates an incentive for Prime Group to make more speculative investments on behalf of the Fund than it would otherwise make in the absence of any incentive compensation. Prime Group, to the extent permissible under the Governing Fund Documents, reserves the right to waive or reduce any carried interest, performance fee or similar incentive compensation for certain Investors, including employees, Prime Group principals, a limited number of strategic partners, advisors and consultants and others, as may be determined in Prime Group's sole discretion.

Residential Funds Only: Property Management, Construction, and Financing Fees

*Finance Funds do not pay any fees to Prime Group other than the Management Fees and incentive fees described above.*

Residential Funds pay Prime Group certain fees for property-level services performed on behalf of the properties owned by the Funds in addition to the Administration Fees, Residential Fund Commitment Fees and incentive compensation described above. Specifically, Prime Administration, LLC ("Prime Administration"), an affiliate of Prime Residential, charges fees to Residential Funds for providing property management, construction management, and financing services, and Park LaBrea pays a management fee to PLB Management, LLC, an affiliate of Prime Residential. In one case, a Residential Fund property shares amenities with three adjoining properties, two of which are owned by other Residential Funds, and Prime Administration receives \$1,200 per month for its administrative services related to the shared amenities.

Most Residential Funds hold one or more real property investment(s) managed by Prime Administration or its affiliate. Except with respect to the two properties discussed below, such Residential Funds pay Prime Administration or its affiliate a management fee that is a percentage of gross revenues from each property (such gross revenues to be calculated with respect to each individual property owned directly or indirectly by the relevant Residential Fund, and not all such Residential Fund's properties in the aggregate, and paid monthly based on gross revenues collected year-to-date) according to the following schedule: 3.0% of gross calendar-year revenues up to \$3.1 million, plus 2.5% of gross calendar-year revenues between \$3.1 million and \$5.0 million, plus 2.25% of gross calendar-year revenues above \$5.0 million. In the case of Park LaBrea, a very large real estate asset owned by a Residential Fund and managed by PLB Management, LLC, the management fee is a flat 1.5% of gross revenues. In the case of Prime Property Fund II, which indirectly owns a portion of the real estate asset called The Gateway Apartments and Townhomes ("The Gateway"), The Gateway pays an asset management fee of 1.0% of gross rents to Golden Management, L.P. (the "Gateway Manager"). Mr. Atwater indirectly holds a 33.33% interest in the

Gateway Manager. The Gateway's asset management fees are calculated and paid on a monthly basis. The Gateway also pays a property management fee of 1.5% of gross rents to a third-party property manager unaffiliated with either Prime Group or Mr. Atwater. In the future, other Residential Funds may own real estate assets that are managed by other third parties (who may receive similar fees from such Residential Funds) and not by Prime Group.

Prime Administration or its affiliate also provides construction management services to real estate assets managed by Prime Administration and receives fees for such services equaling 5.0% of the capital expenditures made at the property plus 0.75% of property gross revenues, except Prime Park/LaBrea only pays the construction management fee based on capital expenditures and Prime Property Fund II does not pay any construction management fees to Prime Group. The portion of the construction management fee based on gross revenues is calculated and paid on a monthly basis in arrears. The portion of the construction management fee based on capital expenditures is calculated and paid on a quarterly basis in arrears.

Prime Administration or its affiliate sometimes sources and executes financings of the properties held by Residential Funds instead of using a third-party loan broker. In such cases, Prime Administration or its affiliate charges a financing fee of 0.40% of the loan proceeds. Such financing fee is calculated and paid after the closing of the loan. When Prime Group contracts with third parties for financing services for the Residential Funds, the third party is generally paid a financing fee and none of Prime Administration or any of its affiliates receives any financing fees.

Where Residential Funds pay fees for services performed by Prime Group, such fees are disclosed in and specifically agreed to in the applicable Governing Fund Documents or are believed to be equal to or less than what such Residential Fund would otherwise pay to third parties for similar services (based on our internal market research of fees charged by other large residential property managers). In addition, as further described in the Governing Fund Documents, a Residential Fund may, as determined by its General Partner, bear the cost and expenses of certain in-house or affiliated resources for services provided to such Residential Fund or its properties by Prime Residential, Prime Administration or any of their respective affiliates, including the allocation of their compensation, benefits and attributable overhead ("Allocated Internal Expenses"); provided that such allocations or charges shall not exceed market rates for comparable qualified service providers.

### Fund Expenses

Each Fund is responsible for paying its own organizational, operating and related expenses as described below and in the applicable Governing Fund Documents. In cases where multiple Funds, properties or entities incur or benefit from a specific expenditure, Prime Group will allocate the expense by estimating the relative usage and benefit that each such Fund, property or entity obtains from the expense, as more fully described below.

The Funds are responsible for travel expenses related to their respective businesses. Such expenses include Prime Group's and its affiliated persons' coach or economy class airfare for most domestic travel and, for international destinations or other longer duration flights, business or first class airfare. Certain personnel will sometimes travel domestically in business or first class, and travel expenses for Prime Group and its affiliated persons will occasionally include expenses for private

air transportation (in which case, the Funds will be responsible for an amount not to exceed the expense of first class airfare for an equivalent trip).

In many cases a Prime Group entity pays costs or expenses attributable to a Fund and such costs or expenses are later charged to and reimbursed by the applicable Fund. To the extent that Fund expenses are initially incurred by Prime Group or another non-Fund entity on behalf of or for the benefit of one or more Funds, in no circumstance will such expenses be reimbursed by the Fund before such expenses are actually paid by Prime Group or such other non-Fund entity, except in the specific cases of property payroll, benefit and utility expenses, which are funded by each property to segregated accounts promptly prior to disbursement.

Additionally, when it is deemed to be in the best interests of more than one Fund based on prevailing insurance rates, Prime Group will obtain blanket insurance policies, including, without limitation, property, casualty, catastrophe (e.g. terrorism, seismic, flood), errors and omissions, worker's compensation, crime, environmental, cyber, general partner/directors and officers liability insurance, that cover multiple properties, assets and/or Funds and then allocates the cost of the policies among the Funds holding such properties or assets. Prime Group may purchase insurance plans with relatively high deductibles and then cause the participating Funds to each contribute towards paying deductibles according to a preset formula that Prime Group believes is fair to each participating Fund, although no such arrangements are currently in place. Prime Group may also form its own regulated captive insurance company as an alternative or supplement to purchasing insurance from a third party if it is in the best interest of the Residential Funds. The cost of capitalizing and maintaining such captive insurance company would be allocated to the participating Residential Funds in the same manner as costs are allocated for comparable third-party insurance policies.

**Finance Funds.** Although the expenses incurred by any particular Finance Fund vary, such expenses typically include, among other things: (i) the Management Fees; (ii) all costs and expenses relating to consummated investments and temporary investments, including, but not limited to, the identification, sourcing, marketing, evaluation, structuring, restructuring, workout, negotiation, acquisition, origination, holding, monitoring, servicing, financing, refinancing, mortgaging, exchanging, realizing, negotiation, sale, proposed sale or other disposition thereof; (iii) interest on and fees and expenses related to or arising from any Finance Fund indebtedness, guarantees or hedging activities, including defeasance costs or the costs incurred by Investors in connection with the delivery of legal opinions of counsel and other documents requested by lenders to the Finance Fund; (iv) sales, leasing and brokerage commissions, costs of engaging, obtaining and preparing third-party reports, appraisals and insurance, environmental or other analyses, entitlement costs, development fees, construction management fees, loan servicing fees, consulting fees, costs of tenant and capital improvements, custodial expenses, costs and expenses of operating, marketing, repositioning and selling properties in foreclosure and other costs incurred in connection with investments; (v) costs and liabilities incurred in connection with litigation or other extraordinary events, the Finance Fund's share, as determined by its General Partner, of premiums for insurance protecting such Finance Fund or any subsidiary thereof and any indemnitees thereof from liabilities to third persons and indemnity expenses (which may also benefit Prime Group); (vi) legal, custodial and accounting expenses, including expenses associated with the procurement and operation of accounting systems and related maintenance and licensing fees, the preparation of financial

statements, tax returns and Schedule K-1s and the representation of the Finance Fund or its Investors by the partnership representative for tax purposes; (vii) research and software expenses, subscription fees, license fees and other expenses incurred in connection with data services providing real estate market data, news feeds, securities and company information and company fundamental data; (viii) auditing, banking and consulting expenses; (ix) expenses related to organizing entities through or in which investments may be made, including any alternative investment vehicles, real estate investment trusts (each, a “REIT”), holding companies and other subsidiaries of the Finance Fund; (x) costs and expenses that are classified as extraordinary expenses under generally accepted accounting principles; (xi) expenses of the Advisory Board (as defined in Item 6); (xii) real estate and other taxes, licensing fees, permit fees and other governmental charges, fees and duties, and all expenses incurred in connection with any tax audit, investigation, settlement or review; (xiii) travel and communications expenses (which includes accommodation and meal expenses of employees and may include private air transportation charged at first-class equivalent rates in accordance with Prime Group’s expense allocation policy); (xiv) damages to the extent arising out of indemnification claims subject to reimbursement by the Finance Fund; (xv) all expenses and costs associated with reporting to and meetings of the Finance Fund’s Investors; (xvi) Broken Deal Expenses; (xvii) any costs, expenses and indemnities payable in connection with, related to, or to comply with, the credit risk retention requirements of Section 15G of the Exchange Act, or the acquisition and holding of any risk retention compliant B-Pieces; (xviii) costs of winding up and liquidating the Finance Fund and any of its Parallel Funds, Feeder Funds, holding companies and other subsidiaries; and (xix) all expenses and costs associated with REIT qualification and testing compliance (including offering REIT preferred equity and making dividend payments thereon).

Most of the foregoing costs and expenses of the Finance Funds are specific to an individual investment or issue faced by a particular Finance Fund and are thus allocated to a particular Finance Fund. However, some costs must be allocated across multiple Finance Funds. Prime Group allocates these costs subject to the applicable Governing Fund Documents and in a manner Prime Group believes to be fair and equitable to the Finance Funds involved. Allocation methodologies vary based on the character of the expense, but they are typically based on the capital commitments to a particular Finance Fund, a Finance Fund’s relative assets under management or net asset values (including callable capital), the current stage of a Finance Fund’s lifecycle or a Finance Fund’s level of consumption of the good or service being used for the benefit of such Finance Fund (*e.g.*, based on the number of emails generated by a particular piece of software used in connection with the business or operations of such Finance Fund).

Notwithstanding the foregoing, the applicable General Partner may determine, in its sole discretion, that a particular expense for the operation and activities of any Feeder Fund is attributable in some other proportion, or even solely attributable, to such Feeder Fund and may, in its sole discretion, allocate such expense to the Feeder Fund using any other allocation method the General Partner determines is reasonable under the circumstances. Expenses that are incurred for the joint benefit of a Finance Fund and its related Parallel Fund(s) are determined on an aggregate basis and allocated between such Finance Fund and Parallel Funds(s) *pro rata* on the basis of the aggregate capital commitments thereto, other than expenses that are specifically attributable (as determined by the applicable General Partner in its sole discretion) to such Finance Fund or a particular Parallel Fund (*e.g.* where a Parallel Fund is organized in a different jurisdiction or makes the same investments as its related Finance Fund but through different subsidiaries or structures).

In addition to the foregoing, each Finance Fund bears its own organizational expenses, which include such Finance Fund's allocable share of all costs and expenses incurred in connection with the formation, organization of and sale of interests in such Finance Fund (including negotiating and preparing side letters), its related Parallel Funds, Feeder Funds, REITs, holding companies and other subsidiaries and its General Partner. From time to time, a Finance Fund shares with one or more other Finance Funds certain joint expenses related to fundraising, marketing or selling interests in such Finance Funds, in each case, as determined by the applicable General Partners, including all out-of-pocket legal, accounting, printing, travel, filing fees and expenses and placement fees (if any) and expenses (or interest thereon). Each Finance Fund's allocable share of the aforementioned costs are determined by aggregating all such costs and allocating such aggregate costs (i) as among a Finance Fund and its related Feeder Funds and/or Parallel Funds *pro rata* on the basis of the aggregate capital commitments to each such entity; *provided*, that the applicable General Partner may determine, in its sole discretion, that a particular expense for the organization of a Finance Fund or any of its related Feeder Funds and/or Parallel Funds is attributable in some other proportion, or even solely attributable, to such Finance Fund, Feeder Fund(s) or Parallel Fund(s) and may, in its sole discretion, allocate such expense to such Finance Fund, Feeder Fund(s) or Parallel Fund(s), as the case may be, using any other allocation method the General Partner determines is reasonable under the circumstances (or Prime Group may elect to bear itself all or any portion of such expense); and (ii) solely in the case of joint costs of fundraising, marketing or selling interests in multiple Finance Funds, using any allocation method among such Finance Funds as Prime Finance determines is reasonable under the circumstances.

Each Finance Fund will generally bear all out-of-pocket costs and expenses incurred while developing, negotiating or structuring potential investments which are not ultimately made, including (i) any legal, accounting, advisory, consulting, due diligence or other third-party expenses, any research and quotation service fees and expenses and any travel and accommodation expenses, (ii) all fees, costs and expenses of lenders, investment banks, brokers, special servicers and other financing sources in connection with arranging such a proposed investment or arranging financing for such a proposed investment and (iii) any termination or "reverse breakup" fees and any deposits or down payments of cash or other property that are forfeited in connection with such a proposed investment (collectively, "Broken Deal Expenses"), including any co-investor's or potential co-investor's share of such Broken Deal Expenses (including, for the avoidance of doubt, any share of such Broken Deal Expenses attributable to a Prime Group affiliate). In addition, Prime Group, its General Partner and/or any of their respective affiliates may incur certain out-of-pocket costs and expenses in developing, negotiating and structuring prospective investments that are not ultimately made, including Broken Deal Expenses.

If a prospective counterparty in an unconsummated transaction reimburses such Finance Fund or any of its affiliates for any Broken Deal Expenses (such amount, the "Reimbursed Amount"), the Governing Fund Documents of the relevant Finance Funds permit the General Partner or its affiliates, acting in their sole discretion, to agree to share any or all of such Reimbursed Amount with other investors (including Prime Group affiliates) that participate in co-investment opportunities or similar arrangements to the extent such other investors incurred costs and expenses in connection with such unconsummated deals. As a result of these sharing arrangements, such Finance Fund may not be reimbursed for 100% of its Broken Deal Expenses. Similarly, if a prospective counterparty pays such Finance Fund or any of its affiliates a break-up fee in connection



with an investment that ultimately does not close, the Governing Fund Documents of the relevant Finance Funds permit the General Partner, acting in its sole discretion, to share any or all of such break-up fee with other investors (including Prime Group affiliates) that would have participated in co-investment opportunities or similar arrangements. As a result, such Finance Fund may not receive 100% of such break-up fees. Nonetheless, no such arrangements are currently in place.

**Residential Funds.** Although the expenses incurred by any particular Residential Fund vary, such expenses typically include, among other things: (i) forming and maintaining the Residential Fund, its subsidiaries and its General Partner, including any legal fees and costs associated with drafting and amending the Governing Fund Documents, due diligence, fund formation and fund management; (ii) developing, negotiating and structuring potential investments, including an allocable share (as determined by the General Partner) of costs and expenses incurred in connection with co-investment opportunities and similar arrangements, and including unreimbursed Broken Deal Expenses; (iii) third-party reports, including appraisals, engineering studies, environmental studies and similar studies and reports, attorneys, accountants, travel, title fees, brokerage commissions and other costs incurred in connection with the due diligence, purchase and ongoing ownership of the Residential Fund's property or properties; (iv) administrative costs related to preparing financial statements, tax returns and Schedule K-1s, auditing the Residential Fund and its subsidiaries and maintaining corporate formalities and regulatory compliance; (v) financing, re-financing and disposing of its property or properties, including lender and brokerage fees and expenses, third-party reports, prepayment penalties or defeasance costs, breakage costs associated with securing lending commitments, and interest and principal associated with borrowing; (vi) costs, including payroll, bonuses, benefits, insurance, computer equipment, 401(k) matching and administration and criminal background and drug and other screenings, incurred with respect to certain personnel who work at the Residential Fund's property and/or who are directly involved in property management, such as (without limitation) regional and area managers, regional and area service managers, regional executive assistants, the director of revenue management and the marketing and training manager; (vii) taxes and government assessments relating to the Residential Fund and/or its property or properties, including without limitation real and personal property taxes and assessments, business licenses, pool licenses and equipment licenses; (viii) any litigation involving the Residential Fund or its subsidiaries or property/properties, including costs relating to handing third party claims or potential claims, costs of settling litigation or paying judgements, and any legal fees in connection with evictions; (ix) an allocable share (as determined by the General Partner and/or the Residential Fund's insurance broker) of the costs of obtaining insurance coverages (including brokerage fees and expenses of forming, organizing and maintaining captive insurance companies) and insurance premiums (including paying premiums charged by captive insurance companies) to protect the Residential Fund, any of its subsidiaries or properties (including, without limitation, property, casualty, errors and omissions, directors and officers, and any other insurance coverages deemed prudent by the General Partner), any indemnitees from liabilities to third persons, insurance deductibles and the amount of any judgments or settlements paid in connection with any claims, adjudications or litigation (which may also benefit Prime Group); (x) banking fees; (xi) costs relating to political and charitable contributions or membership dues which the General Partner or its affiliate believes directly benefit one or more properties; (xii) software, including without limitation property management, revenue management software, accounting software, server management software, and licenses to use computer operating systems and certain applications, hardware, network, communications and other technology expenses

related to the Residential Fund's property or properties; (xiii) an allocable share (as determined by the General Partner) of shipping, posting, computer accessories and other office expenses for the General Partner or its affiliates' Human Resources, Business Technology, Asset Management and Property Accounting departments; (xiv) travel (which may include private air transportation charged at first-class equivalent rates in accordance with Prime Group's expense allocation policy), accommodation and meal expenses of the General Partner, its employees or its affiliates' management relating to managing the Residential Fund's property or properties or otherwise conducting business on behalf of the Residential Fund; (xv) an allocable share (as determined by the General Partner) of expenses for the General Partner or its affiliates' regional offices, including office supplies, copiers, telephone and similar charges; (xvi) all utility costs, including gas, electrical, garbage removal, water and sewer; (xvii) maintaining the Residential Fund's property or properties, including materials used to maintain or improve the property (including the cost of performing services by in-house personnel or outside vendors for services related thereto); (xviii) maintenance of any resident services program and fees for screening prospective residents; (xix) winding up and liquidating the Residential Fund and its subsidiaries; (xx) any and all other costs and expenses of the General Partner (or an allocable share thereof, as determined by the General Partner) incurred in connection with the ownership, management, financing, administration of, or any transactions related to, the Residential Fund or its existing property or properties or potential new property or properties; and (xxi) Allocated Internal Expenses.

All direct expenses, relating to operating a property or a Residential Fund are paid for (or reimbursed) by such property or Residential Fund, as applicable. Other costs generated by and for the benefit of multiple properties or Residential Funds, or, in some cases, by or for the benefit of non-Fund entities, are allocated across such entities based on Prime Group's good-faith assessment of their use or benefit of the allocated item. Prime Group allocates these costs in a manner it believes to be fair and equitable to the properties and Residential Funds, and any such non-Fund entities, involved. Allocation methodologies vary based on the character of the expense and the property and are generally based on the number of employees assigned to a property, the number of computers using or emails generated by a particular piece of software, the number of rentable units at a property or the relative amount of income generated by a property, or they may be allocated at a fixed amount for each property location.

Each Residential Fund will generally bear all Broken Deal Expenses incurred while developing, negotiating, structuring potential investments which are not ultimately made, including any co-investor's or potential co-investor's share of such Broken Deal Expenses (including, for the avoidance of doubt, any share of such Broken Deal Expenses attributable to a Prime Group affiliate). In addition, Prime Group, its General Partner and/or any of their respective affiliates may incur certain out-of-pocket costs and expenses in developing, negotiating and structuring prospective investments that are not ultimately made, including Broken Deal Expenses.

If a prospective counterparty in an unconsummated transaction pays to such Residential Fund or any of its affiliates a Reimbursed Amount, the Governing Fund Documents of the relevant Residential Funds permit the General Partner or its affiliates, acting in their sole discretion, to agree to share any or all of such Reimbursed Amount with other investors (including Prime Group affiliates) that participate in co-investment opportunities or similar arrangements to the extent such other investors incurred costs and expenses in connection with such unconsummated deals. As a

result of these sharing arrangements, such Residential Fund may not be reimbursed for 100% of its Broken Deal Expenses. Similarly, if a prospective counterparty pays such Residential Fund or any of its affiliates a break-up fee in connection with an investment that ultimately does not close, the Governing Fund Documents of the relevant Residential Funds permit the General Partner, acting in its sole discretion, to share any or all of such break-up fee with other investors (including Prime Group affiliates) that would have participated in co-investment opportunities or similar arrangements. As a result, such Residential Fund may not receive 100% of such break-up fees. Nonetheless, no such arrangements are currently in place.

**Liquidity Fund.** Although the expenses directly incurred by the Liquidity Fund vary, such expenses typically include, among other things: (i) costs and fees paid to advisors to the Liquidity Fund and/or managers of assts held by the Liquidity Fund; (ii) costs and expenses associated with maintaining the Liquidity Fund; (iii) legal fees, accounting fees, and other third-party costs and expenses attributable to the Liquidity Fund; (iv) administrative costs related to preparing financial statements, tax returns and Schedule K-1s, auditing the Liquidity Fund and maintaining corporate formalities and regulatory compliance; and (v) banking fees. Since the Liquidity Fund is primarily owned by certain Residential Funds, each of which is directly allocated its share of insurance and indemnification expenses based, in part, on the value of such Residential Fund's interests in the Liquidity Fund, the Liquidity Fund is not directly allocated any share of insurance premiums.

#### General Partners' Advances to the Funds

**Finance Funds.** The General Partners of the Finance Funds are generally permitted to make short-term advances to fund such Funds' obligations prior to receiving capital contributions from their respective Investors. In such cases, the General Partner receives interest with respect to such advances equal to its cost of funds, and the advances and any interest are repaid from Investors' capital contributions or other funds of the Fund. Such General Partner may not, however, provide such short-term advances if the Fund has access to short-term borrowings from a credit facility or other available financing source which offers a lower cost of funds than the General Partner or its affiliate is able to provide.

**Residential Funds.** Generally, in the event a General Partner of a Residential Fund determines in good faith that providing a loan to such Residential Fund would be advisable and in the best interests of such Residential Fund and its Investors, such General Partner has the option, but not the obligation, to advance (or cause one or more other persons or entities, including affiliates of such General Partner, to advance) directly to such Residential Fund a loan in such amount as such General Partner may determine. Such advances bear an interest rate equal to the lesser of a publicly announced rate plus 2% and the maximum rate permitted under applicable law, and the outstanding principal and interest of such advances are considered expenses of the Fund.

In addition, from time to time, the General Partners (or their affiliates) advance expenses or other funds to the Funds on a short-term, interest-free basis, which are then reimbursed or repaid by the Funds in the ordinary course of their respective businesses.

Investments with Other Parties

As mentioned in the Advisory Business section, although this is not the primary strategy of any Residential Fund, Prime Group invests assets of certain Residential Funds in other pooled investment vehicles, such as through the Liquidity Fund. Through these types of investments, Investors will generally bear multiple layers of management fees and incentive fees or carried interest which include a fee paid to the sponsor of the vehicle, a management fee and incentive fees or carried interest to Prime Group, and, if applicable, incentive fees or carried interest and other fees paid to third-party advisors.

Occasionally, certain of the Funds have, or may in the future, make investments with joint venturers or other co-investors, and such joint venturers or other co-investors are paid asset management or similar fees and/or incentive fees or carried interest before the Fund is entitled to receive any fees or carried interest of its own.

Brokerage and Other Transaction Costs

Prime Group engages real estate or mortgage loan brokers as well as securities brokers from time to time. Fees associated with any brokers are paid by the Funds.

See Item 12 for additional information on Prime Group's Brokerage Practices.

Investors are encouraged, to the extent practicable, to inquire about and review all fees charged by Prime Group and others to fully understand the total amount of fees to be paid by the Funds and, indirectly, their Investors. Investors should read and understand the applicable Fund Governing Documents for more information about such fees charged by Prime Group.

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

As described above in the Fees and Compensation section, Prime Group receives performance-based compensation (incentive fees or carried interest). See the Fees and Compensation section for a description of the performance-based compensation. Also, certain of Prime Group's supervised persons receive compensation that is directly tied to the aggregate performance of a particular Fund. The fact that a significant portion of Prime Group's and certain supervised persons' compensation is directly computed on the basis of profits creates an incentive for Prime Group to make investments on behalf of the Funds that are riskier or more speculative than would be the case in the absence of such compensation. Prime Group manages this conflict of interest by ensuring that no single person makes material investment decisions for Funds that pay performance-based compensation. In addition, the General Partner and one or more of the Co-Founders and other principals of the Funds generally maintain significant interests in the Funds (except in the case of Parallel Funds or Feeder Funds) on the same basis as outside Investors; this also serves to alleviate the incentive to engage in riskier or more speculative investments.

Additionally, in order to mitigate and opine upon potential conflicts of interest, each of the Finance Funds (but not necessarily their related co-investment Funds) has established an independent advisory committee (each, an "Advisory Board") consisting of limited partners unaffiliated with Prime Group who have been selected by the General Partner as representatives of such Fund's limited partners. Generally, the purpose of each Advisory Board is to: (i) consent to, approve, review or waive any matter requiring the consent, approval, review or waiver of the Advisory Board under the applicable Governing Fund Documents, (ii) give consents required of the "client" under the Advisers Act, including Sections 205(a) and 206(3) thereof, to the extent the General Partner presents any such matter to the Advisory Board for approval, (iii) provide such advice and counsel as is requested by the General Partner or required pursuant to the applicable Governing Fund Documents in connection with potential conflicts of interest, valuation matters, additional fees received by the General Partner or its affiliates and other matters relating to the Finance Fund and (iv) engage third-party professionals and independent experts the Advisory Board reasonably determines are necessary to assist with and fulfill its obligations under the foregoing clauses (i) through (iii). No fees are paid to the members of an Advisory Board, but the members may be reimbursed for reasonable out-of-pocket expenses incurred in connection with attending meetings of an Advisory Board.

Prime Group only receives compensation based upon capital appreciation where the Fund and its Investors are "qualified clients" as defined in Rule 205-3 under the Advisers Act except to the extent any Investors were admitted to such Fund prior to Prime Group becoming a registered adviser under the Advisers Act. In addition, none of Prime Group's incentive compensation is based on unrealized investments or the mark-to-market value of the holdings of the Funds, which reduces the risk of manipulating investment performance results to increase performance-based compensation.

As described above in the Fees and Compensation section, the Finance Funds and most Residential Funds pay performance-based fees or carried interest, and the Liquidity Fund does not pay a performance-based fee to Prime Group. Prime Group does not believe that the side-by-side management of the Liquidity Fund and the other Funds creates an incentive to favor the other Funds because the investment objectives of the Liquidity Fund are distinct from those of any other Fund.

**Item 7: Types of Clients**

Prime Group provides discretionary management and advisory services to the Funds directly, subject to the direction and control of the affiliated General Partner of each Fund, and not individually to the Investors. Investors in the Funds include, but are not limited to, high net worth individuals, pension plans, endowments, foundations, other pooled investment vehicles (e.g., funds-of-funds or funds-of-one), trusts, estates or charitable organizations, and corporate or business entities. None of the Funds are registered under the Investment Company Act, in reliance on an appropriate exemption.

The minimum commitment for an Investor is outlined in the Governing Fund Documents or determined by Prime Group at the time of formation of a Fund; however Prime Group maintains discretion to accept less than the minimum investment threshold. Investors are required to meet certain suitability qualifications, such as being an “accredited investor” within the meaning set forth in Rule 501(a) of Regulation D under the Securities Act, and, for those Funds relying on the exemption from registration under the Investment Company Act under Section 3(c)(7) thereof, a “qualified purchaser” or “knowledgeable employee” (each as defined therein). Also, Investors are required to make certain representations when investing in a Fund, including (among others), that (i) they are acquiring an interest for their own account, (ii) they received or had access to all information they deem relevant to evaluate the merits and risks of the prospective investment and that (iii) they have the ability to bear the economic risk of an investment in the Fund. Details concerning applicable Investor suitability criteria are generally set forth in the respective Governing Fund Documents and subscription materials, which are furnished to each Investor, or may otherwise be provided by Investors to Prime Group at the time of investment.

From time to time, Prime Group has entered into side letter or other similar arrangements with certain Investors that have the effect of establishing rights and benefits more favorable than those described in the Governing Fund Documents. Rights and benefits that are more favorable in any material respect are generally afforded to certain Investors based upon their commitment level, and the same favorable rights and benefits may be extended to other Investors in accordance with each respective Fund’s Governing Fund Documents. See Item 4 above for more information regarding rights and benefits typically provided in Investor side letters.

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

Each Advisor identifies potential investment opportunities for the applicable Funds through a variety of sources and bases a portion of its investment analyses on information obtained from working with industry professionals such as consultants, joint venture partners, property management and leasing professionals, lenders, brokers, and other professionals within the real estate sector.

For the Residential Funds and the Finance Funds, the screening process for potential investments involves several steps, which vary depending on the type of asset being proposed for investment. Due diligence and research is conducted and includes, depending on the investment, comparable analyses, onsite visits (if feasible under the circumstances), and cash flow projections. A Fund's investment committee must unanimously approve each investment.

The Liquidity Fund engages third-party advisors to (i) assist with asset allocation, (ii) provide investment recommendations and (iii) oversee certain assets which are managed as separate accounts by other outside investment advisors. Various advisors are generally engaged to provide analysis and recommendations within the fixed-income and equity asset classes and to conduct investment research and due diligence, in all cases, subject to the oversight of Mr. Atwater, who is the sole member of the investment committee for the Liquidity Fund.

Investment Strategies

Each Fund's investment objective is set forth in detail in its respective Governing Fund Documents or is otherwise provided to Investors by Prime Group at the time of investment. Generally, the objective of the Residential Funds is to acquire, own, operate, transact with respect to and/or otherwise realize the economic benefit from income-generating real estate and real estate-related assets. The objective of the Finance Funds is to originate, acquire or otherwise invest in real estate or real-estate related debt or debt-like instruments and real estate-related debt instruments; they may also invest in preferred equity interests in direct or indirect real estate assets, other debt or debt-like investments backed by interests in commercial real estate assets or companies whose primary asset is real estate, or secured by pledges of interests in entities owning, directly or indirectly, commercial real estate, or other assets or opportunities (including whole companies or operating divisions) related to commercial real estate. The objective of the Liquidity Fund is to invest in securities and other private pooled investment vehicles. See Item 4 for more information about the types of investments pursued by the Funds. The Funds have the goal of achieving attractive risk-adjusted returns. For certain transactions, the Funds have the ability seek co-investments with third parties.

Risk of Loss

Investors should refer to the risks described in the Governing Fund Documents for each Fund or a description of the risks otherwise provided to them by Prime Group.

All investing involves a risk of loss and the investment strategy offered by Prime Group could lose money over short or even long periods. An investment in any Fund sponsored by Prime Group may be deemed a speculative investment and is not intended as a complete investment program. Investments in the Funds and most investments made by the Funds are illiquid. An investment in a Fund is intended for sophisticated investors who fully understand and are capable of bearing the risk of an investment in the Funds. A potential Investor should not invest unless he or she is able to withstand a total loss of such investment in the Fund. No guarantee or representation is made that a Fund will achieve its investment objective or that Investors will receive a return of their capital. Even if the investments of a particular Fund are successful, they are not expected to produce a realized return to Fund investors for a period of years.

Below is a list of some of the risks to which Investors in the Funds may be exposed. Investors should review in detail any Governing Fund Documents prior to making an investment in the Funds.

***Current Market Conditions and Investment Environment.*** A Fund's business may be materially affected by market and economic challenges experienced by the U.S. economy, and to a lesser extent, the global economy (or any particular segment thereof), as well as the real estate industry as a whole or by the local economic conditions in the markets in which such Fund invests. These challenges include instability in the U.S. or global financial markets or changes in market, economic, political or regulatory conditions, interest rates, availability of credit, credit defaults, economic uncertainty, fluctuations in securities markets, changes in applicable laws (including laws relating to taxation of investments), trade barriers, currency exchange controls, the rate of inflation and local, national and international political, environmental and socioeconomic circumstances, as well as by numerous other factors outside the control of the General Partner, Prime Group or their respective affiliates. Market conditions existing in the future, may have a negative effect on the following, among other things:

- the fundamentals of a Fund's business, including such Fund's ability to identify, acquire and/or originate investments in keeping with its investment objective;
- the financial condition of borrowers, lenders, partners, servicers and investors involved in a Fund's investments, which may expose such Fund to increased risks of default and may increase such Fund's future expenses in managing, protecting, working out and/or foreclosing on its investments;
- a Fund's ability to obtain or maintain debt financing on attractive terms or at all, which may adversely impact such Fund's ability to pursue and work out investments, originate loans or acquire debt investments, bonds, other securities or properties and refinance existing debt and may increase such Fund's future interest expense; and
- the value of a Fund's investments, which may limit such Fund's ability to dispose of investments at attractive prices, and the value of a Fund's underlying collateral, which may adversely affect such Fund's recovery through foreclosure or in bankruptcy.

The Funds could also be affected by difficult conditions in the capital markets and any overall weakening of the financial services industry. It is also possible that a weakening of credit markets could adversely affect the Investors' funding obligations to the Funds, and the Funds could suffer



other adverse consequences, any of which could adversely affect the business of the Funds, restrict the Funds' investment activities and impede the Funds' ability to effectively achieve their investment objectives. Any of the foregoing events could result in substantial or total losses to the Funds in respect of investments, which losses will likely be exacerbated by the presence of leverage in an investment's capital structure.

***Coronavirus and Public Health Emergencies.*** As of the date of this brochure, there is an ongoing pandemic 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 and contributed to significant volatility in equity, debt, derivatives and commodities markets. The global impact of the outbreak continues to evolve, 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 also implemented similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of Covid-19, have created significant disruption in supply chains and economic activity and have had a particularly adverse impact on transportation, hospitality, tourism, entertainment and other industries and their respective owners, operators, lenders (and may have significant adverse impacts on the value and operations of the Funds' investments). Moreover, with the continued spread of Covid-19, including new variants of the virus, and despite the recent roll-out of several vaccines, governments and businesses are likely to continue to take aggressive measures to help slow its spread. For this reason, among others, the potential impacts, including a global, regional or other economic recession, remain 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 Fund and its investments and could adversely affect a Fund's ability to fulfill its investment objectives.

The extent of the impact of any public health emergency on the operational and financial performance of the Funds, their respective properties and/or the collateral underlying their respective investments 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, 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 may materially and adversely impact the value and performance of a Fund's investments, a Fund's ability to source, manage, finance and divest investments and a Fund's ability to achieve its investment objectives, all of which could result in significant losses to a Fund. In particular, because of the amplifying effects of the use of leverage generally, a public health emergency may have a greater impact on a Fund's leveraged assets. In addition, the operations of a Fund, its investments or the collateral underlying its investments, and the Advisors may 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.

**General Real Estate Considerations.** Most of the assets acquired by the Funds other than the Liquidity Fund will be direct interests in real estate or secured by interests in real estate or companies whose primary assets consist of real estate. Realization on these assets depends on the success of the underlying real property investments. Real property investments are subject to varying degrees of risk. Real estate values are affected by a number of factors, including changes in the general economic climate, local conditions, changes in applicable tax law and regulations, the quality and philosophy of management, competition based on rental rates, attractiveness and location of the properties, physical condition of the properties, financial condition of buyers and sellers of properties, quality of maintenance, insurance and management services, and changes in operating costs. If the assets underlying the Funds' investments do not generate sufficient revenues to meet their operating expenses, including debt service, the cash flow of the Funds and their ability to pay distributions to the Investors will be adversely affected. In addition, in certain circumstances, a Fund may be required to draw down additional capital from Investors to pay fund expenses or to make follow-on investments in investments then held by the Fund. Real estate values are also affected by such factors as government regulations (including those governing usage, improvements, zoning and taxes), interest rate levels, the availability of financing, participation by other investors in the financial markets and potential liability under changing laws.

**Income Producing Real Estate Property.** The Funds invest in real estate properties, or debt instruments related thereto, which in all cases are expected to generate income which may be subject to various risks, including fluctuations in occupancy, rental rates, operating income and expenses, and such risks may render the eventual sale or financing of Fund properties or properties that are collateral for Fund debt positioning difficult or unattractive. For example, following the termination or expiration of a tenant's lease there may be a period of time before the property owner will begin receiving rental payments with respect to such tenant's property under a replacement lease. During that period, such property owner will continue to bear fixed expenses such as interest, real estate taxes, maintenance and other operating expenses. In addition, declining economic conditions could impair such property owner's ability to attract replacement tenants and achieve rental rates equal to or greater than the rents paid under previous leases. Increased competition for tenants could require such property owner to make capital improvements to properties which would not have otherwise been planned. Any unbudgeted capital improvements that such property owner undertakes will divert cash that would otherwise be available for distribution to Investors or payments to lenders. Ultimately, to the extent that such property owner is unable to renew leases or re-let space as leases expire, decreased cash flow from tenants will result, which could adversely impact such Fund's operating results where the property is owned by the Fund or foreclosure and potential loss where the Fund holds a debt position backed by the property.

**LIBOR.** In 2012, regulators in the United States and the United Kingdom alleged that certain banks, including some banks serving on the panel for U.S. dollar LIBOR, engaged in manipulative acts in connection with their submissions to the British Bankers Association. Manipulation of the LIBOR rate-setting process raises the risk to the Funds of being adversely impacted to the extent the Funds make loans or receive payments based upon LIBOR and such manipulation of LIBOR results in lower resets than would have occurred had there been no manipulation. In 2017, the head of the United Kingdom's Financial Conduct Authority announced a desire to phase out the use of LIBOR

by the end of 2021. There remains uncertainty regarding the future utilization of LIBOR and the nature of any replacement rate. Although it is anticipated that the Funds' loan and other transaction related documents will provide for the substitution of such replacement rate, the potential effect of a transition away from LIBOR on the Funds or the financial instruments in which the Funds invest cannot yet be determined.

**Leverage.** Subject to the restrictions set forth in the relevant Governing Fund Documents, most Funds leverage their investments with debt financing, including mortgage loans, collateralized loan obligations ("CLOs"), CMBS, asset-backed credit facilities, subscription credit facilities and preferred equity and similar debt or debt-like instruments, and in some cases, third-party lenders may be able to call capital from Investors on behalf of the Fund to pay down its debt or may be entitled to receive the cash flow generated by such investment prior to such Fund receiving a return of or on its investment. A Fund may obtain recourse debt financing (including subscription lines) to allow such Fund to close transactions quickly and/or obtain more favorable terms. This leverage may subject a Fund and/or its investments to restrictive financial and operating covenants, which may impair such Fund's or such investment's respective abilities to finance their future operations and capital needs and/or limit their flexibility to respond to changing business and economic conditions. Although the use of leverage may enhance returns and increase the number of investments that can be made, it involves a heightened degree of risk, is inherently more sensitive to adverse economic factors (such as a significant rise in interest rates, a downturn in the economy, deterioration in the condition of such investments, declines in revenues and increases in expenses) and can exaggerate the financial effect of any increase or decrease in the value of such investments.

With respect to a B-Piece which is an eligible horizontal residual interest, a Fund's ability to borrow against such B-Piece must comply with the limitations of the risk retention rules, including the requirement that such loan be full recourse to such Fund.

In addition, a Fund may pledge its (or its subsidiaries') rights in the investments as collateral or security for any financing incurred by such Fund. Any inability of a Fund to repay such borrowings could enable a lender to foreclose on the investment which may result in such Fund losing control of such investment and could adversely affect the returns of such Fund. A lender exercising its rights in a foreclosure scenario does not owe any fiduciary duty to a Fund and therefore may make decisions harmful to the underlying obligor, the Investors and such Fund.

A Fund may also engage in financings directly at the fund level (rather than at the level of a particular investment or entities through which such Fund invests). The rights of any lenders making loans directly to a Fund to receive payments of interest or repayments of principal will be senior to those of the Investors, and the terms of any borrowings may contain provisions that limit distributions to the Investors or certain other activities of such Fund. Payments of interest and fees incurred in connection with the borrowings will reduce any income a Fund would otherwise have available. A Fund's obligations to make interest and/or principal payments on borrowings may prevent such Fund from taking advantage of attractive investment opportunities. In addition, if a Fund does not generate sufficient cash flow from operations, it may not be able to repay borrowings, or it may be forced to sell investments at disadvantageous times to repay borrowings. If a default occurs under a financing, the lender may demand payment and pursue other remedies (such as foreclosure of any collateral) if payment is not made. Defaults may result from a number of potential issues, including without limitation the inability or failure to comply with financial covenants. A

Fund's performance may be adversely affected if it is not able to repay borrowings at maturity (because of the continuing interest expense) and/or if it is forced to sell investments at disadvantageous times in order to repay borrowings. Moreover in these circumstances, to the extent a Fund has any liquid assets, it would be more likely to sell such liquid assets first to repay borrowings, thus increasing the concentration of investments that are not liquid or readily marketable.

Leveraging a Fund's assets involve significant complexity. Any recurrence of the significant contraction in the market for debt financing that occurred in 2008 and 2009 or other adverse changes relating to the terms of such debt financing with, for example, higher interest rates and/or more restrictive covenants may significantly affect a Fund's ability to obtain favorable financing terms for its investments, which may adversely affect such Fund's ability to generate attractive investment returns for the Investors. In the event that a Fund is unable to obtain committed debt financing for its investments or can only obtain debt at an increased interest rate or on other unfavorable terms, such Fund may have difficulty completing otherwise profitable investments or may generate profits that are lower than would otherwise be the case, either of which could lead to a decrease in the investment income earned by the Investors. There can be no assurance that a Fund will be able to obtain financing and, to the extent that it is available, there can be no assurance that such financing will be on terms favorable to a Fund, including with respect to interest rates or other material terms. The failure of a Fund to obtain financing on favorable terms (or at all) could adversely affect the returns of such Fund and make it difficult or impossible for such Fund to achieve attractive returns.

A Fund may also finance its investments using REMICs, CLOs and other similar securitization vehicles, which will generally be limited recourse obligations of such Fund payable solely from the pools of underlying Fund assets, including loans originated by such Fund, or proceeds thereof. Although holders of equity or other securities issued by such vehicles must rely for repayment solely on distributions from the underlying pools of assets or proceeds thereof (as opposed to having recourse to a Fund and its other assets), if all or a portion of the underlying loans in such pools fail to perform as anticipated, such Fund may not realize its anticipated returns from such loans and may lose its investment in such loans altogether.

A Fund may also enter into repurchase agreements and a Fund may unconditionally and irrevocably guarantee all obligations resulting from such agreements.

Throughout the life of a Fund, Investors will be required to make capital contributions out of unfunded capital commitments for, and the General Partner may withhold from distributions, amounts required to repay any borrowings or extensions of credit by such Fund.

***Capital Calls and Use of Subscription Lines.*** A Fund may from time to time make investments with proceeds from drawdowns under one or more subscription credit facilities (the collateral for which is the remaining capital commitments to such Fund) prior to calling capital commitments. Each such Fund may hold such investments without repayment of borrowings for such time as deemed appropriate by its General Partner. The interest expense and other costs of any such borrowings will be Fund expenses and, accordingly, will decrease net returns of such Fund. Interest may accrue on any such outstanding borrowings at a rate lower than the preferred return, which will begin accruing when capital contributions to fund such investments, or repay borrowings used to fund such investments, are originally due to such Fund. In the event an investment acquired with

proceeds of such borrowing loses value, Investors may be subject to capital calls to fund that loss as a Fund expense by repaying the credit facility, including related interest and expenses. In the event an investment appreciates in value and is disposed of prior to repayment of the borrowing, the disposition proceeds would be applied to repay the borrowing (and related interest and expenses), and the net proceeds would be distributed to the Investors without a preferred return accrual on the amount invested by such Fund (due to the absence of invested capital funded by Investors) prior to the determination of any performance compensation. Accordingly, borrowings by such Fund may support the distribution of proceeds to Investors and increase the potential performance compensation received by the General Partner, Prime Group and/or their respective affiliates, which in turn may be subject to conflicts of interest. In light of the foregoing, the General Partner has an incentive to fund the acquisition and ongoing capital needs of Fund investments with the proceeds of such borrowings in lieu of drawing down capital commitments on an as-needed basis.

***Availability of Insurance Against Certain Catastrophic Losses/No Earthquake Insurance.***

Certain Funds plan to obtain liability, fire, flood (if required), extended coverage and rental loss insurance for their real estate investments, if any, if such coverages are available at commercially reasonable rates and with such insured limits and policy specifications as Prime Group believes are customary. Certain losses of a catastrophic nature, such as those caused by wars, mold, earthquakes, windstorms, terrorist attacks, or other similar events, may be either uninsurable or, insurable at such high rates that to maintain such coverage would cause an adverse impact on the profitability of the Funds. For example, Prime Group expects that some of the properties acquired by the Residential Funds may not be insured for damage caused by earthquake; however, if such a property is located in an area that experiences earthquakes, it could experience significant or even catastrophic damage in the event of an earthquake. Significant earthquake damage to such property could materially reduce its value and cause the Fund that owns such property to lose a portion or all of its invested capital and forego any profits to the extent such Fund does not maintain adequate earthquake reserves. Other types of natural disasters are also possible and may not be insured. The Finance Funds may also fail to require a borrower to obtain adequate property or casualty insurance or may waive or fail to enforce such requirements. In addition, losses related to terrorism on properties in which the Funds seek to invest are becoming harder and more expensive to insure against. Some insurers are excluding terrorism (specifically, active shooter) coverage from their all-risk policies. In some cases, the insurers are offering significantly limited coverage against terrorist acts for additional premiums, which can greatly increase the total cost of casualty insurance for a property. As a result, it is possible that not all of the investments of the Funds will be insured against damages attributable to acts of terrorism. If a major uninsured loss were to occur with respect to a portfolio investment, the Funds could lose both invested capital and anticipated profits related to such portfolio investment.

***Competitive Nature of the Business of the Fund.*** The activity of identifying, completing and realizing attractive debt-oriented real estate investments in the U.S. is highly competitive and involves a high degree of uncertainty and risk. The Funds often compete for suitable investments with other prospective purchasers or originators that have greater resources, or that have better relationships with sellers of assets, lenders, borrowers and brokers. These competitors may have different investment objectives than the Funds, enabling them to accept more risk, pay higher prices or invest on inferior terms or accept lower returns than Prime Group deems reasonable or appropriate for the Funds. These competitors may also enjoy government backing and/or financing

through the U.S. government's or another state, local or non-U.S. government's stimulus program, which may provide such competitors with a lower cost of capital or greater access to certain investments than what is available to the Funds. Furthermore, there are numerous other investment funds with strategies, in whole or in part, similar to the Funds. Accordingly, the Funds will be competing for investments with such other investment funds, as well as individuals, lending companies, financial institutions (such as mortgage banks, insurance companies, pension funds and real estate operating companies), other institutional investors, sovereign wealth funds, debt investors and credit vehicles. Over the past several years, many real estate funds and publicly traded vehicles have been formed (and many existing funds have grown in size). Additional funds and vehicles with similar investment objectives may be formed in the future by other unrelated parties. There can be no assurance that the Funds will be able to locate, complete and exit investments which satisfy the Funds' rate of return objectives or realize upon their values, or that the Funds will be able to invest fully their committed capital. Additionally, with respect to the Residential Funds, Investors are not entitled to any future deal flows after disposition of the initially identified investment for such Fund.

***Litigation at the Property Level.*** The acquisition, ownership and disposition of real properties and real estate debt carry litigation risks, the costs of which may ultimately be borne by a Fund. For example, the properties the Residential Funds may acquire will be subject to claims made by tenants, invitees, employees, contractors, service providers and other third parties, including personal injury claims and claims related to such properties' habitability and/or compliance with local laws and ordinances governing rent control, handling of security deposits and other tenants' rights and workplace safety, environmental and zoning requirements. Such claims may be involve punitive damage awards and may not be covered by insurance. Litigation, investigations or other governmental proceedings may be commenced with respect to a property acquired by a Fund or its subsidiaries in relation to activities that took place prior to or after such Fund's acquisition of equity or debt interests in such property. In addition, at the time of disposition, if any, of an individual property, a potential buyer may claim that it should have been afforded the opportunity to purchase the asset or alternatively that such potential buyer should be awarded due diligence expenses incurred or statutory damages for misrepresentation relating to disclosure made, if such buyer is passed over in favor of another as part of such Fund's efforts to maximize sale proceeds. Similarly, successful buyers may later sue such Fund under various damage theories, including those sounding in tort, for losses associated with latent defects or other problems not uncovered in due diligence.

***Government Regulation; Rent Control.*** The real estate and lending and CMBS securitization industries are extensively regulated and subject to frequent regulatory change, and will continue to be subject to varying degrees of regulation and licensing by federal, state and local regulatory authorities in various states and localities, all of which could adversely affect the Funds' investments after a decision to invest is made. The adoption of new legislation or changes in existing laws, including laws regarding rent control or other obligations of landlords, or new interpretations of existing laws can have a significant impact on methods of doing business, costs of doing business and amounts of reimbursement from governmental and other agencies. In particular, expansion of rent control laws could have a significant adverse impact on the values of and/or rental revenues of properties owned by a Fund or backing a Fund's investments and ultimately on such Fund's ability to achieve its return objectives. For instance, both Oregon and California passed a statewide rent control laws in the past several years which limit annual rental increases for existing tenants to a certain percentage plus inflation on all apartment buildings a number of years or older and requiring

landlords to cite cause before evicting a tenant, which could limit a property owner's ability to raise rents to market rates or replace tenants paying less-than market rates with higher-paying tenants. Similar or even more restrictive rent control laws could be introduced in other states where the Funds intend to own properties or hold loans on multifamily assets. As a lender, a Fund may also be subject to penalties for violations of state usury limitations, which penalties may be triggered by contracting for, charting or receiving usurious interest. In addition, the presence of extensive regulations in the lending environment in which many of the Funds operate may, under certain circumstances, present a competitive advantage for such Funds, and deregulation or the government's failure to enforce such regulations may adversely impact the business and operations of such Funds.

It should also be noted that government counterparties or agencies may have the discretion to change or increase regulation on, or implement laws or regulations affecting, an investment. An investment also could be materially and adversely affected as a result of statutory and/or regulatory changes or judicial or administrative interpretations of existing laws and/or regulations that impose more comprehensive or stringent requirements on such investment or the property or properties underlying such investment.

In addition, governments have considerable discretion in implementing regulations that could impact the property or properties underlying an investment, including, for example, the possible imposition or increase of taxes on income earned by an investment or gains recognized by a Fund on its investment in such investment. There can be no assurance that the relevant governmental entities will not legislate, impose regulations and/or change applicable laws or act contrary to the law in a way that would materially and adversely affect a Fund's investments.

***Servicer/Trustee.*** Certain of the Funds' investments comprise securities collateralized by real estate, subordinate loans, pools of loans or receivables for which certain management functions, such as payment collection and deposit, record-keeping and/or reporting with respect to payment collections and deposits, are performed by asset servicers or trustees. In the event that a servicer or trustee for one of the Funds' assets experiences operational or financial difficulties, such Fund's investment could experience asset deterioration or payment delay, reduction or suspension, thereby compromising the asset's value.

***Structured Finance Securities.*** "Structured Finance Securities" are securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from or sale proceeds of a specified pool of assets, either fixed or revolving, that by their terms convert into cash within a finite time period, together with rights or other assets designed to ensure the servicing or timely distribution of proceeds to holders of such securities. Structured Finance Securities in which the Funds may invest include CMBS and real estate CDO Securities (as defined below), debt securities issued by private investment funds that invest (on a leveraged or unleveraged basis) in bank loans, high-yield debt or other asset groups, certificates issued by a structured investment vehicle that holds pools of commercial mortgage loans, and synthetic mortgage-backed securities. Structured Finance Securities may contain covenants designed to protect the providers of debt financing to such structured products. A failure to satisfy those covenants could result in the untimely liquidation of the structured product, underlying defaults and a complete loss of the Fund's investment therein. In addition, if the particular structured product is invested in a security in which the Fund is also invested, this would tend to increase the Fund's overall exposure to the credit of the issuer of such

securities, at least on an absolute, if not on a relative basis. Holders of Structured Finance Securities bear various risks, including credit risks, liquidity risks, interest rate risks, market risks, operations risks, structural risks and legal risks. Structured Finance Securities are subject to significant credit risks inherent in the underlying collateral, as well as the risk that the servicer or trustee fails to perform on their respective obligations to service the underlying loans and distribute proceeds therefrom. The value of an investment in Structured Finance Securities will therefore depend on the investment performance of the assets in which the structured product invests and will therefore be subject to all of the risks associated with an investment in those assets. The structural and legal risks of Structured Finance Securities also include the possibility that, in a bankruptcy or similar proceeding involving the originator or the servicer (often the same entity or affiliates), the assets of the issuer of the Structured Finance Security could be treated as never having been truly sold by the originator to the issuer of the Structured Finance Security and could be substantively consolidated with those of the originator, or the transfer of such assets to the issuer of the Structured Finance Security could be voided as a fraudulent transfer. Challenges based on such doctrines could result also in cash flow delays and reductions.

**CMBS.** The Structured Finance Securities in which the Funds may invest are expected to consist primarily of CMBS or CDO Securities. CMBS are generally securities backed by obligations (including certificates of participation in obligations) that are principally secured by mortgages on real property or interests therein having multifamily or commercial uses (“Commercial Mortgage Loans”). In addition to the risks described above, the Commercial Mortgage Loans underlying CMBS are subject to particular risks, including lack of standardized terms, shorter maturities than residential mortgage loans and payment of all or substantially all of the principal only at maturity rather than regular amortization of principal. Additional risks may be presented by the type and use of a particular commercial property. The repayment of loans secured by income-producing properties is typically dependent upon the successful operation of the related real estate project rather than upon the liquidation value of the underlying real estate. Commercial Mortgage Loans are subject to the effects of (i) the ability of tenants to make lease payments, (ii) the ability of a property to attract and retain tenants, which may in turn be affected by local conditions such as oversupply of space or a reduction in demand for rental space in the area, the attractiveness of properties to tenants, competition from other available space and the ability of the owner to pay leasing commissions, provide adequate maintenance and insurance, pay tenant improvement costs and make other tenant concessions, (iii) interest rate levels and the availability of credit to refinance such loans at or prior to maturity, (iv) compliance with regulatory requirements and applicable laws, including environmental controls and regulations and (v) increased operating costs, including energy costs and real estate taxes. Furthermore, the net operating income from and value of any commercial property is subject to various risks, including (t) changes in general or local economic conditions and/or specific industry segments; (u) declines in real estate values; (v) declines in rental or occupancy rates; (w) increases in interest rates, real estate tax rates and other operating expenses; (x) changes in governmental rules, regulations and fiscal policies; (y) weather and other acts of God; and (z) terrorist threats and attacks and social unrest and civil disturbances.

Commercial Mortgage Loans underlying CMBS may provide for no amortization of principal or for amortization based on a schedule substantially longer than the maturity of the mortgage loan, resulting in a “balloon” payment due at maturity. If the underlying mortgage borrower experiences business problems, or other factors limit refinancing alternatives, such balloon payment mortgages



are likely to experience payment delays or even default. As a result, the related CMBS could experience delays in cash flow and losses.

There may be occasions when the General Partner will seek to dispose of selected holdings of a Fund. Non-rated or below investment grade CMBS generally are not actively traded and may not provide such Fund with liquidity of investment. Therefore, it may be difficult or impossible to sell such Fund's securities at a price that the General Partner deems acceptable.

***Event-Driven and Special Situations.*** The Funds may pursue "event-driven" strategies and special situation investing and is expected to invest in real assets, loans backed by real estate, securities, instruments and other obligations of real estate related companies or issuers in special situations that involve significant financial or business activities such as recapitalizations, spin-offs, restructurings, reorganization, bankruptcy, litigation, corporate control transactions and other corporate events, which may involve financial distress or otherwise relate to "stressed" credit instruments (as described below). Although such investments may result in significant returns to the Funds, they involve a substantial degree of risk. The level of analytical sophistication, both financial and legal, necessary for successful investment in such investments is high. There is no assurance that the Funds will correctly evaluate the value of such investments or the prospects for a successful reorganization or similar action in respect of any property or company. In any reorganization, liquidation proceeding or other activity involving special situations in respect of a debt positions, property, company or issuer in which the Funds invest, a Fund may lose its entire investment, may be required to accept cash or securities or assets with a value less than such Fund's original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from that investment may not compensate Investors adequately for the risks assumed. Troubled real estate debt and similar investments and other distressed or special situation investments require active monitoring and may, at times, require participation in business strategy or reorganization proceedings by the General Partners or the Advisors. To the extent that the General Partners or the Advisors become involved in such proceedings, the Funds may have a more active participation in the affairs of a property or company than that assumed generally by an investor. In addition, involvement by the Advisors in reorganization proceedings could result in the imposition of restrictions limiting a Fund's ability to liquidate their position in the relevant issuer or investment.

In the case of certain event-driven investments, the price offered for securities of a real estate related company or issuer involved in a corporate and/or real estate transaction (including an announced deal) can generally represent a significant premium above the prevailing market price. Therefore, the value of such securities held by the Funds may decline in the event the proposed transaction is not consummated and if the market price of the securities returns to a level comparable to the price prior to the announcement of any such corporate and/or real estate transaction. Furthermore, the difference between the price paid by a Fund for securities of a company involved in a corporate and/or real estate transaction (including an announced deal) and the anticipated value to be received for such securities upon consummation of the proposed transaction will often be very small. If the proposed transaction appears likely not to be consummated or, in fact, is not consummated or is delayed, the market price of the securities will usually decline.

***Opportunistic Investment Strategy.*** The opportunistic investment strategy that may be utilized by Prime Group on behalf of a Fund generally does not incorporate consideration of other investments

held in such Fund's investment portfolio. Accordingly, portfolio risk controls such as value at risk metrics, investment diversification across regions or industries, or avoidance of risk concentration at the investment portfolio level are typically not considered when assessing the merits of a potential opportunistic investment. Instead, an opportunistic investment strategy focuses on the expected returns of each potential investment on an individual basis. This opportunistic investment strategy may result in significantly higher risk to a Fund compared to a strategy that actively diversifies investments across type, sector, location, and/or other risk factors.

***Credit Ratings.*** Credit ratings of CMBS which may constitute Fund investments or components of such investments represent the rating agencies' opinions regarding their credit quality and are not a guarantee of quality. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value, therefore, they may not fully reflect the true risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an issuer's current financial condition may be better or worse than a rating indicates. Consequently, credit ratings of Structured Finance Securities and other debt securities will be used by the Funds investing in CMBS, and should be used by others, only as preliminary indicators of investment quality, if at all. In addition, such Funds generally will not be permitted to disclose any private ratings of Structured Finance Securities or other debt securities to investors. Further, any credit ratings on a Fund's assets are often subject to ongoing evaluation by credit rating agencies, and such Fund cannot assure that any such ratings will not be changed or withdrawn by a rating agency in the future if, in the rating agency's judgment, circumstances warrant. If rating agencies assign a lower-than expected rating or reduce or withdraw, or indicate that they may reduce or withdraw, their ratings of such Fund's investments in the future, then the value of these investments could significantly decline, which would adversely affect the value of such Fund's investment portfolio and could result in losses to investors upon disposition.

***Risks Relating to Rating Agencies.*** The Funds may invest in pools or tranches of CMBS composed of underlying mortgage loans or debt securities that have been rated by nationally recognized rating organizations, such as DBRS Morningstar, Kroll, Moody's, Fitch and Standard & Poor's. In general, the ratings of these organizations represent the opinions of such agencies as to the quality of investments that they rate. Such ratings are relative and subjective and do not necessarily evaluate the market value risk of the investments. Such agencies may change their method of valuation of, and the ratings of, the securities underlying the CMBS in which the Funds invest at any time. The sale price of mortgage-backed securities is highly correlated with the rating such mortgage-backed securities receives from the rating agencies. If an existing investment of the Funds is downgraded, the value of such investment may be adversely affected which in turn may adversely affect the returns to Investors if such investment is sold.

It is anticipated that a significant portion of the Funds' debt investments will not be rated by any nationally-recognized rating agency. Generally, the value of unrated assets is more subject to fluctuation due to economic conditions than rated assets. The Funds' acquisition of securitizations which are unrated at the time of acquisition or which have lower ratings incrementally increase the risk of nonpayment or of a significant delay in payments on these classes. Should rated assets be downgraded, such downgrade may adversely affect their value and may adversely affect the value of the Funds.

***CDO Securities.*** A portion of the Structured Finance Securities in which the Funds may invest may consist of both investment grade and subordinate real estate-related CDO Securities. “CDO Securities” are, generally, limited recourse obligations of the issuer thereof payable solely from the collateral owned by such issuer or the proceeds thereof. The holders of CDO Securities must rely solely on distributions on the underlying collateral or proceeds thereof for payments in respect thereof. If distributions on the underlying collateral are insufficient to make payments on the CDO Securities, no other assets will be available for the payment of such deficiency and, following realization of the collateral debt securities, the obligations of such issuer to pay such deficiency shall be extinguished. The underlying collateral of the CDO Securities is expected to consist of real estate-related assets such as CMBS, REIT debt securities and interests in real estate and is subject to credit, liquidity and interest rate risks. Such assets may consist of loans, structured finance securities and other debt instruments, which may be rated either as investment grade or below investment grade (or of equivalent credit quality) or may not be rated at all. The lower rating of below investment grade loans reflects a greater possibility that adverse changes in the financial condition of an issuer or in general economic conditions or both may impair the ability of the issuer to make payments of principal or interest. There is no established, liquid, secondary market for real estate CDO Securities in which the Funds may participate and the lack of such an established, liquid, secondary market may have an adverse effect on the market value of such real estate CDO Securities and the Funds’ respective abilities to dispose of them.

***Investment in Debt, Including Distressed Debt; Bankruptcy.*** The Finance Funds invest in real estate debt, including preferred equity, distressed loans, other debt instruments, or pools or tranches of CMBS (e.g., investments in CMBS or tranches composed of defaulted, out-of-favor or underperforming mortgage loans). Certain of the Funds’ investments may, therefore, include exposure to property or underlying loans of underlying entities that typically are highly leveraged, with significant burdens on cash flow, and therefore involve a high degree of financial risk. During an economic downturn or recession, such investments are more likely to go into default than securities of other underlying properties or entities. A Fund may also acquire interests in preferred equity or non-performing or sub-performing debt instruments secured by real estate or by interests in entities that own real estate, unsecured debt issued by real estate companies or REITs, or interests that pertain to the owners of the underlying real estate. In all such cases there can be no assurance that the borrower on any such debt will be able to perform its contractual obligations. In fact, in certain cases the debt instrument will be distressed as a function of the fact that it is unlikely that the borrower will be able to perform its contractual obligations. These financial difficulties may never be overcome and may cause such issuer to become subject to bankruptcy proceedings. There is a possibility that a Fund may incur substantial or total losses on its investments and in certain circumstances, subject such Fund to certain additional potential liabilities that may exceed the value of such Fund’s original investment therein. In addition to the risks of borrower default, the value of the underlying collateral on secured obligations may decline as a result of market conditions or mismanagement prior to the Funds’ being able to obtain control of the underlying real estate. Even if the collateral maintains its value, the borrower may be unable to refinance all or portions of the debt, particularly subordinate portions, due to the credit market and/or changing underwriting criteria for lenders. It is possible that the General Partners and the Advisors may find it necessary or desirable to foreclose on collateral securing one or more loans purchased by a Fund. Borrowers may contest enforcement of foreclosure or other remedies, seek bankruptcy protection against such enforcement and/or bring claims for lender liability in response to actions to enforce mortgage obligations, which can be an expensive and lengthy process. In addition, the value of the underlying

collateral on secured obligations may decline as a result of market conditions or mismanagement. Moreover, foreclosure litigation tends to create a negative public image of the collateral property and may result in disrupting ongoing leasing and management of the property. For example, under certain circumstances, a lender who has inappropriately exercised control over the management and policies of a debtor or property may have its claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. Furthermore, certain of the loans in which Funds invest may be structured so that all or a substantial portion of the principal will not be paid until maturity, which increases the risk of default at that time.

Furthermore, it is possible in a bankruptcy, restructuring or similar proceeding one or more creditors could claim that the pledging of collateral to secure any such asset constitutes a fraudulent conveyance or preferential transfer that can be subordinated to the rights of other creditors of the issuer of such asset or nullified under applicable law. In addition, under certain circumstances, payments made from such assets and distributions with respect thereto may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment, or similar transaction under applicable bankruptcy and insolvency laws. Bankruptcy laws may delay the ability of a loan holder to realize on collateral for loan positions held by it or may adversely affect the priority of such loans through doctrines such as equitable subordination or may result in a restructure of the debt through principles such as the “cramdown” provisions of the bankruptcy laws, all of which may adversely affect a Fund’s ability to generate cash flows from and realize a return on its investment.

Securities of financially troubled underlying entities and operationally troubled underlying entities are less liquid and more volatile than securities of companies not experiencing financial difficulties. The market prices of such securities are subject to erratic and abrupt market movements and the spread between bid and asked prices may be greater than normally expected.

If any of the above occurred, the Funds’ respective abilities to make distributions to Investors could be delayed or otherwise adversely affected.

***Investment in Subordinate Debt.*** The Funds may acquire interests in debt assets, including CMBS, subordinated loans, mezzanine debt and preferred equity, that may be subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured and/or subject the Fund to a subordinate holder position with respect to any applicable collateral. Investments in subordinated debt involve greater credit risk of default than more senior classes or series of debt collateralized by the same assets. Subordinated debt typically absorbs losses from default before other more senior debt against the same asset or assets. In such circumstances, such interests in the applicable collateral may be adversely impacted or extinguished in any foreclosure proceedings of any senior collateral interest or in the course of a senior lender exercising other rights available to it. Such subordinate debt may also be significantly disadvantaged in any bankruptcy proceedings. Furthermore, such subordinate debt may be subject to a participation agreement with the originating lender or an intercreditor agreement between the holders of any senior debt and the holder of the subordinate debt. Such participation agreements and intercreditor agreements routinely limit the remedies available to the holder of the subordinate debt or the participation interest and may severely limit the Funds’ ability to realize on any applicable collateral. In the event of default and the exhaustion of any equity support, reserve fund, letter of credit and any classes of securities junior to those in which the Funds invest, the Funds may not be able to recover its investment.

Investments in subordinate debt instruments, such as CMBS, subordinated loans, mezzanine debt and preferred equity, have a higher risk of loss than investments in more senior debt instruments. CMBS and other debt instruments are also subject to other creditor risks, including (i) the possible invalidation of an investment transaction as a “fraudulent conveyance” under relevant creditors’ rights laws, (ii) so-called lender liability claims by the issuer of the obligations, and (iii) environmental liabilities that may arise with respect to collateral securing the obligations. The debt instruments the Funds invest in (whether subordinated or not) are likely 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 the Funds earlier than expected, resulting in a lower return to such Fund than projected. In many cases, the Funds’ management of investments and their remedies with respect thereto, including the ability to foreclose on any collateral securing such investments, will be subject to the rights of the senior lenders and contractual inter-creditor provisions. In some circumstances the only available remedy the holder of the subordinate debt may have is to pay off the senior interests and the Funds may not have sufficient funds to effectuate such pay offs. Accordingly, there can be no assurance that the Funds’ return objectives will be realized.

***Lack of Liquidity of Investments.*** The investments to be made by the Funds are likely to be illiquid. The Funds’ investments typically consist of privately negotiated loans, other real estate credit investments and real estate properties for which there are no established or relatively small markets. Dispositions of investments may be subject to contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof, and therefore, the possibility of a partial or total loss of capital exists.

***Deregulation.*** The banking and financial services industry has historically been subject to intense regulation and governmental oversight, particularly following the 2008 global financial crises. For this reason, banks and other financial institutions have experienced significant regulatory constraints in their ability to make commercial real estate loans. Prime Group therefore believes that this regulatory environment may provide a Fund, particularly among the Short Duration Funds, (and other lenders not subject to banking and similar regulations) a significant competitive advantage over regulated banks and financial institutions. If banking regulations and/or government oversight of the banking industry were to be eased, or federal or state administrations were to cease enforcing existing regulations or achieve wholesale deregulation of the industry, traditional banks and other large lending institutions could become more competitive vis-à-vis such Fund (and other similar non-bank originators) because of their lower cost of capital and deeper customer relationships (*i.e.*, ability to offer other traditional banking services in connection with their lending activities), which would have an adverse impact on such Fund’s business and returns.

***Risks Upon Acquisition and Disposition of Investments.*** In connection with the acquisition or disposition of an investment, the Funds may be required to make representations about the Fund and its affiliates or the investment, as applicable, typical of those made in connection with the purchase or sale of any property. Although the Funds will attempt to structure transactions so that they do not have to do so, the Funds may also be required to indemnify the sellers or purchasers, as applicable, of such investment to the extent that any such representations turn out to be incorrect, inaccurate or misleading. These arrangements may result in contingent liabilities, which might

ultimately have to be funded by the Investors to the extent of their unfunded capital commitments, or, in some cases, the Funds may have to reserve for such contingencies.

***Third-Party Involvement.*** The Funds may co-invest with another Fund (subject to their respective Governing Fund Documents) or other third parties through partnerships, joint ventures or other entities, thereby acquiring non-controlling interests in certain investments. Although the Funds (or one Fund vis-à-vis another Fund) may not have control over these investments and therefore may have a limited ability to protect its position therein, the General Partner expects that appropriate rights will be negotiated to protect a Fund's interests. Such investments may nonetheless involve risks not present in investments where a third party is not involved, including the possibility that a co-venturer or partner of the Funds may have financial difficulties resulting in a negative impact on such investment or may, at any time, have economic or business interests or goals that are inconsistent with those of a Fund, which may necessitate unwinding of the vehicle or triggering the buy-sell provisions of the governing document of such vehicle, if any. Furthermore, if a co-venturer defaults on its funding obligations, a Fund may be required to make up the shortfall. In addition, a Fund may in certain circumstances be liable for the actions of its third-party and/or affiliated co-venturers. These and other problems, including the deterioration of the business relationship between a Fund and a co-venturer, could have a material adverse effect on any such investment. While the General Partner will review the qualifications and previous experience of co-venturers or partners, the selection of a co-venturer is inherently based on subjective criteria with the result that the performance and abilities of a particular co-venturer will be difficult to assess. In addition, the General Partner does not expect to obtain financial information from, or to undertake private investigations with respect to, prospective co-venturers or partners. Investments made with third parties in joint ventures or other entities may involve carried interest, performance fees and/or other fees payable to such third party partners or co-venturers. In certain other investments, a Fund may exercise control, which could impose additional risks of liability to the Fund for violations of government regulations (including securities laws) or other types of liability in which the limited liability characteristics of business ownership may be ignored or not respected. To reduce the possibility of liability, a Fund will seek to hold its investments through limited liability entities and, where appropriate, obtain indemnities from its joint venture partners. While the General Partner intends to manage a Fund in a manner that will minimize the exposure of these risks, the possibility of successful claims cannot be precluded. In addition, a Fund may share control over certain investments with co-investors, which may make it more difficult for a Fund to implement its investment approach or exit the investment when it otherwise would. The occurrence of any of the foregoing could have a material adverse effect on the Funds and the Investors' investments therein.

***Capital Expenditures.*** Real property requires ongoing renovations and other capital improvements, including periodic replacement or refurbishment of fixed structures, furniture, fixtures and equipment. If capital expenditures exceed expectations, there can be no assurance that sufficient sources of financing or cash will be available to fund such expenditures or to service debt secured by such property. Renovation of office, apartment and other types of buildings in which the Funds invest involves numerous risks, including the possibility of environmental problems, construction cost overruns and delays, the impact on current demand, uncertainties as to market demand or deterioration in market demand after renovation commences and the emergence of unanticipated competition from other similar properties.

**Location.** The particular locations of properties held or underwritten by the Funds expose Prime Group's business to various economic conditions, competition and state and local tax rates. Natural disasters, such as earthquakes, storms, mudslides, floods and fires, could directly affect any property. The economy and local industry in any particular property location, in comparison to other parts of the country, could be negatively affected to a greater extent by changes and downturns in certain industries, including the real estate, construction, office or retail leasing and housing industries. Adverse developments specific to these industries or the local economy could reduce the Funds' revenue or increase their operating expenses associated with the underlying properties.

**Potential Environmental Liability.** The Funds' investments are exposed to substantial risk of loss from environmental claims arising in respect of investments made in properties with undisclosed or unknown environmental problems or as to which inadequate reserves had been established, as well as from occupational safety issues and concerns. The Funds may become liable as owners of the properties underlying investments through the exercise of certain remedies with respect to the debt held by the original property owners. Under various U.S. federal, state, local and other applicable laws, ordinances and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Such enactments may 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 enactments often impose such liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. For example, the current owner of a parcel of land may be liable for environmental problems at, or emanating from, the parcel of land that were caused by a past owner or current operator of the site. The cost of any required remediation and the owner's liability therefore as to any property are generally not limited under such enactments 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, may adversely affect the owner's ability to sell, lease or otherwise realize income from the real estate or to borrow funds using such property as collateral, which could have an adverse effect on a Fund's return from such investment. In addition, remediated property may attract a limited number of potential purchasers because of the property's history of contamination, which might also adversely affect the owner's ability to lease and/or sell the property. Further, a transfer of property does not relieve from liability a person who owned the property at a time when hazardous or toxic substances were disposed of on, or released from, such property. In addition, noncompliance with environmental regulations may allow a governmental authority to order the owner/operator to cease operations at the property or to incur substantial costs and expenses to bring the property into compliance through the implementation of burdensome remediation or prophylactic measures. To reduce the possibility of liability under environmental laws, the Funds, where feasible, hire environmental consultants to evaluate properties prior to acquisition in any foreclosure proceeding or undertake such examination or testing as Prime Group deems prudent prior to making an investment. Review of environmental issues will be conducted in accordance with customary industry standards applicable to such matters. Finally, there can be no assurance that environmental laws relating to real estate transactions will not be amended in the future in ways that could adversely affect investments made by the Funds.

**Possibility of Future Terrorist Activity.** Many properties in which the Funds invest are located in or near major metropolitan areas of the United States. Such properties, or the areas in which they are located, could be subjects of future acts of terrorism. In addition to the potential direct impact

of any such future act, future terrorist attacks and the anticipation of any such attacks could have an adverse impact on the U.S. financial and insurance markets and economy, thus harming leasing demand for and the value of certain properties. It is not possible to predict the severity of the effect that such future events would have on the U.S. financial and insurance markets and economy or the properties in which the Funds invest. These events could have a negative effect on the business and performance results of the properties in which the Funds invest by raising insurance premiums and deductibles and limiting available insurance coverage, restricting or prohibiting the use of such properties for an extended period, decreasing rents achievable or property values or causing injury or loss of life on the properties, as well as incurring litigation related thereto.

***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 and other local and national law enforcement, 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 securities, properties and other assets in which the Funds invest.

***Force Majeure Risk.*** The Funds and their investments may be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism, nationalization of industry and labor strikes). Force majeure events could adversely affect the ability of the Funds, any of their investments or a counterparty to perform its obligations. The liability and cost arising out of a failure to perform obligations as a result of a force majeure event could be considerable and could be borne by the Funds or their investments. Certain force majeure events, such as war or an outbreak of an infectious disease, could have a broader negative impact on the global or local economy, thereby affecting the Funds and Prime Group. Additionally, a major governmental intervention into an industry, including the nationalization of an industry or the assertion of control, could result in a loss to the Funds if an investment is affected, and any compensation provided by the relevant government may not be adequate. Any of the foregoing may therefore adversely affect the performance of the Funds and their investments.

***Licenses.*** Failure to obtain required approvals and/or state licenses necessary to operate the Funds' real estate investments or mortgage-related activities will adversely impact its investment strategy. Prime Group is required to obtain various approvals and/or licenses from federal or state governmental authorities, government sponsored entities or similar bodies in connection with some of its real estate investments, property management or mortgage-related activities. There is no assurance that Prime Group can obtain any or all of these approvals and licenses or that it will avoid experiencing significant delays in seeking such approvals and licenses. Furthermore, Prime Group will be subject to various disclosure and other requirements to obtain and maintain these approvals and licenses, and there is no assurance that those requirements will be satisfied. Failure to obtain or maintain licenses will restrict the Funds' investment options and respective abilities to engage in desired activities, and could subject it to fines, suspensions, terminations and various other adverse



actions if it is determined that Prime Group has engaged without the requisite approvals or licenses in activities that required an approval or license.

***Lack of Diversification.*** Investments made by the Funds may not be sufficiently diversified by type, geographic region or number of assets. If a Fund makes an investment in a transaction with the intent of refinancing or selling a portion of the investment, there is a risk that the Funds will be unable to successfully complete such a financing or sale. This could lead to increased risk as a result of the Funds having an unintended long-term investment and reduced diversification. A portfolio of investments that contains large investments in relatively few properties or in even a single property may be subject to greater change in value (losses or gains, as the case may be) than a portfolio composed of smaller investments in a greater number of properties.

***Difficulty of Locating Suitable Investments.*** Certain markets in which the Funds invest are extremely competitive for attractive investment opportunities and, as a result, there can be reduced expected investment returns. No assurance can be made that a sufficient number of attractive opportunities to meet the investment objectives of the Funds will be identified. In most cases, Investors will not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the investments to be made by the Funds and, accordingly, will be dependent upon the judgment and ability of the General Partners and the Advisors in investing and managing the capital of the Funds. The activity of identifying, completing and realizing attractive investments has from time to time been highly competitive, and involves a high degree of uncertainty and risk. The availability of investment opportunities generally will be subject to prevailing market conditions.

The Funds may incur bid, due diligence or other costs on investments that may not be successful. As a result, the Funds may not recover all of their costs, which would adversely affect their overall returns. Participation in auction transactions will also increase the pressure on the Funds with respect to the price of a transaction.. There can be no assurance that investments of the type in which the Funds invest will continue to be available for the Funds' respective investment activities, or that available investments will meet the Funds' investment criteria or that the Funds 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, that such investments will be realized upon at favorable valuations or that the objectives of the Funds will be achieved.

***Risks Relating to Due Diligence of Investments.*** Before making investments, the applicable General Partner will conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances known at that time. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, environmental, social, governance and legal issues. When conducting due diligence and making an assessment regarding an investment, the applicable General Partner will rely on the resources available to it, including information provided by property sellers, brokers, borrowers, special servicers or other counterparties and, in some circumstances, third-party investigations. However, representations made by any such person could be inaccurate, and third party investigations may not uncover risks. As a result, due diligence investigations conducted with respect to any investment opportunity may not reveal or highlight all relevant facts necessary or helpful to make the investment decision. In particular, there can be no assurance that

the applicable General Partner will be able to detect irregular accounting, employee misconduct or other fraudulent practices during the due diligence investigation.

***Limited Operating History.*** Certain Funds consist of newly-formed entities with limited operating history upon which to evaluate the likely performance of such Funds. The performance of past investments, investment funds and programs of Prime Group, is not necessarily indicative of the results that will be achieved by any Fund. In considering any prior performance information provided to Investors or prospective Investors, Investors and prospective Investors should bear in mind that past performance is not necessarily indicative of future results. There can be no assurance given that any Fund will achieve results comparable to other Funds and there can be no assurance given that investments made by any Fund will be profitable or achieve targeted returns or that capital loss will not occur.

***Lack of Investor Control Over the Policies of the Funds.*** The acquisition, management, financing and disposition policies of the Funds and their policies with respect to certain other activities, including their distributions and operating policies, are determined by each Fund's General Partner. In order to safeguard their limited liability from the liabilities and obligations of the Funds, the Investors must rely entirely on each Fund's General Partner to conduct and manage the affairs of the Funds. Any change to the policies of a Fund could be detrimental to the value of the assets of such Fund. Moreover, changes in Prime Group's broader business and financial condition, whether due to a significant general economic downturn or legal or regulatory factors or other circumstances, could also have a material adverse effect on such Fund.

***Reliance on Key Management Personnel.*** Decisions with respect to the management of the Funds and their investments will be made by each Fund's General Partner and Prime Group. The General Partner of each Fund will have exclusive responsibility for the Fund's activities, and other than as expressly set forth in the Governing Fund Documents, Investors will not be able to make investment or other decisions in the management of the Fund and will not receive the amount of financial information related to investments that is generally available to the General Partner and Prime Group. The success of the Funds will therefore depend, in large part, upon the skill and expertise of the management of each Fund's General Partner and the investment advice of Prime Group under the leadership of the Co-Founders and other investment professionals. If a Fund's General Partner or Prime Group were to lose the services of any of the Co-Founders or certain other key senior leaders, the financial condition and operations of such Fund could be materially adversely affected. There can be no assurances that all of the Co-Founders or such key senior leaders will continue to be affiliated with a Fund throughout its term, and it may not be possible to replace such key persons, should one or more of them become incapacitated or in some other way cease to be involved with such Fund.

Prime Group investments may not have involved all of the Prime Group professionals who will be involved with the current management and operations of the Funds. In addition, certain of the persons that were involved in such previous Fund investments may not be actively involved in the Funds going forward or may be functioning in different roles at, or may no longer be associated with, Prime Group, including John Adair who headed Prime Residential's acquisition and transactions teams since 2000 and who left the firm in early 2019 to pursue other professional opportunities. Any such changes to Prime Group senior management may impact a Fund's ability to make similar investments or achieve comparable returns.

***Absence of Recourse to the General Partner.*** The Governing Fund Documents limit the circumstances under which each Fund's General Partner can be held liable to the Funds. As a result, the Investors have a more limited right of action in certain cases than they would in the absence of such provisions.

***Removal of the General Partner; Termination of Commitment Period; Early Termination of a Fund.*** If, pursuant to and in accordance with the terms of the operative Governing Fund Documents, the General Partner of a Fund is removed by the Investors and a successor general partner is appointed, Prime Group will cease to be involved in the management or control of the business of such Fund. Therefore, there can be no certainty regarding such Fund's ability to consummate investment, restructuring or exit opportunities thereafter. Similar risks exist if such Fund's investment period is terminated earlier than anticipated pursuant to the terms of its Governing Fund Documents. Moreover, it is possible that a Fund may be dissolved and liquidated prematurely, and as a result, such Fund may, or may be required to, sell, distribute or otherwise dispose of its investments at a disadvantageous time or make an in-kind distribution (resulting in its Investors not having their capital invested and/or deployed in the manner originally contemplated). There can be no assurance with respect to the time frame in which any such distribution will occur, including in connection with the winding up and final distribution of proceeds to such Fund's Investors.

***Confidential or Material Non-Public Information.*** By reason of their responsibilities in connection with the Funds and other investment activities, and notwithstanding procedural safeguards including, but not limited to, information barriers and restricted securities lists, personnel of Prime Group may acquire confidential or material, non-public information that would limit the ability of the Funds to buy and sell certain of their investments. The Funds' investment flexibility may be constrained due to the inability of Prime Group to use such information for investment purposes. Moreover, Prime Group may be restricted from initiating transactions in certain securities or selling certain investments, due to its acquisition of confidential or material, non-public information, at a time when Prime Group would otherwise take such action.

***Limited Access to Information.*** Investors' rights to information regarding the Funds are specified, and strictly limited, in the Governing Fund Documents. In particular, the General Partner often obtains certain types of material information from investments that is not disclosed to Investors because such disclosure is prohibited for contractual, legal or other obligations outside of the General Partner's control. Decisions by the General Partner to withhold information may have adverse consequences for Investors in a variety of circumstances. For example, an Investor that seeks to transfer its interests in a Fund may have difficulty in determining an appropriate price for such interests. Decisions to withhold information also may make it difficult for Investors to monitor the General Partner and its performance. Additionally, it is expected that Investors who designate representatives to participate on an Advisory Board and Investors that are offered the opportunity to co-invest in transactions may, by virtue of such participation or offer, have more information about the relevant Fund and investments in certain circumstances than other Investors generally and may be disseminated information in advance of communication to other Investors generally. In addition, certain Investors in any particular Fund may also be Investors in other investment funds sponsored or managed by Prime Group. Investors may also include affiliates of Prime Group, charities or foundations associated with Prime Group personnel and/or Prime Group employees. It is also possible that a Fund or its Fund's investments may be counterparties or participants in agreements, transactions or other arrangements with an Investor or an affiliate of an Investor. Such

Investors described in the previous sentences may therefore have different information about Prime Group and a Fund than Investors not similarly positioned. Similarly, not all Investors monitor their investments in vehicles such as a Fund in the same manner. For example, certain Investors may periodically request from the General Partner information regarding a Fund and its investments that is not otherwise set forth in (or has yet to be set forth in) the reporting and other information required to be delivered to all Investors. In such circumstances, the General Partner may provide such information to such Investor, but the fact that the General Partner has provided such information upon request by one or more Investors does not necessarily obligate the General Partner to affirmatively provide such information to all Investors (although the General Partner will generally provide the same information upon request and treat Investors equally in that regard). As a result, certain Investors may have more information about a Fund than other Investors in such Fund, and the General Partner will have no duty to ensure all Investors seek, obtain or process the same information regarding such Fund and its investments. Furthermore, in response to questions and requests and in connection with due diligence meetings and other communications, a Fund and its General Partner may provide additional information to certain Investors and prospective Investors that is not distributed to other Investors and prospective Investors in such Fund. Such information may affect a prospective Investor's decision to invest in such Fund or take actions or make decisions as an Investor.

***No Market for Interests in the Funds.*** Interests in the Funds have not been registered under the Securities Act, or any other applicable securities laws. There is no public market for the Interests and none is expected to develop. In addition, such interests are not transferable except with the consent of each Fund's respective General Partner, which generally may be withheld by it in its sole discretion, and are subject to the terms and conditions of the Governing Fund Documents. Investors generally may not withdraw capital from the Funds. Consequently, Investors may not be able to liquidate their investments prior to the end of the term of each Fund. Each Investor or permitted transferee acquiring an interest in a Fund is required to represent that it is purchasing such interest for its own account for investment purposes and not with a view to resale or distribution, and shall agree not to sell all or any part of its interest without registration under applicable federal and state securities laws, unless there are available exemptions thereunder. Investors are able to transfer its interest in a Fund, subject to transfer requirements in the applicable Governing Fund Documents. However, the liquidity of the interests is limited. Accordingly, prospective Investors should be aware that they may be required to bear the financial risk of their investment in a Fund for an extended period of time.

***Capital Not Yet Drawn.*** The Funds may not have drawn down or received any or all of the capital commitments on the date their operations commence. Although each Fund's General Partner believes that all Investors will have the financial ability to meet their capital commitments, there can be no assurance that all capital commitments will be honored. To the extent that some Investors do not honor their capital commitments or are excluded from or elect to opt out of a particular investment, a General Partner may determine on behalf of a Fund to make drawdowns from the remaining Investors to a larger extent or earlier than it otherwise would. In addition, to the extent an Investor fails to fund a drawdown on its capital commitment, a Fund may, in certain circumstances, be forced to increase its leverage or breach its contractual obligations and may be subject to liability stemming from potential breach of contract and tort claims.

***Consequences of Default/Fund Assets Exposed to Fund Liabilities.*** In the event that an Investor fails to fund any portion of its capital commitment when due, such Investor will forfeit all or a portion of its interest in a Fund and be subject to other default provisions of the Governing Fund Documents. Any such default may cause a Fund to be unable to pay its obligations when due and to be subject to significant penalties that could materially adversely affect the returns to Investors. In addition, if an Investor defaults, non-defaulting Investors may be obligated to make capital contributions to the Fund to make up for the amounts not paid by such defaulting Investor. Lack of capital may also cause a Fund to lose valuable investment opportunities. If the contributions made by non-defaulting Investors and borrowings by a Fund are inadequate to cover the defaulted capital contribution, a Fund may be unable to pay its obligations when due. As a result, a Fund may be subjected to significant penalties that could limit opportunities for investment, constrain portfolio diversification and materially adversely affect the returns of the Investors (including non-defaulting Investors). Any default by one or more Investors could have a deleterious effect on a Fund, its assets and the interests of the other Investors. The assets of the Funds, including any investment made by the Funds and any capital held by the Funds, are available to satisfy all liabilities and other obligations of the Fund. If a Fund becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the assets of the Fund generally and will not be limited to any particular asset, such as the investment giving rise to the liability. To help mitigate such potential liability, the Funds generally acquire assets through limited liability entities, and, if the limited liability of these entities is respected, the potential liability of the Funds should be minimized.

***Liability of Investors.*** Generally, Investors will not be personally liable for the debts of the Funds except as provided in the Governing Fund Documents and except that, in the event that a Fund is otherwise unable to meet its obligations, each Investor will be obligated to repay amounts previously received by such Investor to the extent that such amounts are deemed to have been wrongfully distributed to such Investor or are used to pay such Fund's indemnification obligations, subject to the applicable Governing Fund Documents.

***Follow-on Investments.*** The Funds may be called upon to provide follow-up funding for investments or have the opportunity to increase their investment in such investments. Such follow-up funding could include funds required to cure or satisfy a senior loan or interest therein where a Fund holds an interest in a junior loan or security. There can be no assurance that such Fund will wish to make follow-on investments or that it will have sufficient funds or authority to do so. Any decision by a Fund not to make follow-on investments or its inability to make them may have a substantial negative impact on a follow-on investment in need of such an investment or may diminish the ability of the Fund to influence the investment's future development and operation.

***Distributions in Kind.*** Although, under normal circumstances, Funds will only make distributions in cash, it is possible that, upon liquidation of a Fund, or under certain other circumstances, distributions to Investors may be made in kind and could consist of assets for which there is no readily available public market or are otherwise illiquid. Investments distributed in kind may, at the time of distribution, be experiencing periods of limited liquidity, price volatility or a decline in market value and may have certain investment and transfer restrictions limiting marketability. In-kind distributions of investments may be comprised of, among other things, interests in real estate, illiquid bonds or other related securities and interests that are being held or that were held by a Fund. The value of such investments distributed may increase or decrease before such investments are sold, and such Investor will incur transaction costs in connection with the sale of any such

investment. Additionally, investments distributed to an Investor may not be readily marketable or saleable. The ability of the Investors to liquidate positions in such investments is subject to these risks, and Investors must be prepared to hold such investments for an indefinite period of time. 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 may receive less cash than was reflected in the fair value of such securities or other assets as determined by the General Partner pursuant to the relevant Governing Fund Documents.

***Dilution from Additional Closings.*** Investors that are admitted or increase their capital commitment to a Fund at subsequent closings of such Fund will generally participate in existing investments of such Fund, diluting the interest of the other existing Investors in such Fund. Although such Investors will generally contribute their *pro rata* share of previously made drawdowns (plus an additional amount thereon), there can be no assurance that such payments will reflect the fair value of such Fund's existing investments at the time such Investors acquire such additional interests in such Fund.

***Recycling; Reinvestment.*** Under certain circumstances, proceeds distributable (or previously distributed) to Investors that constitute a return of capital contributions will be retained by the Funds and reinvested (or recalled for reinvestment) by the Fund's General Partner or used (or recalled for use) by such General Partner for any purpose permitted under the Governing Fund Documents. Accordingly, Investors may be required to fund an aggregate amount in excess of their capital commitment during the term of the Funds (but at no time will an Investor have aggregate capital at risk in excess of its capital commitment to the Fund), and to the extent such recalled or retained amounts are reinvested in investments, Investors will remain subject to investment and other risks associated with such investments. From time to time after a Fund's investment period, such Fund's General Partner may, in its sole discretion, elect to release all Investors from any portion of their remaining capital commitments to such Fund on a *pro rata* basis to the extent such remaining capital commitments constitute recallable distributions.

***Costs and Expenses.*** Although Prime Group will generally endeavor to pay all costs and expenses attributable to the Funds out of sums distributable to the Investors (or from reserves established to pay anticipated costs and expenses), there can be no assurance that such distributions or reserves will be sufficient to pay all such costs and expenses. To the extent that such distributions or reserves are not sufficient to pay all costs and expenses, Prime Group may need to call upon the Investors' unfunded capital commitments, and/or sell or increase the leverage upon all or some of the Funds' investments, to pay such costs and expenses.

***Potential Conflicts of Interests; Diverse Membership.*** The Investors are expected to include taxable and tax-exempt entities and include persons or entities organized in various jurisdictions. As a result, conflicts of interest may arise in connection with decisions made by Prime Group that may be more beneficial for one type of Investor than for another type of Investor. In addition, a Fund may make investments that may have a negative impact on related investments made by the Investors in separate transactions. In selecting investments appropriate for a Fund, Prime Group will consider the investment objectives of such Fund as a whole and not the investment objectives of any Investor individually. Prime Group has a fiduciary duty to manage the Funds in the best interests of the Investors and will in good faith attempt to resolve potential conflicts of interest in a manner that it believes is in, or not opposed to, the best interests of the Investors. No assurance can

be given that such efforts will be successful. The Funds will indemnify Prime Group, the Co-Founders, current and former principals, shareholders, officer, directors, employees, partners, members, managers, agents and other representatives of Prime Group, certain other persons who serve at the request of the Prime Group on behalf of a Fund and their respective affiliates to the full extent permitted under applicable law.

Prime Group manages several Funds, which present the possibility of overlapping investments, and thus the potential for conflicts of interest. In addition, subject to certain restrictions on forming competing and/or successor funds contained in the relevant Governing Fund Documents, Prime Group may in the future form additional other funds with investment strategies and objectives different from those of the Funds. Some of the investments targeted or made by a Fund may, nonetheless, seem more appropriate for another Fund, and vice versa. Some investments made by one Finance Fund may also be refinanced in a successor Finance Fund, if Prime Group determines such refinancing is in the best interests of both Finance Funds. Investors will generally have no ability to challenge such allocation so long as it was made in good faith in accordance with certain procedures. Such procedures give Prime Group broad authority to allocate investment opportunities, notwithstanding the potential conflicts of interest that may exist. For example, management fees, carried interest or incentive fees may differ significantly between the Funds, creating an economic incentive for Prime Group to allocate investments that may be appropriate for a lower fee strategy to a higher fee strategy.

***Tax Considerations.*** An investment in a Fund involves complex U.S. federal income tax considerations that will differ for each Investor. Under certain circumstances, Investors could be required to recognize taxable income in a taxable year for U.S. federal income tax purposes, even if such Fund either has no net profits in such year or has an amount of net profits in such year that is less than such amount of taxable income. Funds may not make any distributions to their Investors, and an Investor's tax liability attributable to an investment in a Fund may in a given tax year exceed the cash distributed. Funds may invest in entities which would cause them to have to report taxable income for U.S. Federal income tax purposes prior to the time such Fund receives distributions from such investments.

In addition to the federal income tax consequences described above, Investors should consider potential state and local tax consequences of an investment in a Fund. State and local laws often differ from federal income tax laws with respect to the treatment of specific items of income, gain, loss, deduction and credit. Moreover, a Fund or other entities through which such Fund invests may be subject to state and/or local tax (including unincorporated business tax), depending on the location and scope of their activities. In addition, a state in which an Investor is not a resident, but in which a Fund may be deemed to be engaged in business, may impose a tax on that Investor with respect to its or his or her share of such Fund's income derived from that state and such Investor may be required to file a tax return in such state or local jurisdiction. Under some circumstances, an Investor with tax liabilities to more than one state may be entitled to a deduction or credit for taxes paid to one state against the tax liability to another.

***Partnership Tax Returns.*** U.S. federal income tax audits of partnerships are conducted at the partnership level, and, unless a partnership qualifies for and affirmatively elects an alternative procedure, any adjustments to the amount of tax due (including interest and penalties) will be payable by the partnership. Under the alternative procedure, if elected, a partnership would issue

information returns to persons who were partners in the audited year, who would then be required to take the adjustments into account in calculating their own tax liability, and such partnership would not be liable for the adjustments. There can be no assurance that a Fund will be eligible to make such an election or that it will, in fact, make such an election for any given adjustment. If a Fund does not or is not able to make such an election, then (i) the then current Investors in such Fund, in the aggregate, could indirectly bear income tax liabilities in excess of the aggregate amount of taxes that would have been due had such Fund elected the alternative procedure, and (ii) a given Investor may indirectly bear taxes attributable to income allocable to other Investors or former Investors in such Fund, including taxes (as well as interest and penalties) with respect to periods prior to such Investor's ownership of its Interest. Amounts available for distribution to the Investors may be reduced as a result of a Fund's obligations to pay any taxes associated with an adjustment. Many issues and the overall effect of these rules on a Fund are uncertain, and Investors should consult their own tax advisors regarding all aspects of these rules as it affects their particular circumstances.

***Phantom Income.*** There can be no assurance that the Funds will have sufficient cash flow from other sources to permit them to make distributions in the amount necessary for the Investors to pay all tax liabilities resulting from such Investors' ownership of interests.

***Lending.*** The Finance Funds regularly engage in lending directly to borrowers. In addition to the risks that apply to debt investments generally, direct lending entails a heightened risk of default by the borrower. Loans may be subordinate to already-outstanding loans by the same borrower, and may be unsecured or insufficiently secured. Privately negotiated loans may be illiquid and subject to a heightened risk of litigation.

***Loan Originations.*** Changing market conditions may make it more difficult for the Funds to make portfolio investments through loan originations. The success of the Funds which engage in loan origination will depend, in part, on their ability to effectively analyze potential loan origination opportunities in order to assess the level of risk-adjusted returns to be expected from any such investment. To estimate the value of a particular asset securing such originated loan, such Funds may use historical assumptions that may or may not be appropriate. To the extent that historical assumptions are used that are inappropriate under then current market conditions, such Funds may permit excessive borrowing and thus overpay for an asset or acquire an asset that it otherwise might not acquire.

***Appraisals.*** Deficiencies in appraisal quality in the property acquisition or mortgage loan origination process could result in reduced profits or losses for the Funds. The quality of these appraisals may vary widely in accuracy and consistency. The appraiser may feel pressure to provide an appraisal in the amount necessary to enable the purchaser to obtain financing or the originator to make the loan, as the case may be, whether or not the value of the property justifies such an appraised value. Inaccurate or inflated appraisals may result in less-than-anticipated proceeds from property dispositions or increases in the severity of losses on the mortgage loans and other real estate credit investments, and may cause a Fund to incur losses that could materially and adversely affect its financial condition.

***Higher Interest Rates Could Adversely Affect Investment Returns.*** Some of the Funds are expected to use substantial leverage subject to floating interest rates. Any increase in interest rates would



increase the Funds' interest costs on such variable rate debt and could impact its ability to refinance debt when it matures. In addition, higher interest rates during the course of the investment period could adversely affect investment returns for the Funds. For example, unexpectedly large interest rate increases, together with the resulting tightening in credit markets, could lead to increased instances of default on real estate equity or credit investments as the property owner may be unable to refinance loans with balloon payment features when such loans mature, which could ultimately lead to a total loss of principal for any one or more investments.

**Hedging.** In connection with the financing of certain assets, a Fund may employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices and currency exchange rates. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks. There is no perfect hedge for any investment, and a hedge may not perform its intended purpose of offsetting losses. There can be no assurance that techniques used in hedging strategies will always be available, that a Fund will engage in these techniques when available, or that the hedging strategies will be successful in limiting any applicable risks. Thus, while a Fund may benefit from the use of hedging mechanisms, unanticipated changes in interest rates, securities prices or currency exchange rates may result in poorer overall performance for such Fund than if it had not entered into such hedging transactions.

**Cybersecurity Breaches and Identity Theft.** Cybersecurity incidents and cyber-attacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. As part of its business, Prime Group processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the Funds and personally identifiable information of the Investors. Similarly, service providers of Prime Group may process, store and transmit such information. Prime Group's information and technology systems may 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, typhoons, earthquakes, wars, terrorist attacks and other similar events. Measures designed to manage risks relating to these types of events cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. If these systems are compromised, become inoperable for extended periods of time or cease to function properly, Prime Group may 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 Prime Group's and/or the Funds' 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), tenants and service providers. A cybersecurity incident could have numerous material adverse effects, including on the operations, liquidity and financial condition of the Funds. Cyber threats and/or incidents could cause financial costs as well as numerous unforeseen costs including, but not limited to: litigation costs, preventative and protective costs, remediation costs and costs associated with reputational damage, any one of which, could be materially adverse to the Funds. Such a failure could harm Prime Group's and/or the Funds' reputation, subject any such entity and their respective affiliates to legal claims and

otherwise affect their business and financial performance. The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means.

The service providers of Prime Group are subject to the same electronic information security threats as Prime Group. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of the Funds and personally identifiable information of the Investors may be lost or improperly accessed, used or disclosed.

***Management and Resources of Prime Group.*** Prime Group personnel will devote such time as is reasonably necessary to conduct the business affairs of each Fund in an appropriate manner. However, officers and employees Prime Group will work on other projects, including Prime Group's other investments and other Funds in the normal course of business, and accordingly, conflicts of interest may exist in the allocation of resources between the Funds and other related or unrelated activities of the officers, members, partners and employees of Prime Group, as applicable.

**Item 9: Disciplinary Information**

Neither Prime Group nor any of its officers, directors, employees or other management persons has been involved in any legal or disciplinary events that would require disclosure.

**Item 10: Other Financial Industry Activities and Affiliations**Prime Residential Advisor, LLC

Prime Finance has a related entity, Prime Residential, which is listed as a relying adviser in Prime Finance's Form ADV Part 1A and relies on Prime Finance's Form ADV to effect its own registration under the Advisers Act. Messrs. Atwater and James are the sole members of Prime Residential and are among the limited partners of Prime Finance.

Prime Finance Advisor Chicago, L.P.

Prime Finance has a subsidiary, Prime Finance Chicago, which is listed as a relying adviser in Prime Finance's Form ADV Part 1A and relies on Prime Finance's Form ADV to effect its own registration under the Advisers Act. Prime Finance is the sole limited partner of Prime Finance Chicago. Prime Finance Chicago provides investment advisory services directly to certain Finance Funds.

Prime Finance Advisor New York, L.P.

Prime Finance has a subsidiary, Prime Finance New York, which is listed as a relying adviser in Prime Finance's Form ADV Part 1A and relies on Prime Finance's Form ADV to effect its own registration under the Advisers Act. Prime Finance is the sole limited partner of Prime Finance New York. Prime Finance New York provides investment advisory services directly to certain Finance Funds.

Pooled Investment Vehicles and their General Partners

Prime Group organizes and sponsors the Funds, which are private investment companies. These pooled investment vehicles managed by Prime Group are controlled by the General Partners. The General Partners will be responsible for all ultimate decisions regarding transactions of the Funds and have full discretion over the management of the Funds' investment activities. The General Partners are not separately registered as investment advisers with the SEC; the Advisors provide all investment advisory services to the applicable Funds subject to the Advisers Act and the rules thereunder. In addition, employees and persons acting on behalf of the General Partners are subject to the supervision and control of the Advisors. Thus, the General Partners and all of the persons acting on their behalf would be "persons associated with" the registered investment adviser so that the SEC could enforce the requirements of the Advisers Act on the General Partners.

Prime Family Office Advisor, LLC

Prime Group is affiliated with Prime Family Office Advisor, LLC (the "Family Advisor"), which is a family office exempt from registration under the Advisers Act. Family Advisor provides discretionary advisory services to private investment funds, including funds that invest in real estate-related assets and other securities or debt instruments. Mr. Atwater is the principal owner of the Family Advisor. Mr. Atwater or his designee acts as the managing member of Family Advisor and is responsible for the management and operation of the Family Advisor. Both Mr. Atwater and

Mr. James (and their respective estate planning vehicles and affiliates) have interests in the General Partners and/or interests in the Funds as Investors. Their family members also have interests in the Funds as Investors. The Family Advisor has no clients other than family clients, is wholly owned by family clients and is exclusively controlled (directly or indirectly) by one or more family members and/or family entities, and does not hold itself out to the public as an investment adviser.

It is unlikely that investments suitable for the funds advised by the Family Advisor would also be suitable for the Funds since they have different investment objectives. However, a potential conflict could arise because Mr. Atwater may have the potential to personally benefit or cause the funds advised by the Family Advisor to benefit from investments which would have otherwise been appropriate for the Funds. This potential conflict is addressed through the mechanisms for dealing with potential conflicts of interest set forth in the Governing Fund Documents. Specifically, (i) each Residential Fund is generally limited to investing in only a single property or group of properties specified in its Governing Fund Document, except that (x) certain Residential Funds, at the discretion of Prime Group, have invested, and may in the future invest, in replacement properties following the disposition of the originally identified property, and (y) each of the Residential Blind Pool Funds has been formed, and new Residential Funds may be formed in the future, as blind pools to invest in multiple, unrelated properties that are typically identified after inception; and (ii) the funds advised by the Family Advisor do not typically invest in multifamily assets that would generally be appropriate for the Residential Funds (although the Residential Blind Pool Funds have no right, expectation or exclusivity with respect to such investment opportunities). The Governing Fund Documents of the Finance Funds explicitly require that any investment opportunities that satisfy the primary investment objectives of the Finance Funds must be allocated to the Finance Funds. The General Partners of the Finance Funds must consult with the Advisory Boards with respect to any other conflicts of interests not provided for in the applicable Governing Fund Documents.

Also, a potential conflict of interest could arise because certain advisory employees provide services to the Advisors and the Family Advisor. These services generally include “back office” services such as investor relations, administrative support, and accounting functions. Thus, certain advisory employees’ time will be partially spent providing services to the Family Advisor and not entirely on providing services to Prime Group. This potential conflict is addressed through ensuring that these functions have adequate staffing to provide service to the Advisors and the Family Advisor.

#### Prime Administration, LLC

Prime Group is affiliated with Prime Administration, which is an entity that provides services to investments held by the Funds. Messrs. Atwater and James are the principal owners of Prime Administration. An entity owned by Mr. Atwater is the manager of Prime Administration and, together with Mr. James, is responsible for the management and operation of Prime Administration. Kris Bloom, Josh Frieman and Will Madison, principals of Prime Group, are also members of Prime Administration. Thus, a conflict of interest arises because, as discussed above in the Fees and Compensation section, Prime Administration provides property management, construction and financing services to the Residential Funds and their underlying real property investments. Messrs. Atwater, James, Bloom, Frieman and Madison have the potential to personally benefit or cause Prime Administration to benefit from services directed to Prime Administration that would

otherwise be directed to third parties. To address this conflict, Prime Group discloses all such fees and expenses herein and in the Funds' annual financial statements, and Investors agree to bear such fees and expenses as set forth in the Fund Governing Documents (except for Prime/SCRC, L.P.'s Investors). Nevertheless, there is a risk that the fees and expenses charged to Residential Funds and/or their respective properties by Prime Administration for such services may be greater than prevailing market rates.

#### Golden Management, L.P.

As described above in the Fees and Compensation section, Prime Property Fund II indirectly owns a portion of The Gateway which pays an asset management fee of 1.0% of gross rents to the Gateway Asset Manager. Mr. Atwater indirectly holds a 33.33% interest in the Gateway Manager. A conflict of interest arises because Mr. Atwater has the potential to personally benefit from asset management services directed to the Gateway Manager that would otherwise be directed to a third party. To address this conflict, Prime Group discloses this fee herein and in the Prime Property Fund II's annual financial statements, and Investors agree to bear such fees and expenses as set forth in the Fund Governing Documents of Prime Property Fund II. Nevertheless, there is a risk that the property management fee charged to Prime Property Fund II may be greater than the prevailing market rate.

#### PLB Management, LLC

As discussed in the Fees and Compensation section, Prime/Park LaBrea pays a management fee equal to 1.5% of gross revenues to PLB Management, LLC, an affiliate of Prime Residential. Mr. Atwater and Mr. James each own a 50% interest in PLB Management, LLC, and accordingly have the potential to personally benefit from property management services directed to PLB Management, LLC that would otherwise be directed to a third party. To address this conflict, Prime Group discloses all such fees and expenses herein and in Prime/Park LaBrea's annual financial statements, and Investors agree to bear such fees and expenses as set forth in the Fund Governing Documents of Prime/Park LaBrea. Nevertheless, there is a risk that the fees and expenses charged to Prime/Park LaBrea by PLB Management, LLC for such services may be greater than prevailing market rates.

#### Liquidity Fund

As described above in the Advisory Business section, cash reserves held by certain Residential Funds are invested in the Liquidity Fund which in turn owns interests in other pooled investment vehicles and individual debt and equity securities managed as separate accounts by external managers. A large portion of the Liquidity Fund is managed by Hall Capital Partners (including its affiliates, "HCP"). In addition, HCP from time to time (i) recommends or, exercising its discretionary authority, causes certain Investors (including HCP affiliates) to invest in one or more Funds and (ii) manages a portion of the personal assets of one or more of our senior executives and/or their families, and accordingly, conflicts of interest may exist in the engagement of HCP by the Liquidity Fund.

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

Pursuant to Rule 204A-1 of the Advisers Act, the Advisors have adopted a written Code of Ethics (the “Code”) predicated on the principle that Prime Group owes a fiduciary duty to the Funds and their Investors. The Code is designed to address and avoid potential conflicts of interest and is applicable to all officers, directors, members, partners or employees of the Advisors involved in the management of the Funds (the “Advisory Employees”). The Advisors require Advisory Employees to act in the Funds’ best interests, abide by all applicable regulations and avoid any action that is, or could even appear to be, legally or ethically improper.

The Advisors, and Advisory Employees, execute transactions for their own accounts, subject to restrictions and reporting requirements as required by law and any relevant Governing Fund Documents or as otherwise determined from time to time by the Advisors. Execution of such transactions may be a conflict of interest. To mitigate this conflict, the Advisors monitor certain transactions.

The Advisors prohibit Advisory Employees from timing their personal trades to precede orders placed for the Funds, if any, and do not permit trading activity that is so excessive as to conflict with the Advisory Employee’s ability to fulfill daily job responsibilities. The Code also requires pre-clearance before purchasing securities in an initial public offering, initial coin offering or limited offering (e.g., a private placement); requires periodic reporting of Advisory Employees’ personal securities transactions and securities holdings; and requires prompt internal reporting of Code violations. The Advisors endeavor to maintain current and accurate records of all personal securities accounts of Advisory Employees in an effort to monitor all such activity. A copy of the Code is available upon request.

Certain transactions in which Prime Group engages require, for either business or legal reasons, that no Advisory Employees trade in the subject securities for specified time periods. Such securities will appear on a list (the “Restricted List”) that will be circulated to all Advisory Employees. No Advisory Employee may engage in any sort of trading activity with respect to a security or a derivative thereof on the Restricted List without obtaining prior written approval from the CCO.

Advisory Employees are required to promptly report any suspected violations of the Code to the CCO. To the extent practicable, Prime Group aims to protect the identity of an Advisory Employee who reports a suspected violation. However, Prime Group remains responsible for satisfying the regulatory reporting, investigative and other obligations that may follow the reporting of a potential violation. Retaliation against any Advisory Employee who reports a violation of the Code is strictly prohibited by Prime Group and will be cause for corrective action, up to and including dismissal. Violations of the Code may warrant sanctions including, without limitation, requiring that personal trades be reversed, requiring the disgorgement of profits or gifts, issuing a letter of caution or warning, suspending personal trading rights, imposing a fine, suspending employment (with or without compensation), making a civil referral to the SEC, making a criminal referral, terminating employment for cause, and/or a combination of the foregoing. Advisory Employees are also cautioned that violations may subject them to civil, regulatory or criminal sanctions. No Advisory Employee can determine whether he or she has committed a violation of the Code, or impose any sanction against himself or herself. All sanctions and other actions, if any, are taken in accordance

with applicable employment laws and regulations. For the avoidance of doubt, nothing in the Code prohibits Advisory Employees from reporting potential violations of federal law or regulation to any governmental agency or entity, including but not limited to, the Department of Justice, the SEC, or any agency's inspector general, or from making other disclosures that are protected under the whistleblower provisions of federal law or regulation. Advisory Employees do not need prior authorization from their supervisor, the CCO, or any other person or entity affiliated with Prime Group to make any such reports or disclosures and do not need to notify Prime Group that they have made such reports or disclosures. Additionally, nothing in the Code prohibits Advisory Employees from recovering an award pursuant to a whistleblower program of a government agency or entity.

In the event Prime Group identifies an investment opportunity that fits within the overlapping investment objectives of more than one Fund, Prime Group will, taking into account the relevant facts and circumstances, and subject to the applicable Governing Fund Documents, decide in good faith whether such investment should be made by one Fund or another or shared among more than one Fund, and will determine whether such allocation is prudent or equitable based on the taking into consideration the Fund's remaining capital commitments, the size of the investment opportunity, the amount of the available leverage, the expected timing to close the investment, the duration of the investment, risk retention requirements applicable to such investment or such other factors as Prime Group may reasonably deem relevant (all of the foregoing factors being hereinafter referred to as the "Investment Allocation Considerations"). This determination frequently is nonetheless subjective in nature. Consequently, an investment that Prime Group determined was appropriate (or more appropriate) for one Fund may ultimately prove to have been appropriate (or more appropriate) for another Fund. Furthermore, the decision as to whether a Fund should make a particular follow-on investment may differ from the decision regarding the initial investment due to a changed determination on this issue by Prime Group. A Fund will not purchase any investments from, or sell any investments to, Prime Group, any other Funds, the General Partner or their respective affiliates, except (i) in connection with warehousing investments, (ii) structuring for legal, tax, regulatory or similar purposes, (iii) allocating an investment among multiple Funds or their related entities, as specifically provided in the applicable Governing Fund Documents, (iv) with respect to securities or obligations issued by or related to entities owned or to be owned, directly or indirectly, by a Fund, or (v) with the consent of the Fund's Investors, in all cases in accordance with applicable law. While Prime Group seeks to manage such potential conflicts arising out of the potentially overlapping investment objectives of the Funds, there can be no assurance in the case of overlapping investment opportunities that Prime Group's ultimate decision to allocate or not allocate a particular investment to a particular Fund will result in such Fund's returns being equivalent to or better than the returns obtained by other Funds.

The classification of an investment opportunity as appropriate or inappropriate for one Fund or another will be made by Prime Group, in good faith, at the time of investment and will govern in this regard. Where potential overlaps with any of the Funds do exist, such opportunities will be allocated by Prime Group, in good faith, after taking into consideration the investment focus of each affected Fund and the Investment Allocation Considerations.

Investors, third parties, Advisory Employees and/or related persons of the Advisors may participate in co-investment entities that invest in real estate, real estate debt instruments or real estate-related assets which are also invested in by the Funds. Generally, Prime Group will only provide opportunities to co-invest with a Fund when Prime Group has determined that the size or risk of a



proposed investment makes it desirable to obtain additional equity for such proposed investment; and each co-investment vehicle will acquire and dispose of its interest in the applicable investment at the same time and on the same terms as the Fund (unless, in the case of the Finance Funds, otherwise approved by the applicable Advisory Board). With respect to the Finance Funds, any co-investment opportunities require the consent of the Advisory Board and the General Partner. With respect to the Residential Funds and the Liquidity Fund, any co-investment opportunities, if any, will require the consent of their respective investment committees.

Prime Group has in the past offered, and expects in the future to offer, Investors and other third parties the opportunity to co-invest in particular investments alongside the Funds. Subject to the terms of the applicable Governing Fund Documents and Prime Group's allocation policies, co-investment opportunities offered to Investors will be allocated as determined by the General Partners in their discretion, and there is no guarantee for any Investor that it will be offered co-investment opportunities. As a general matter, the General Partners, in determining the allocation of co-investment opportunities, generally expect to take into account various facts and circumstances deemed relevant by the General Partners, including among others, whether a potential co-investor has expressed interest in participating in co-investment opportunities, whether a potential co-investor has a history of participating in similar co-investment opportunities, the size of the potential co-investor's interest to be held in the underlying investment (which is likely to be based on the size of the potential investor's capital commitment and/or investment in the applicable Fund), whether the potential co-investor has demonstrated a long-term or continuing commitment to the potential success of Prime Group, the applicable Fund or other co-investments and/or other Funds, and such other factors that Prime Group deems relevant under the circumstances. The terms and conditions of any co-investment opportunities and vehicles will generally be negotiated by the General Partners and the potential co-investor on a case-by-case basis. The allocation of co-investment opportunities may involve a benefit to Prime Group including, without limitation, fees or carried interest from the co-investment opportunity and capital commitments to the Funds, and such co-investment fees (e.g. management fees and/or carried interest) could create an incentive for the General Partners to pursue an investment and structure the terms of the Fund's investment differently than it otherwise would in the absence of such co-investment fees. Co-investment fees realized by Prime Group and the costs that the co-investor bears, including the extent to which a co-investor would share in any Broken-Deal Expenses, are negotiated by Prime Group on a case-by-case basis. This typically results in the Funds with respect to which the co-investment opportunity may arise bearing all such Broken Deal Expenses and the potential co-investor bearing none.

Prime Group and its related persons (except in the case of Parallel Funds) have made personal investments in the Funds alongside the Investors or will otherwise have interests in each Fund (e.g., the General Partner for each Fund is generally 100% owned by Prime Group or its related persons). As previously described in the Fees and Compensation section, Prime Group receives incentive compensation from the Funds, which creates a conflict of interest, and has addressed this conflict. See the Fees and Compensation section.

Advisory Employees make personal investments in real estate related securities or private placements, subject to the restrictions of the Code, as described above.

As described above in the Advisory Business and Fees and Compensation sections, cash reserves held by the Residential Funds are invested in the Liquidity Fund. This creates a potential conflict of interest because Investors in the Residential Funds pay direct management fees to Prime Group for their investments in the Residential Funds as well as indirect management fees to Prime/Park LaBrea, an affiliate of Prime Residential, for the Residential Funds' investments in the Liquidity Fund. To address this potential conflict, Prime Group does not receive any asset-based management fees or incentive fees directly from the Liquidity Fund; it receives a flat management fee, which is paid annually in arrears (although it receives carried interest from the Residential Funds as a result of investment proceeds that flow through the Liquidity Fund to the Residential Funds).

In the normal course of business, the Advisors and Advisory Employees provide gifts and gratuities to various individuals or entities such as clients, vendors, consultants, and service providers. These gifts, gratuities and contributions are not premised upon any specific client referrals or any expectation of any other type of benefit to Prime Group. The Advisors have adopted a practice of not accepting any gifts valued in excess of \$500 without clearance by compliance. The Advisors and Advisory Employees also make political contributions to persons who serve or seek to serve in elected capacities with certain public entities. These political contributions are permitted only in compliance with the SEC's and any relevant state or local rules prohibiting "pay-to-play" activities adopted under Rule 206(4)-5 of the Advisers Act.

In addition, Prime Group, as investment adviser, or its affiliate, has in the past and may in the future, to the extent not prohibited by the applicable Governing Fund Documents, engage in principal transactions (*i.e.*, transactions where Prime Group or an affiliate is deemed to be acting for its own account by buying a security from, or selling a security to, a client, including a Fund). A potential conflict of interest could arise in that the interested Prime Group-related person could benefit from such a purchase or sale of the applicable security by a Prime Group client.

Section 206 of the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and its clients, on the other hand. Generally, pursuant to the Advisers Act, if Prime Group (or an affiliate) purchases a security from or sells a security to a client, Prime Group must disclose the terms of the transaction to the client and obtain the consent of the client prior to engaging in the principal transaction. Prime Group has established policies and procedures to comply with the Advisers Act when engaging in principal transactions with clients.

Generally, Prime Group does not effect cross transactions between the Funds; however, such cross transactions or transactions that may be similar to cross transactions (*e.g.*, when a loan originated by an older vintage Finance Fund is refinanced by the currently active Finance Fund) have been effected on occasion. In addition, certain Finance Funds are expressly permitted to engage in certain transactions with their General Partner, other Finance Funds or their respective affiliates, in each case, only as permitted by the Governing Fund Documents or Advisory Boards, as the case may be, of the Funds involved and subject to Prime Group's valuation policies and procedures and the requirements of the Advisers Act, which involve selling or transferring investments (including assets that are, directly or indirectly, owned by, or part of the collateral of other assets (*e.g.*, as part of the underlying collateral of CMBS) owned by, a Fund) to, or acquiring assets from, a General Partner, another Finance Fund or their respective affiliates, any of which may constitute cross-transactions. The Finance Funds will only engage in such cross-transactions where one Fund indirectly owns interests in an asset because it forms a part of the collateral underlying such Fund's

existing investment, the asset is offered for sale through a competitive bidding process, and the applicable General Partners, each acting in their sole discretion, determine that such transaction is in the best interests of, and is fair and reasonable to, the Funds involved. In the event that Prime Group does effect other forms of cross or similar transactions between the Funds, Prime Group will seek to ensure that such transactions and any related disclosures are made consistent with applicable laws and agreements and Prime Group's policies and procedures. In particular, Prime Group will seek to ensure that the transaction is: (i) in Prime Group's judgment, in the best interest of each Fund involved; (ii) in compliance with the relevant Governing Fund Documents, including any investment guidelines or restrictions for those Funds; (iii) entered into only after notifying and consulting with the Advisory Board and obtaining any required Advisory Board or limited partner approvals of the transaction's terms and conditions, to the extent required by the Governing Fund Documents and applicable law; and (iv) effected on terms that are comparable to the terms that could be obtained through an arm's length transaction with a third party and that is otherwise fair to both Funds involved.

The Investors include taxable and tax-exempt entities and include persons or entities organized in various jurisdictions. As a result, conflicts of interest can arise in connection with decisions made by each Fund's General Partner that are more beneficial for one type of Investor than for another type of Investor. In addition, the Funds may make investments that may have a negative impact on related investments made by the Investors in separate transactions. In selecting investments appropriate for a Fund, each Fund's General Partner will consider the investment objectives of the Fund as a whole and not the investment objectives of any Investor individually.

Certain Investors are real estate brokers or other market participants ("Market Participants") and therefore could engage in transactions with or provide services to Prime Group or the Funds and receive a direct personal benefit. While these relationships with Market Participants could create a conflict of interest, each General Partner has a fiduciary duty to such Fund and will therefore consider the Fund's best interest when selecting service providers.

Certain investment advisers that refer investors to Prime Group have other business relationships with Prime Group or its senior executives and/or their families, including managing a portion of their personal assets, and such other business relationships could potentially create a potential conflict of interest in such investment advisers' recommendation for their investors or in Prime Group's interactions with such persons as Investors in the Funds.

The Finance Funds, particularly the Long Duration Funds, may make investments in different tranches of the same CMBS issuances, including tranches which entitle a Finance Fund to act as the controlling class representative ("CCR"). In such circumstances, Prime Group may have conflicting duties among the Finance Funds investing in the same CMBS issuance. Generally speaking, Prime Group expects that Finance Funds will make such investments that potentially conflict with the interests of another Finance Fund that already has an existing investment in the same CMBS issuance only when, at the time of the subsequent investment, Prime Group believes that (i) such investment is in the best interests of the Finance Funds involved and (ii) the possibility of actual adversity between the Finance Funds involved is remote or Prime Group believes can be effectively mitigated. In those circumstances where two or more Finance Funds hold investments in different tranches of the same CMBS issuance, Prime Group may also, to the fullest extent permitted by applicable law, take steps to reduce the potential for adversity between each of them, including

taking certain actions on behalf of such Finance Funds that, in the absence of such conflict, Prime Group or such Finance Funds would not take, such as refraining from acting as the CCR, exercising its authority as CCR solely based on the recommendation of the special servicer or other disinterested third party or otherwise taking an action designed to reduce adversity. Any such step could have the unintended effect of benefiting a Finance Fund to the detriment of another or Prime Group itself or any of its affiliates, and therefore may not have been in the best interests of, and may have been adverse to, the affected Finance Funds.

Each Fund's General Partner has a fiduciary duty to manage the Fund in the best interests of the Investors and will in good faith attempt to resolve potential conflicts of interest in a manner that it believes is in, or not opposed to, the best interests of the Investors. No assurance can be given that such efforts will be successful.

There can be no assurance that Prime Group will identify or resolve all conflicts of interest in a manner that is favorable to the Funds. The foregoing discussion enumerates certain potential conflicts of interest, but is not intended to be an exclusive list of all such conflicts.

**Item 12: Brokerage Practices**

Prime Group invests the Funds' assets almost exclusively in real estate debt instruments, including investment grade, below investment grade or unrated CMBS and other related securities and Loans, real estate, other real estate-related assets, and, in the case of the Liquidity Fund, private funds and debt and equity securities. From time to time, Prime Group also transacts in interest rate caps or other interest rate derivatives in connection with current or future loans on real estate investments.

Prime Group recognizes that the analysis of execution and implementation quality involves a number of factors, both qualitative and quantitative. Although most of the investment opportunities pursued by the Funds involve privately negotiated real estate equity or debt transactions which are not conducted through a broker-dealer, in some instances, particularly with respect to the Long Duration Funds, the Funds may acquire or sell securities, as the case may be, through broker-dealers selected by Prime Group. Generally, such transactions are structured as a bid wanted in competition (BWIC), a broker-dealer-led auction or a reverse inquiry. In such instances, the Advisory Employees involved in effecting the transactions will maintain documentation to record the various bids received, the selected winning bid and any information on qualitative factors other than price that may have impacted the selection of the winning bid (i.e., because a bidder expressed interest in buying multiple classes of securities that combined represented the most attractive opportunity for the Fund), and the CCO or his designee will review such documentation on a periodic (at least quarterly) post-hoc basis. To the extent Prime Group engages financial intermediaries in connection with such securities transactions for the Funds, Prime Group will seek to obtain best execution, and will take into account a range of applicable factors (depending on the securities transaction) when hiring broker-dealers or other intermediaries for the purpose of completing said transactions, in such a manner that the Funds' total costs or proceeds in each transaction are the most favorable under the particular circumstances at the time of the transaction. The factors that Advisory Employees involved in securities transactions on behalf of the Funds will take into consideration include, without limitation, general expertise and background, the type and size of the transaction involved, opportunity to get a better price than what is quoted, the stability or solvency of the service provider or counterparty, the quality and cost of the service provider's services, their settlement capabilities, the time required to complete the transaction, the value of any research services and/or any arrangements relating to overall performance in the best interest of the Funds or any other relevant tax, regulatory or legal considerations. The CCO will also obtain, at least annually, assurances that the fees paid by the Funds are reasonable in light of the services received and that neither Prime Group nor any Advisory Employee was improperly incentivized to direct Fund trades or transactions to a third-party service provider or other intermediary that did not reasonably offer the best terms to the Fund.

Prime Group does not participate in any soft dollar arrangements, and it does not receive research or other products or services other than execution from a broker-dealer or a third party in connection with the Funds' securities transaction.

Prime Group does not aggregate purchase or sale of securities for the Funds, as each Fund has distinct investment objectives and holds distinct investments.

Prime Group has established policies and procedures regarding the handling of trade errors in the Funds (e.g., the purchase or sale of a security in the wrong amount, or contrary to a Fund's investment objectives). If a trade error does occur as a result of Prime Group's gross negligence, willful misconduct, or fraud, such error will be corrected as soon as practicable and in such a manner that the Fund incurs no loss. Trade errors resulting from other than a breach of care by Prime Group will be borne by the Fund. To the extent that any trade error results in a gain to the Fund, the Fund will retain any such gain.

**Item 13: Review of Accounts**

The General Partner for each Fund has ultimate responsibility for all investment decisions and will continuously review each Fund on an ad hoc basis. The respective investment committees at the relevant Advisor make recommendations to the Residential Funds' and Finance Funds' General Partners, respectively.

In addition, the CCO will review the Finance Funds' and the Liquidity Fund's investment activities at least quarterly to ensure compliance with investment objectives and any investment restrictions set forth in the offering documents. The CCO's review of the Residential Fund portfolios will generally be limited to the occurrence (for single-asset Residential Funds) or occurrences (for multiple-asset Residential Funds) of each initial investment in an asset, but, to the extent Residential Fund makes follow-on or subsequent investments, his review will extend to such activities as well. For Finance Funds, the investment committee consists of the five Co-Founders, with the addition of Luke Dann with respect to the Long Duration Funds and Seth Fisher with respect to the Special Situations Fund. For the Residential Funds, the investment committee consists of Messrs. Atwater and James. For the Liquidity Fund, Mr. Atwater, acting with the advice of outside advisors, is the sole member of such investment committee.

In addition, for the Residential Funds, internal operating and asset management reports are prepared and reviewed at least quarterly by Messrs. James, Madison and Bloom. For the Finance Funds, asset management reports are prepared monthly (Short Duration Funds) or quarterly (Long Duration Funds and the Special Situations Fund) and are reviewed by Messrs., Atwater, James, Brayshaw, Douglass and Gerstung. For the Short Duration Funds, a risk management report of relevant risk metrics and portfolio weightings is also prepared periodically and reviewed by the five Co-Founders. For the Liquidity Fund, a third-party advisor prepares performance reports quarterly. Messrs. Atwater and Madison review the performance reports quarterly and receive advice from outside advisors as needed.

Investors will receive annual audited financial statements for the Fund in which they are invested. Also, Investors will receive information necessary for the preparation of tax returns, as necessary.

**Item 14: Client Referrals and Other Compensation**

Neither Prime Group nor its related persons engage third party placement agents (e.g., solicitors) to solicit prospective Investors to the Funds. However, should Prime Group determine to utilize a third party placement agent for Investor referrals in the future, Prime Group will seek to comply with Rule 206(4)-3 under the Advisers Act (the “cash solicitation rule”) to the extent the cash solicitation rule is applicable to the use of placement agents by pooled investment vehicles such as the Funds.

Prime Group maintains most of its deposit accounts (collectively, the “Accounts”) on behalf of Prime Group, the Funds, the General Partners and their respective affiliates (including the Family Office) at a single bank, which provides Prime Group a monthly credit (“Credits”) that is applied against various Account fees charged by the bank (“Fees”) based on the balances in the Accounts during such month. No less frequently than annually, Prime Group reconciles the Fees and Credits for each Account in order to (i) charge each Account the amount by which Fees exceed Credits during the applicable period or (ii) credit each Account the amount by which Credits exceed Fees during the applicable period. Prime Group believes that these transfers fairly apportion the Credits among the Accounts according to their respective balances and appropriately allocate Fees incurred by each Account, while reducing banking costs for all the Accounts as a whole.

Certain Prime Group employees who live in apartment complexes owned by the Residential Funds receive rent discounts (generally, 20% off). Each Prime Group entity to which such employee’s salary is allocated pays the amount of such discount directly to the Residential Fund which holds the property at which the employee lives (if different from the entity to which the employee’s salary is allocated). In these instances, Prime Group believes that the Prime Group entities bearing the discounts benefit from being able to attract and compensate valuable employees and that the Residential Fund properties housing such employees benefit from having additional Prime Group employees onsite to monitor or oversee their properties.

HCP, which manages a large portion of the Liquidity Fund, from time to time (i) recommends or, exercising its discretionary authority, causes certain Investors (including HCP affiliates) to invest in one or more Funds and (ii) manages a portion of the personal assets of one or more of our senior executives and/or their families. Although conflicts of interest may exist in the engagement of HCP by the Liquidity Fund, Prime Group believes that the relationships between HCP, the Liquidity Fund and such Investors and senior executives are mutually beneficial for the parties involved and do not negatively impact the Funds or any other Investors.



**Item 15: Custody**

The Advisors have access to client accounts (i.e., the Funds) because they or an affiliate serves as the General Partners of the Funds. Investors will not receive statements from any custodians. Instead, the Funds 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 will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of each Fund's fiscal year end (180 days for funds of funds, such as the Liquidity Fund).

**Item 16: Investment Discretion**

Prime Group has investment discretion over the Funds' assets, in accordance with each Fund's Governing Fund Documents. As noted above, the Funds' General Partners are affiliates of the applicable Advisor. Each Fund's Governing Fund Documents generally set forth certain limitations with respect to the management of the Fund and the activities of the applicable Advisor, among others. Investors have in the past and may in the future enter into side letters with Prime Group, as described in the Types of Clients section. Certain of these agreements have the effect of limiting certain of Prime Group's activities.

**Item 17: Voting Client Securities**

Prime Group invests Client assets generally in senior, subordinate or mezzanine loans, portfolios of loans, tranches of loan portfolios, real estate or preferred equity interests in real estate (other than with respect to the Liquidity Fund, which primarily invests cash reserves held by certain of the Residential Funds in other private pooled investment vehicles and fixed-income securities). Voting is generally not applicable for these types of investments. However, Prime Group or the General Partners may periodically exercise voting authority with respect to securities held by the Funds or with respect to investments held by the Funds, or in the case of CMBS issuances, may act as the CCR and exercise certain consent rights with respect to approving major leases, loan assumptions, holdback or collateral releases, easements, loan sales, asset foreclosures, loan modifications and/or other significant events affecting the collateral of such issuances. From time to time, multiple Long Duration Funds invest in and hold different tranches (or bond classes) in the same CMBS issuance for which one such Long Duration Fund is acting as the issuance's CCR and thus has such consent rights over major decisions affecting the collateral and, indirectly, the interests of the other Long Duration Fund(s). In such instances, Prime Group will act and make any decisions as CCR in accordance with its policies specifically adopted for such purpose and/or described in the applicable Governing Fund Documents. In all instances of voting client securities or exercising similar discretion affecting the Funds' investments, Prime Group, the General Partner or other designated person will vote in the best interest of the Funds and in accordance with their fiduciary duty to the Funds.

If there is an actual or potential material conflict of interest in connection with a prospective vote, such conflict will be resolved in accordance with the Governing Fund Documents and Prime Group's policies and procedures. Prime Group will not neglect its voting responsibilities, but Prime Group may abstain from voting in any instance if it deems that such abstention is in a Fund's best interests.

The General Partner for a Fund will determine on a case-by-case basis whether a Fund will participate in class actions.

Investors cannot direct Prime Group's votes. However, they can obtain information on how Prime Group voted by contacting the CCO. They can also obtain a copy of Prime Group's proxy voting and class action policies and procedures by contacting the CCO.

**Item 18: Financial Information**

Prime Group is not required to provide an audited balance sheet because it does not solicit fees more than six months in advance and does not have a financial condition that is likely to impair its ability to meet contractual commitments to the Funds or Investors. Prime Group has not been subject to any bankruptcy proceeding during the past 10 years.