

**Form ADV Part 2A — March 31, 2021**



30242 Esperanza, Rancho Santa Margarita, CA 92688  
Telephone: (949) 709-8888 | Email: [ir@kimc.com](mailto:ir@kimc.com) | [www.kimc.com](http://www.kimc.com)

**Item 1 – Cover Page**

Kairos Investment Management Company, LLC primarily conducts business as Kairos or Redwood-Kairos Real Estate Partners (“Kairos”). This brochure provides information about the qualifications and business practices of Kairos. If you have any questions about the contents of this brochure, please contact us at [ir@kimc.com](mailto:ir@kimc.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

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

Kairos is registered with the SEC as an investment adviser. Registration as an investment adviser does not imply any or a certain level of skill or training.

This brochure was compiled to satisfy a regulatory requirement and is not an attempt to advertise.

## **Item 2 – Material Changes**

Since this Form ADV Part 2A was updated on 3/30/2020, Kairos has established two new private funds, Redwood-Kairos Real Estate Value Fund VIII, LP (and its parallel fund Redwood-Kairos Real Estate Value Fund VIII-B, LP), and Kairos SKK EnviroKure Investors, LP (“EnviroKure”). Additionally, Kairos has established a pooled investment vehicle, Kairos Credit Strategies REIT, Inc. Kairos has made minor changes throughout and encourages all Clients and Investors to review this brochure carefully and in its entirety.

### **Item 3 – Table of Contents**

Item 1 – Cover Page .....	1
Item 2 – Material Changes .....	2
Item 3 – Table of Contents .....	3
Item 4 – Advisory Business .....	4
Item 5 – Fees and Compensation .....	5
Item 6 – Performance-Based Fees and Side-By-Side Management .....	7
Item 7 – Types of Clients .....	8
Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss .....	8
Item 9 – Disciplinary Information .....	15
Item 10 – Other Financial Industry Activities and Affiliations .....	15
Item 11 – Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading .....	16
Item 12 – Brokerage Practices .....	17
Item 13 – Review of Accounts .....	18
Item 14 – Client Referrals and Other Compensation .....	18
Item 15 – Custody.....	18
Item 16 – Investment Discretion .....	19
Item 17 – Voting Client Securities .....	19
Item 18 – Financial Information .....	19

## **Item 4 – Advisory Business**

Kairos is a private real estate investment management advisory company headquartered in Rancho Santa Margarita, California, majority owned by CJPC, LLC. CJPC, LLC's interest in Kairos is owned by Solid Rock Commercial, LLC which is owned by Carl and Diana Chang. Mr. Carl Chang (Chief Executive Officer) founded Kairos' predecessor in 2005 and leads the day-to-day operations of the firm along with Jonathan Needell (President & Chief Investment Officer) and other senior executives.

Kairos' investment team averages approximately 28 years of real estate experience across disciplines including acquisitions, asset management, property management, development, and construction. The investment team's expertise is concentrated on value-based investing throughout the capital structure, including fee-owned real estate; general partner, joint venture, senior or preferred equity; mezzanine loans; and debt. Kairos' investment team has extensive experience in grocery and pharmacy anchored and convenience retail projects, medical offices, industrial buildings, multifamily investments (including student housing), and commercial mortgage-backed securities or CMBS bonds collateralized by commercial and multifamily properties in the United States.

References herein to Kairos may include, as the context requires, various entities controlled by Kairos or its partners, and entities through which Kairos provides investment management advisory services, such as the general partners of its private funds.

Kairos provides investment management advisory services to its Clients, which are pooled investment vehicles (each a "Fund" and collectively, the "Funds") most commonly structured as limited partnerships or limited liability companies, though one Fund is structured as a corporation which has elected to be treated as a REIT. Certain Funds are organized into a Parallel Fund structure, which generally invest side-by-side on a pro rata basis (based on capital commitments) with another Fund. Parallel Funds may be established for legal, regulatory, tax or other reasons. Kairos does not provide investment advisory services to individual investors or limited partners ("Investors") in the Funds.

In addition to the Clients described above, Kairos manages certain physical real estate assets in legacy investment partnerships, which are not considered to be investment advisory clients of Kairos.

Kairos provides investment management advisory services related to the Clients' investments which are primarily real estate related equity and debt investments (each an "Investment" and collectively, "Investments"). Investments of the Clients include or may include (i) fee owned real estate of various types as described below; (ii) preferred equity, structured debt, mezzanine debt, joint venture equity, and note purchases for real estate of various types as described below; (iii) office, retail, multi-family, industrial, and mixed-use properties; (iv) affordable housing (including some market-rate housing where a portion of units have self-regulated rents) with a focus on social impact programs and environmental property improvements; (v) note and mortgage assets; (vi) loans secured by office, retail, multi-family, industrial, and mixed-use properties; (vii) commercial mortgaged-backed securities; (viii) interests in mortgage loans secured by commercial properties (which interests consist of mortgages, related-mortgage notes, and other loan-related documentation); (ix) interests in real estate mortgage investment conduits; (x) real estate interests in commercial REO properties, represented by deeds in lieu of foreclosure and other instruments; (xi) mortgage pass through certificates; (xii) debt instruments collateralized by commercial mortgages; (xiii) private equity; and (xiv) other assets included in the respective governing documents, Offering Memorandum, organizational documents, or management advisory agreements applicable to such Client ("Governing Documents"). The advisory services provided by Kairos are limited to the types of Investments described herein.

Kairos specializes in advising Clients that seek to employ asset underwriting and tactical management strategies that translate into long-term cash flow and value enhancement. The Clients typically focus on off-market and undervalued transactions ranging in size from approximately \$5,000,000 to \$45,000,000 which Kairos perceives to be below the institutional radar and too large for novice/individual investors. Kairos' investment management advisory services include, but are not limited to: sourcing, identifying, analyzing, and recommending Investment opportunities; monitoring and evaluating Investments; making recommendations regarding financing, refinancing, and sale of Investments; making recommendations regarding the allocation of cash pending distribution or reinvestment; and providing asset management advisory services with respect to the Investments held by Clients. As part of its investment management advisory services, Kairos also provides ancillary services to the Funds or investments held

by Clients, including legal services, construction management, and servicing of Investments, as further described below, under *Item 5 – Fees and Compensation*.

Kairos does not tailor its services to Investors or potential Investors in the Funds nor participate in wrap fee programs. Kairos may restrict particular Clients from investing in certain securities and assets, in accordance with suitability, tax, and legal considerations. The investment advice provided by Kairos and the scope of each Client's investment activity is subject to restrictions set forth in each Fund's governing documents.

As of December 31, 2020, Kairos has \$ 588,949,589 in regulatory assets under management, all of which are managed on a discretionary basis. Kairos does not manage assets on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

Kairos (including its affiliated entities, such as a Fund's general partner and special purpose vehicles ("SPVs") established to hold certain investments) generally receives management fees, carried interest allocations, and/or performance fees in connection with the investment management advisory and administrative services provided to the Clients and certain SPVs. In addition, in certain cases, Kairos also receives a fee related to the investigation, selection, sourcing, origination, acquisition, management, or disposition of real property, debt, mezzanine loans or preferred equity investments owned by a Client.

The compensation structures under which Kairos operates are determined by the risk profile and investment strategy targeted by each Client. The specific terms of Kairos' compensation arrangements for each Client are set forth in the respective Client's Governing Documents, although general information is provided below about such arrangements.

### *Management Fees*

Typically, the management fee is set as a percentage of the capital contributions to the Client, paid quarterly in advance from the Client's available cash, and generally is 1.5% and prorated as applicable; however, the management fee can vary between Clients as described in each Client's Governing Documents, including a management fee set as a percentage of invested capital or asset value which under certain circumstances could be as low as 0.4%. One client pays a fixed annual amount that is paid annually in arrears. Each Client is required to pay Kairos the management fee regardless of Investment performance. Entitlement to non-performance-based compensation creates a conflict of interest as it might reduce Kairos' incentive to devote time and effort to seek profitable opportunities for Client Investments. This conflict may be mitigated by the fact that Kairos and its senior investment management professionals typically make commitments to each Fund (except in the case of Parallel Funds) side-by-side with Investors and receive carried interests in the Funds.

To the extent that a Fund is invested in an SPV affiliated with Kairos and a management fee and carried interest or performance fee are charged to such SPV, the pro rata amount paid by the SPV for management fees, carried interest or performance fees will be rebated to the Fund from Kairos.

Certain SPVs may charge fees on a monthly basis.

### *Performance Fee*

Kairos or its affiliates generally receive incentive income amounting to a percentage of the realized profit after a preferred return or minimum multiple is paid to Investors, subject to certain limitations and/or a clawback provision. This performance fee typically ranges from 10% to 25% and is paid periodically, subject to the limitations in the Fund Governing Documents. As disclosed in the Governing Documents for one Fund, Kairos or its affiliates will receive incentive payments partially in the form of additional units in the Fund.

### *Fund Expenses*

Kairos pays for all of its respective ordinary administrative and overhead expenses including salaries, benefits, and rent with the exception of fees received for certain legal services, as described in more detail below. Each Fund pays for all other expenses attributable to such Fund. Each Fund is responsible for paying all expenses relating to the formation, organization, and operation of such Fund including, but not limited to: all administrative and operating expenses; interest, fees, and expenses arising out of all permitted borrowings made by the Fund; management fees and other fees payable to Kairos or its affiliates in accordance with the terms of the Fund's Governing Documents; all organizational, legal, and offering costs and expenses relating to the formation of the Fund and its related entities and

the offering, syndication, and closing of the Fund and its related entities; all expenses incurred in holding, developing, negotiating, structuring, acquiring, and disposing of the Fund's Investments and prospective Investments (whether or not consummated). Additionally, the Funds will generally pay their allocated portion of expenses such as services subscribed to for investment purposes and indirect due diligence expenses.

Administrative and operating expenses of a Fund may include, but are not limited to: legal and other professional fees, along with any and all fees and disbursements of attorneys relating to Fund matters, fees relating to the preparation of financial reports and tax filings, portfolio valuations and appraisals, third-party audits, and tax returns; taxes, fees, or other governmental charges levied against the Fund, and all expenses incurred in connection with any tax audit, investigation, settlement, or review of the Fund; litigation costs; costs of director and officer liability insurance and indemnification, extraordinary expenses or liabilities relating to the affairs of the Fund; and expenses relating to Advisory Board and Board of Directors meetings. Organizational, legal, and offering costs may include, but are not limited to: Investment related travel expenses and out-of-pocket expenses in connection with each closing, legal fees, placement agent fees and expenses, and offering expenses. Certain Fund Governing Documents indicate that any placement agent fees, and associated expenses paid by the Fund could be applied to reduce (but not below zero) the amount of future management fees paid by the Fund to the manager. Kairos reserves the right to waive any or all of these expenses for any particular instances.

In addition, Kimpact Evergreen Real Estate Investment Fund, LP ("Kimpact") will be responsible for impact program expenses in the furtherance of the impact goals of the Fund including the salary, benefits, and overhead of an impact program manager(s) and support staff. These expenses may include certain costs related to social programs and environmental initiatives on the properties owned by the Fund. The Kimpact Limited Partnership Agreement also indicates that all costs associated with an initial public offering ("IPO"), successful or not, will be borne by the Fund.

Expenses that are attributable to more than one Client, or to Kairos and one or more Clients, will be allocated in a manner that is demonstrably fair and is consistent with disclosures to all affected Clients. Expenses that are attributable to more than one Client will typically be allocated across applicable Clients or allocated in some manner that is deemed to be appropriate and fair based on the nature of the expense.

Kairos and its affiliates provide services to certain Funds and Investments held by Clients. General information is provided below, in Governing Documents, and in annual audited financial statements of the Funds. In addition, please see *Item 10 – Other Financial Industry Activities and Affiliations* for a discussion of the conflicts of interest that arise due to the use of such affiliated service providers.

#### *Servicing Start-up and Origination Fees*

In connection with certain Investments, Kairos charges servicing start-up fees to portfolio companies of the Clients managed by third-party sponsors. Typically, these fees range from 0.5% to 1.5% of the amount of the Investment. For servicing start-up fees, the amount of the Investment is generally limited to the amount to be invested by the Client toward the purchase price plus any improvements for loans and equity Investments. These fees are charged for initial strategic advice, investigation, selection, sourcing, origination, and oversight of third-party sponsor partner managed Investments.

Kairos charges origination fees to borrowers of a Client or an affiliate of a Client for investigation, selection, servicing, and origination of loans. Loans may be originated directly by a Client or subsidiary or through joint ventures in which the Client or its subsidiaries has an interest. These fees are generally 1.0% of the loan amount.

#### *Due Diligence Fees*

In connection with certain Investments, Kairos charges due diligence fees to Clients or portfolio companies of the Clients. These fees are generally 1.0% of the amount of the Investment. These fees are charged for investigation, selection, sourcing, and acquisition of Investments.

#### *Ongoing Servicing Fees*

In connection with Investments, Kairos charges ongoing servicing fees to portfolio companies of the Clients managed by third-party sponsors. Ongoing servicing fees average 0.4% of the loan or equity Investment. These fees are charged for ongoing strategic advice and oversight of sponsor partner Investments. Additionally, in certain cases, Kairos charges servicing fees for duties performed as a loan servicer or a special loan servicer for affiliates of a Client.

#### *Property Management and Brokerage Fees*

Portfolio companies of Kairos generally pay for property management and/or brokerage services. In certain instances, affiliates of Kairos provide brokerage services to portfolio companies of the Clients. The cost for these services is typically paid for by the portfolio companies of the Clients and, to the extent it is provided by an affiliate, is charged at a rate that Kairos believes to be comparable to what other third-parties would charge for such services.

#### *Legal Fees*

In certain instances, employees of Kairos perform legal services for the Clients and for portfolio companies of the Clients, and the cost of the employees' time for such services is paid for by the Clients or the portfolio companies, as applicable. Kairos believes that the cost for such employees' time is comparable to what other third-parties would charge for such services.

#### *Construction Management*

In certain instances, employees of Kairos perform construction management services for portfolio companies of the Clients, and the cost of the employees' time for such services is paid for by the portfolio companies. The cost for these services is charged at a rate that Kairos believes to be comparable to what other third-parties would charge for such services.

#### *Differing Terms*

Kairos has agreed with certain Investors to a variation or waiver of the management fee and/or performance fee payable to Kairos or the yield paid to certain Investors in certain Funds and may continue to do so in the future. Typically affiliates and employees of Kairos that invest in the Funds are subject to the same management fees, performance fees, and Fund expenses as other investors in the Funds. With regard to EnviroKure, a private equity investment, in certain circumstances, management and performance fees are waived for employees of Kairos.

Kairos has also entered into arrangements with certain Investors regarding Advisory Board membership and certain rights upon the occurrence of an IPO for a Fund.

### **Item 6 – Performance-Based Fees and Side-By-Side Management**

As described in *Item 5 – Fees and Compensation*, the Clients typically pay Kairos or its affiliates carried interest allocations and/or performance fees.

A portion of the fees Kairos receives is based on the performance of the Clients' Investments, which may create an incentive for Kairos to acquire Investments on behalf of the Client that are riskier or more speculative than would be the case in the absence of such performance-based distribution entitlement. This incentive may be mitigated by the fact that Kairos and its senior investment management professionals typically make commitments to each Fund (except in the case of Parallel Funds) side-by-side with Investors.

Differences in Kairos' compensation arrangements with its Clients and/or Investors, particularly because of differences in performance-based compensation paid by Clients, could create incentives for Kairos to manage Client portfolios so as to favor certain Clients, as could Kairos' ownership interest (e.g., as the general partner or limited partner) in some Client accounts. Kairos may also advise additional funds or clients in the future with different compensation structures than its current Clients. To address this conflict, Kairos follows established procedures, as documented in the Fund offering documents and other written procedures, to allocate investment opportunities among Clients. For certain Clients, an Advisory Board has been established and Kairos may ask such Advisory Board to provide recommendations to Kairos in the event of a conflict of interest with respect to the allocation of investment opportunities. Notwithstanding these potential conflicts, and pursuant to each Fund's governing documents, each of the Investors in a Fund will share in all transactions and opportunities of the Fund on a pro-rata basis based upon capital commitments made to the Fund, except in certain limited circumstances such as co-investment opportunities.

## **Item 7 – Types of Clients**

As described in Item 4, Kairos provides investment management advisory services to the Funds.

Each Investor in the Funds is required to meet suitability requirements pursuant to Federal securities laws and to commit a minimum amount in order to invest in the Funds, as outlined in each Fund's Governing Documents. Kairos has the discretion to reduce or waive the minimum initial investment or commitment offer for any reason and has done so in the past for certain Investors.

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

### *Risks*

Investing in the Funds and in real estate Investments generally involves a risk of loss that Clients and Investors should be prepared to bear. The following are some of the risks associated with Kairos' Investments. For a more complete description of risks, please see the Governing Documents for each applicable Client.

While Kairos is highly selective in the Investments it recommends to the Clients in order to attempt to mitigate the risks of permanent loss of capital, certain risks are beyond the control of Kairos and may subject the Clients to losses. Kairos and the Funds have limited operating and investing history. The past performance of other Investments cannot be relied upon as an indicator of future returns. There is no guarantee Kairos will be able to successfully implement any Investment strategy.

### *Public Health Risk*

On March 11, 2020, the World Health Organization declared the novel coronavirus ("COVID-19") outbreak as a pandemic. The outbreak of COVID-19 continues to cause domestic and global disruption in operations for many businesses. The impacts of COVID-19 on the global economy and the Funds' investment activities are not yet fully known, but present material uncertainty with respect to the Funds' performance and could adversely affect future financial results. Other catastrophic events similar to a pandemic could also have a material economic impact.

### *Investment Strategies*

Kairos focuses on making value-based Investments on advantageous pricing terms some of which result from market dislocations in the economy, with the goal of generating cash flow and long-term capital appreciation. The investment strategy pursued by the Kimpact Fund focuses specifically on affordable housing, including multifamily properties and manufactured housing with regulated rents on some or all units and market rate multifamily and manufactured housing properties where rents will be self-regulated. Kairos also makes certain Investments that could potentially provide environmental benefits as well as generating cash flow and/or tax benefits, such as solar panels. Disciplined asset by asset underwriting and tactical management strategies are employed through Kairos' efforts to enhance value and generate strong cash flows. Often, the focus is on intrinsic real estate value that Kairos believes translates into long-term cash flow and value enhancement. Kairos has a strategic market focus backed by strong fundamental analysis of economics, demographics, and local supply and demand conditions.

### *Investment Process*

The investment process typically will begin with the identification of an Investment opportunity by Kairos, followed by underwriting and due diligence. Then, Kairos will determine the fundamental value of the potential Investment, identify legal, tax, and regulatory considerations, identify an exit strategy, evaluate the Investment's sensitivity to changes in market conditions, determine fundamental value or collateral of the Investment, analyze the financial characteristics of the Investment, and identify and evaluate the risk of the Investment. Though procedural details will vary for each transaction, Kairos will typically: assess the value of the investment, including analyzing tenant lease expiration, credit exposures, and historical and projected cash flow performance; engage in comparable transaction analysis; evaluate financing parameters of assumed debt maturity risk; construct varying return outcomes which may include upside and downside scenarios; and analyze the fit of each Investment in the Client's portfolio to manage risks such as exposure to specific tenants, property type, geographic exposure, and property quality.



### *Investment Characteristics*

Kairos provides investment management advisory services related to the Clients' Investments which are primarily real estate related equity and debt Investments. Investments of the Clients include or may include (i) fee owned real estate of various types as described below; (ii) preferred equity, structured debt, mezzanine debt, joint venture equity, and note purchases for real estate of various types as described below; (iii) office, retail, multi-family, industrial, and mixed-use properties; (iv) affordable housing (including some market-rate housing where a portion of units have self-regulated rents) with a focus on social impact programs and environmental property improvements; (v) note and mortgage assets; (vi) loans secured by office, retail, multi-family, industrial, and mixed-use properties; (vii) commercial mortgaged-backed securities; (viii) interests in mortgage loans secured by commercial properties (which interests consist of mortgages, related-mortgage notes, and other loan-related documentation); (ix) interests in real estate mortgage investment conduits; (x) real estate interests in commercial REO properties, represented by deeds in lieu of foreclosure and other instruments; (xi) mortgage pass through certificates; (xii) debt instruments collateralized by commercial mortgages; (xiii) private equity; and (xiv) other assets included in the Governing Documents of each Client.

Typically, Kairos will seek to achieve target internal rates of return or IRR (investor returns, net of all fees and carried interest allocations and/or performance fees) on behalf of its Clients as described more fully in each Client's Governing Documents. The Clients typically focus on off-market and undervalued transactions in physical real estate ranging in size from approximately \$5,000,000 to \$45,000,000 which Kairos perceives to be below the institutional radar and too large for novice/individual investors. This market segment typically provides greater market inefficiencies due to lower transaction liquidity, transparency, and analyst coverage. Clients may target smaller or larger assets and may also co-invest with other investors in projects including entities managed by Kairos for purposes of facilitating an Investment.

### *Methods of Analysis*

The methods of analysis employed involve top-down research, based on macroeconomic and geographic market economic analysis, combined with bottom-up fundamental local market, sub-market and financial analysis, and comparable transaction analysis. Investments are vetted in a process that includes disciplined due diligence and inspection of the physical quality of the asset, capital and legal structure risks, evaluation of asset management risks, environmental risks, other identifiable risks, financial obligations, leases, regional and local economics, and local level supply and demand dynamics.

### *Asset Valuations, Projections, and Targeted Returns*

Projections, forecasts, and estimates are forward-looking statements and are based on certain assumptions. Actual events are difficult to predict, cannot be controlled by Kairos, and may differ from those assumed. Accordingly, there can be no assurance that estimated returns or projections can be realized or that actual returns or results will not be materially lower than those estimated. The valuations, forecasts, estimates, opinions, and projections involve elements of subjective judgment and analysis. With certain limited exceptions, valuations of Client assets are determined by Kairos and are final and conclusive. Projections of rental income and expenses and estimates of the fair value of a property upon completion of improvements when agreeing upon a price to be paid for the property at the time of acquisition of the property may prove to be inaccurate, resulting in overpaying for a property. There can be no assurance that unrealized Investments will be realized at current or projected valuations or at all. There is no guarantee that any estimates or projections made for Clients will be achieved. Actual results will vary from projections and such variations may be material.

### *Operational Risk*

Kairos faces operational risk on a day-to-day basis through human error on the part of its employees (data entry error, fraud, reconciliation errors, among other things), through its systems (technical failures, systematic errors in valuation or risk measurements models), and through the activities of third-parties that provide services to the Clients, including the Client portfolio companies and Investments.

### *Client/Investor Suitability*

Prospective Clients and Investors should carefully consider and review the considerations outlined in their respective Governing Documents with their financial, tax, and legal advisers prior to investing with Kairos. Investing in any of the Clients may involve complex tax considerations that differ for each Client or Investor. For participation in a Fund,

prospective Investors are required to meet suitability standards including, but not limited to, financial standards and qualifications. An investment in Kairos' investment strategies involves significant risk and should be considered only by sophisticated Clients and Investors able to meet drawdown obligations and assume the inherent risks of permanent capital loss and illiquidity with which they are associated. As the Clients' Investment programs develop and change over time, Investments with Kairos may be subject to additional risk factors which are not discussed in this brochure.

#### *Transaction Costs*

Because Investments are actively managed, purchases and sales of Investments may be frequent and may result in higher transactions costs. Amounts paid for Investment expenses, management fees, acquisition fees, origination fees, servicer expenses, originator expenses, and other fees may, in the aggregate, constitute a higher percentage of a Client or Investor's capital relative to other investment entities with similar investment strategies.

#### *Market Risk*

The price of securities, particularly the types of securities and other Investments which the Clients may acquire, could be affected by factors such as: real or perceived adverse economic conditions; supply and demand for particular property types, Investments, and instruments; changes in the general outlook for the real estate market or corporate earnings; interest rates, or adverse investor sentiment generally. The market values of Investments may decline for a number of reasons, including, but not limited to: increases in defaults resulting from changes in overall economic conditions, increases in prepayments resulting from increased borrower mobility or increased availability of refinancing opportunities, and widening of credit spreads. Unfavorable market conditions may also increase funding costs, limit access to the capital markets, or result in a decision by lenders not to extend credit to any of the Clients. Any of these factors could prevent the Clients from acquiring or increasing the size of their Investments and have an adverse effect on operating results. There also exists an inherent market risk for declining property values in which the Clients invest. The market value of a property may be influenced by development projects, relocation trends, and environmental factors, among others. While Kairos seeks to be prudent in acquisition analyses and underwriting, changing market conditions cannot be predicted or guaranteed.

#### *Cash and Cash Equivalents*

A Client may hold cash and cash equivalents at any given time during its term. Available cash and cash equivalents are generally expected to be held in interest-bearing funds managed by third-party financial institutions. The Clients' access to its invested cash and cash equivalents may be impacted by adverse conditions in the financial markets, and Kairos' Clients are subject to the risk that they may lose assets in connection with bank or other financial institution failures. The balances of accounts with third-party financial institutions can be expected to exceed the Federal Deposit Insurance Corporation insurance limits, or the limits of the deposit insurance regimes of other applicable jurisdictions, as applicable. While Kairos will make efforts to monitor the cash balances in its operating accounts and adjust the cash balances as appropriate, these cash balances could be impacted if the underlying financial institutions fail or other adverse conditions in the financial markets occur. An additional control is the due diligence employed by Kairos in selecting financial institutions. Kairos considers the stability of any third-party financial institutions to the extent such relevant information is available to Kairos.

#### *Interest Rates*

Risks associated with market changes in interest rates are subject to factors which Kairos cannot control, such as domestic and international governmental monetary and fiscal policies, and economic and political events. Assets and instruments in which the Clients invest are subject to interest rate risk, including the risk of declining in value when long-term interest rates increase.

#### *Hedging*

While some of the Clients may attempt to benefit from the use of hedging mechanisms, unanticipated changes in interest rates and other market conditions may result in a poorer overall performance for such Clients than if those Clients had not entered into any hedge transactions.

#### *Competition*

Kairos faces competition for real property Investments sought on behalf of its Clients from corporations, pension plans, and other entities engaged in real estate investment activities. Competition for the types of properties in which the Clients invest is constantly changing, which may affect costs and returns.

#### *Potential for Insufficient Investment Opportunities*

The business of identifying and structuring real estate transactions is highly competitive and involves a high degree of uncertainty. Kairos may face increasing competition for attractive Investments from existing and new real estate investors with similar investment objectives. Furthermore, the availability of Investment opportunities generally will be subject to market conditions. In particular, in light of changes in such conditions, certain types of Investments may not be available on terms as attractive as those available in the past. Accordingly, Kairos may be unable to find a sufficient number of attractive opportunities that meet its investment objectives to invest the full amount of capital that may be committed to a Client.

#### *Diversification*

While Kairos typically expects at full deployment for no single Investment to represent more than 15% of a Fund's total investment portfolio value, the Funds are not limited in the amount of capital that may be committed to any one Investment and do not have fixed guidelines for strategy, industry, or market diversification. In certain cases, a Client will invest in only a single asset or a very small number of assets. One Fund is focused on a single strategy. As a result, Investments could potentially be concentrated in relatively few strategies, property sectors, or markets. In addition, because of the types of Investments the Clients expect to acquire, Clients will be especially susceptible to risks related to the real estate and mortgage sectors of the economy. Such limited diversification would make Clients significantly more susceptible to risks associated with a single economic, political, or regulatory occurrence than a more diversified portfolio. Clients could be subject to significant losses if a relatively large position in a single strategy, issuer, industry, market, or a particular type of investment that declines in value is held, and the losses could increase even further if Investments cannot be liquidated in due time.

#### *Leverage*

Clients may employ leverage to the cost of acquired Investments. In order to increase the amount of capital available for investment, Clients may borrow from brokerage firms, banks and other financial institutions. Consequently, the level of interest rates at which the Clients can borrow will affect the operating results of the Clients. The use of leverage has the potential to magnify gains or losses on Investments and to make Client returns more volatile.

#### *Default and Foreclosure Risk*

The ability of a borrower to repay a loan secured by an income-producing property typically is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower's ability to repay the loan may be impaired. As such, through the use of leverage, the Client's assets will be subject to default and foreclosure risks if there arises a change in conditions where it is not possible to produce a positive net operating income from the property.

#### *Regulations*

New or revised legislation or regulations imposed by the SEC, other U.S. or non-U.S. governmental regulatory authorities, or self-regulatory organizations may be adopted in the future, with the risk of potentially making compliance more difficult and expensive, affecting the manner in which Kairos conducts business, and having an adverse effect on Kairos and any of the Clients or their Investments. Changes in the enforcement or interpretation of existing statutes and rules by these regulatory authorities or self-regulatory organizations may lead to similar effects as noted above. Additionally, the regulatory environment for private investment funds is evolving, and changes in the regulation of private investment funds may adversely affect the value of Investments held by the Funds and their ability to obtain leverage.

In addition, the securities and futures markets are subject to comprehensive statutes, regulations, and margin requirements. The SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action.

#### *Investor Default*

Once an Investor commits to a Fund, the unpaid portions of its capital commitment must be contributed to such Fund upon notice from Kairos, without exception. A change in an Investor's circumstances will not excuse a failure to make a capital call. Failure to do so may have serious adverse consequences, both to the Investor and possibly to the Fund.

Kairos has the right to charge the defaulting Investor the maximum rate permitted by applicable law as well as other remedies available in the operating agreement.

#### *Mezzanine and Equity Investments*

Client Investments involve additional risks attendant to investments consisting of subordinate loan and equity positions. Certain Clients acquire mezzanine securities and preferred equity interests, which involve a high degree of risk with no certainty of any return of capital. Clients may hold mezzanine debt or preferred equity interests in a borrower and may be subject to equitable defenses to foreclosure on its loan collateral, to which it would not otherwise be subject. In addition, the Client will be subject to additional risks in these holdings that include, but are not limited to, that of the quality and performance of the sponsor and their ability to perform as the manager of a joint venture, sponsor due diligence, expertise, experience, background checks, and many other risks which could impact the performance of mezzanine and preferred equity interest Investments.

#### *Debt Investments*

Client Investments may be affected by certain risks which are intrinsic to debt investments, including prepayment risk, credit/default risk, liquidity risk, and others discussed elsewhere in this brochure and in each Fund's Governing Documents in further detail. Most mortgage loans and other debt investments (especially those with fixed interest rates) which a Client may acquire are particularly subject to interest rate risk and typically decline in value when long-term interest rates increase. Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules such as mortgage investments collateralized by adjustable-rate mortgages. Adjustable-rate instruments also react to interest rate changes in a similar manner, although generally to a lesser degree. In connection with floating rate debt on any of its Investments, a Client may enter into interest rate swaps, caps, or other hedging transactions. While such transactions may reduce certain risks, such transactions themselves entail certain other costs and risks and may react to movements in interest rates differently than originally expected.

#### *CMBS and Whole Loans*

A number of possible scenarios which affect CMBS bonds may result in added costs and delays in addition to potential losses associated with a decline in the value of underlying assets. The prices of CMBS bonds in which the Clients may invest have historically exhibited high volatility. Price movements of these bonds may be influenced by, among other things: interest rates; changing supply and demand relationships; trade, fiscal, monetary, and exchange control programs and policies of governments; national and international political and economic events and policies.

The value of CMBS may be substantially dependent on the servicing of the underlying mortgage asset pools and are therefore subject to risks associated with negligence by, or defalcation of, their servicers. The value of such securities may fluctuate in response to the market's perception of the creditworthiness of their issuers. When interest rates rise, the value of CMBS generally will decline; however, when interest rates decline, the value of CMBS with prepayment features may not increase as much as other fixed-income securities because prepayment of mortgages tends to accelerate during periods of declining interest rates. The rates of prepayments on underlying mortgages affect the price, yield, and volatility of CMBS and may shorten or extend the effective maturity of the security beyond what was anticipated at the time of purchase. When mortgage loans underlying mortgage-backed securities held by the Client are prepaid, the Client then distributes the proceeds it receives. Therefore, to the extent that prepayments occur, the Client may be forced to return capital.

The Client may be required to contract third-parties to service its Investments in credit-sensitive mortgage assets and mortgage loans. Such outside loan servicing contracts may not be available to the Client on a cost-efficient basis or may not be available at all. Fees related to such outside loan origination and servicing contracts could negatively affect returns. In certain circumstances, the mishandling of related documentation may also affect the rights of security holders in and to the underlying collateral. Furthermore, debtors may be entitled to the protection of a number of state and federal consumer credit laws with respect to CMBS, which may give the debtor the right to avoid or delay payment or only partially pay debts.

#### *Illiquid Investments*

The real estate market does not have a sufficiently established liquid secondary market to enable Kairos to dispose of Client Investments at its discretion. Accordingly, such illiquidity might adversely affect the market value of such Investments. Investments may be subject to certain transfer restrictions, including restrictions under applicable

securities laws, which may also contribute to illiquidity. Similarly affecting liquidity, Clients may possess material, non-public information, which could limit their ability to buy and sell Investments from time to time.

#### *Development, Construction and Renovations*

Kairos may invest some or all of the net proceeds available for investment in the acquisition, development, and improvement of properties. When properties are acquired prior to the start of construction or during the early stages of construction, it will typically take several months to complete construction and rent available space. Therefore, there may be delays in the distribution of cash attributable to any such properties. Clients may be subject to risks relating to the builder's ability to control construction costs or to build in conformity with plans, specifications and timetables. Performance may also be affected or delayed by conditions beyond the builder's control. Clients may incur additional risks when periodic progress is made on payments or other advances to such builders prior to completion of construction. Any of these or other factors can result in increased costs of a project or loss of the investment.

#### *Timing Market and Economic Conditions*

Subject to the rights of sponsors and borrowers, if any, each Client intends to hold the various real properties in which it invests until Kairos determines that the sale or other disposition thereof appears to be advantageous to achieve investment objectives or until it appears that such objectives will not be met. Kairos may exercise its discretion as to whether and when to sell a property (on behalf of a Client) and will have no obligation to sell properties at any particular time except as provided in each Client's Governing Documents. A Client may be unable to sell a property if or when it decides to do so or at all. There is no predicting the length of time that will be needed to find a willing purchaser and to close the sale of a property. It is impossible to predict with any certainty the various market conditions affecting real estate Investments that will exist at any particular time in the future. The real estate market is affected by many factors, such as general economic conditions, the availability of financing, interest rates and other factors, including supply and demand for real estate Investments, all of which are beyond Kairos' control. Due to the uncertainty of market conditions that may affect the future disposition of the properties, there is no guarantee that a Client will be able to sell investment properties at a profit. Accordingly, the extent to which cash distributions are received and potential appreciation on real estate Investments is realized will be dependent upon fluctuating market and economic conditions.

#### *Expedited or Delayed Transactions*

Delays encountered in the selection, acquisition, and development of properties could adversely affect Client returns. To capitalize on certain investment opportunities, Kairos may frequently be required to undertake analyses and decisions on an expedited basis with limited information. From time to time, Kairos will rely upon independent consultants in connection with its evaluation of proposed investment opportunities; however, there can be no assurance that information and advice provided by these consultants is correct or was based on appropriate due diligence, reasonable assumptions and projections. There is no assurance Kairos will have knowledge of all circumstances that may adversely affect an investment, such as physical and structural condition characteristics, environmental matters, zoning regulations or other local conditions.

#### *Key Man Risk*

Investors do not have the right to participate in the management of the Funds. The success of Kairos and its Clients is largely dependent on the personal efforts of its principals. In the event Carl Chang and Jon Needell are no longer able to participate in the management of the Funds or are no longer affiliated with Kairos for any reason, and if no suitable substitutes were identified to replace them, interests of the Clients could be adversely affected.

#### *Tenants*

A default of a tenant on its lease and other fee payments would lead to losses in revenue from the property and could reduce the amount of distributions a Client is able to make. In the event of such a default, there may be delays in enforcing landlord rights and there may be substantial costs in protecting the investment and re-letting the property. Tenants could default on their lease payments due to public health emergencies, adverse economic conditions in the geographic regions in which properties are purchased, adverse economic conditions affecting a particular industry of one or more tenants, changes in tenants' personal finances, or due to any number of reasons.

There is a risk any tenant may file for protection under bankruptcy or insolvency laws. Under certain circumstances, the Clients may be unable to collect sums due under relevant leases. If a lease is terminated, there is no assurance that the property will be leasable for the rent previously received, that refurbishments and improvements will not be

required in order to attract new tenants, or that the property will sell without incurring a loss or at all. If a vacancy on any of the properties continues for a long period of time, there may be reduced revenues resulting in less or no cash distributed.

#### *Uninsured Losses*

Kairos will attempt to maintain insurance coverage against liability to third-parties and property damage as is customary for similarly situated businesses. However, there can be no assurance that insurance will be available or sufficient to cover any such risks. An uninsured liability to third-parties associated with any asset held directly by a Client would impair the value of all other assets held directly by such Client.

#### *Litigation*

Kairos' investment activities are subject to the normal risks of becoming involved in litigation by third-parties. Any Client may have potential exposure or loss for its actions, including but not limited to, exposure or loss under the general doctrines of lender liability and equitable subordination. Even if it is successful in defending any such claims the costs of defending the claims could be substantial, and litigation tends to create a negative public image. The expense of defending against claims by third-parties and paying any amounts pursuant to settlements or judgments would generally be borne by such Client. If any such liability or claims are incurred, it would reduce net assets of the Client and the cash flow distributable to the Client or Fund Investors could be significantly reduced.

#### *Foreclosure*

There is no guarantee that it will be possible to sell any foreclosed properties at a price that will result in a return on or of the original investment. In any case, it is possible that a Client may find it favorable or necessary to foreclose on some of the collateral securing one or more debt Investments. The foreclosure process can be lengthy and expensive and the borrower may file for bankruptcy at any time during proceedings, further delaying the process. Additionally, governmental action may lead to delays in the foreclosure process. Following foreclosure, Kairos would need to appoint a subsidiary to operate the collateral property, subjecting the Client to every risk associated with ownership and operation of real property (discussed in further detail in this section and in each Fund's Governing Documents).

#### *Environmental Liabilities*

Under various federal, state, and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the cost of removal or remediation of hazardous or toxic substances on, under or in such property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presences of such hazardous or toxic substances. Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require expenditures. Environmental laws provide for sanctions in the event of noncompliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. In connection with the acquisition and ownership of properties, Clients may potentially be liable for such costs and subject to acceleration of loans. The cost of complying with environmental regulatory requirements, defending against claims of liability, or remediating any contaminated property could adversely affect the Clients.

#### *Americans with Disabilities Act of 1990*

Under the Americans with Disabilities Act of 1990, or ADA, all places of public accommodation are required to meet certain federal requirements related to access and use by disabled persons. If one or more of the properties is not in compliance with the ADA, the FHAA, or other legislation, then it would be mandatory to incur additional costs to bring the property into compliance. If substantial costs to comply with the ADA and the FHAA or other legislation are incurred, a Client's financial condition, results of operations, cash flow, and its ability to satisfy debt service obligations and to pay distributions could be adversely affected.

#### *Disclaimer*

The foregoing is not intended to be an exhaustive description of the risks associated with investing with Kairos. For a more detailed disclosure of relevant material information, please refer to each Client's Governing Documents.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an evaluation of Kairos or the integrity of its management. Kairos is not aware of any legal or disciplinary events that would be material to a current or prospective Client or Investor's evaluation of Kairos or the integrity of its management.

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

Kairos is not registered, and does not have an application pending to register, as a broker-dealer or registered representative of a broker-dealer. Currently, no management persons of Kairos are registered or have pending applications to register as representatives of a broker-dealer.

Neither Kairos nor its management persons are registered or have pending applications to register as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entity.

Kairos Property Management Company, SullivanHayes Brokerage Company, LLC, and Dunton Commercial California, Inc. are affiliates of Kairos and majority-owned by Carl Chang. Kairos Property Management Company and Dunton Commercial California, Inc. are property management firms. SullivanHayes Brokerage Company, LLC is a real estate brokerage firm. Each of these affiliates are separately managed.

Where appropriate and permitted by a Client's Governing Documents, certain Clients have engaged Kairos or affiliates thereof to provide certain services in the ordinary course of business, including, but not limited to: property management, brokerage, servicing, financing, leasing, construction, and legal services. Kairos has an incentive to use itself or its affiliates to provide these services since doing so will generate additional fee income. These fees could constitute Client expenses payable prior to making any distributions to the Client or Fund Investors. Other service providers may be available to the Client with more experience and greater capital resources, who would be able to render the same or comparable services. Moreover, Kairos may not, due to conflicts of interest, hold affiliated service providers to the same standard of performance as it would unaffiliated third-party providers. Kairos considers hiring affiliated firms only when it determines that such affiliates can reasonably perform such services at an industry standard level or better.

As mentioned in *Item 4 – Advisory Business*, Kairos manages certain physical real estate assets in legacy investment partnerships. Such partnerships are formed for the purpose of investing in specific properties that may not have been appropriate investments for the Clients or that were initiated prior to the creation of the Clients and as such, are not believed to pose a conflict of interest with Kairos' management of the Clients.

The investment team for Kairos' Clients will continue to devote time to the management of multiple Clients as well as legacy investment partnerships which may create conflicts in the allocation of resources. Kairos is not subject to specific requirements or obligations regarding the allocation of time, effort, resources, or investment opportunities to any particular Client, except for restrictions set forth in each Client's Governing Documents, to the extent applicable, and is generally not required to accord exclusivity or priority to any particular Client in the event of limited investment opportunities. Kairos has the discretion to devote as much time as deemed appropriate or necessary to perform its duties in the management of each Client.

Kairos may provide to Investors that make a specified minimum capital commitment the opportunity to participate in a separate pooled investment vehicle to access certain co-investment opportunities with some Funds. The Funds may enter into co-investments with third-parties through joint ventures or other entities, some of which may be Investors or pooled vehicles, and have done so in the past. These occasions may be advantageous for the Funds in view of the relative available capital, financing capacity, investment objectives, and diversification limits of each Fund participating in the co-investment and in accordance with such Fund's governing documents. Kairos has developed policies and procedures to govern the allocation of co-investment opportunities among Investors. While Kairos retains discretion on how such co-investment opportunities are allocated, they are typically allocated based on one or more of the following criteria: the order in which a confirmed indication of interest is received from an eligible investor, by the amount of the investor's commitment in the Fund, or by the amount of the investor's co-investment commitment.

Kairos does not recommend or select third-party investment advisers for the Clients. Certain related entities, Redwood-Kairos IV GP, LLC, Kairos Impact GP, LLC, Redwood-Kairos VI GP, LLC, and Energy Management GP, LLC, Redwood-Kairos VIII GP, LLC, Kairos SKK EnviroKure GP, LLC (together, “General Partners”) serve as general partners for certain Clients.

Kairos may accept in-kind contributions of Investments for the Funds from Investors, including Investors that may be affiliated with Kairos or third-parties that also have other business relationships with the Funds, such as sponsoring investments. Kairos will value such contributed assets at the price negotiated between the General Partner and the seller of the asset if the seller is not an affiliate of Kairos, or by the appraised value of the contributed asset as of a date no more than twelve months prior to the date of the contribution of the assets if the seller is an affiliate. Kairos will follow its normal due diligence process when determining whether to accept any Investments that are offered as in-kind contributions to the Funds. Further, to the extent that Kairos receives property management services or has other business relationships with a third-party that makes an in-kind contribution of an Investment, Kairos conducts due diligence on such services and monitors the provision of such services as it would for any other third-party provider.

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

Kairos has adopted a code of ethics (“Code of Ethics”) expressing Kairos’ commitment to ethical conduct. The Code of Ethics describes the fiduciary duties of Kairos and its supervised persons and their responsibilities to Kairos’ Clients and Investors. Under Kairos’ Code of Ethics, Kairos has a duty of good faith to act in the best interests of the Kairos Funds and all Kairos supervised persons are required to promptly report all suspected or apparent violations of the Code of Ethics to Kairos’ Chief Compliance Officer (“CCO”). All supervised persons must acknowledge receipt of the Code of Ethics and any amendments thereto. Additionally, all supervised persons are required to review the Code of Ethics on an annual basis and to sign an annual acknowledgment.

The Code of Ethics contains policies and procedures with respect to personal securities transactions by employees and related accounts that are designed to prevent the misuse of inside information and other improper activities. Employees must report all personal transactions to the CCO (or a designee) on at least a quarterly basis. In addition, supervised persons are required to obtain approval from the CCO prior to investing in an IPO or private placement. These restrictions apply equally to Kairos supervised persons and any of their immediate family members living in the same household. The CCO (or a designee) monitors all transactions by employees in order to identify any pattern of conduct that may evidence conflicts or potential conflicts with the principles and objectives of the Code of Ethics, or other inappropriate behavior. Kairos will provide a complete copy of its Code of Ethics to any current or prospective Client or Investor upon request.

In the event a family member of a Supervised Person provides services in the ordinary course of business to Kairos, its Clients or portfolio companies, Kairos will monitor the activity to guard against potential conflicts of interests.

### *Gifts and Entertainment*

Kairos and its affiliates may engage in business transactions and relationships with third-parties who occasionally provide gifts and entertainment to its supervised persons and employees. It is possible that gifts and entertainment provided by third-parties may create a bias or conflict of interest in the selection and retention of its providers’ services. In order to address this potential conflict of interests, Kairos has developed policies and procedures requiring the approval and recordkeeping of certain business gifts and entertainment. In addition, these policies address political and charitable contributions.

### *Participating in Client Transactions*

Kairos has a fiduciary responsibility to ensure the best interests of the Clients are continuously prioritized. Kairos participates in the profits and losses associated with Investments through its ownership interest in the Funds. Kairos and its senior investment management professionals make commitments to certain Funds, side-by-side with the Investors in such Funds.



As discussed above under *Item 5 – Fees and Compensation*, certain Funds have invested in an SPV affiliated with Kairos. Kairos ensures that such Funds are not paying additional fees due to their investment in such affiliated SPV by rebating back to the Fund the amount of fees or carried interest paid to the SPV.

#### *Personal Trading*

Kairos and its affiliates, including its senior investment management professionals, may invest side-by-side in certain co-investment vehicles with the Funds to the extent permitted by the Fund's governing documents. The terms of these Investments are the same for employees as for all outside investors. The affiliated parties and the Funds share proportionally in the economics of the co-investment vehicle. In addition, as a general principle, Kairos requires that potential conflicts of interest be addressed by placing Client interests before personal or proprietary interests.

#### *Legacy Investment Partnerships*

As mentioned in *Item 4 – Advisory Business*, Kairos manages certain physical real estate assets in legacy investment partnerships. Kairos will monitor the investment activity of the legacy investment partnerships for potential conflicts of interest with the Clients. Kairos requires all employees to put the interests of the Clients first as part of Kairos' fiduciary duty.

### **Item 12 – Brokerage Practices**

Due to the nature of real estate investing, Client Investments are typically made through privately negotiated arrangements and mortgage or real estate brokers rather than through traditional securities broker-dealers. Kairos may engage the services of banks, lenders, legal, financial, environmental, insurance, and tax professionals. Kairos has complete discretion to select service providers and real estate brokers for the Clients and negotiate the rates of compensation or commissions for the Clients. Kairos takes a range of factors into consideration when implementing Client transaction decisions, in order to determine what is in the best interest of the Clients when selecting service providers and professionals who will be paid by the Clients. Kairos believes factors other than price must be taken into consideration when determining the value of a service provided, including, but not limited to: professional networks and contacts, buyer/seller database, past performance, market and product expertise, experience with a specific product, property type, or security, track record of prior successful dealings, current listings, timing and availability of inventory, workload, and cost.

Kairos prohibits principal transactions except in compliance with Section 206(3) of the Advisers Act. In certain cases, Funds may engage in transactions, i.e., co-investments, with Investors under specifically negotiated terms which may create certain conflicts of interest as described in *Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*.

#### *Securities Transactions Effected Through a Broker-Dealer*

Although Kairos' investment strategy is primarily focused on privately negotiated investments in physical real estate, Kairos also engages in securities transactions affected through a broker-dealer as permitted by the Client Governing Documents. To the extent applicable, Client transactions are allocated to broker-dealers based on the most favorable total cost or proceeds available to the Client per transaction at the time of execution, as well as other factors such as on-going access to deal flow and quality of research provided. Securities transactions affected through a broker-dealer would generate significant costs and brokerage commissions which would be paid for by the Clients. In certain cases, Clients may buy or sell securities from brokers acting as agents compensated on the basis of commissions, or from dealers operating as principals compensated on the basis of mark-ups or mark-downs. Clients may also pay for securities which price-in compensation for underwriters and dealers, as in the case of public offerings.

#### *Soft Dollars*

Kairos does not receive any soft dollar benefits, including research, from any broker-dealers.

#### *Trade Aggregation and Allocation*

Kairos will allocate orders only in a manner designed to ensure that no Client is favored or disfavored and that participating Clients are treated in a fair and equitable manner over time. Kairos does not generally aggregate investments as the investments held by each Client are discrete. Kairos considers many factors when allocating investments among Clients. These factors, which are more fully described in each Fund's Governing Documents and

Kairos' allocation policies and procedures, may include but are not limited to the Client's investment objectives, applicable restrictions, the type of investment or financial instrument, the size of the Client portfolio, the amount of available cash or the size of an existing position or weighting in the Client's portfolio. Further, as described above under Item 6, Kairos has established an Advisory Board for certain Funds and may ask such Advisory Board to provide recommendations in the event of a conflict of interest with respect to the allocation of investment opportunities.

When buying CMBS Bonds and other securities for the Clients through a broker-dealer, multiple transactions may be aggregated in one order to ensure the Clients receive the best available terms. Each Client that participates in an aggregated securities transaction pays the average price per unit.

### **Item 13 – Review of Accounts**

Each portfolio Investment is assigned to an investment manager who is responsible for overseeing the progress of such Investment throughout its lifetime in the Client's portfolio. Such responsibilities include maintaining ongoing communication with the borrowers or sponsors, tracking each Investment's financial and operating performance on an ongoing basis, and conducting formal asset review meetings with the Chief Investment Officer or Chief Financial Officer that occur periodically, but not less frequently than monthly. The investment manager is also responsible for spearheading the coordination and execution of all projects related to the Investment.

The entire portfolio, including each Investment's performance and the market where it is located, is periodically reviewed in light of industry related news and market research which is tracked by the investment team on an ongoing basis.

Asset valuations are reviewed by the Valuation Committee of Kairos, as well as independent auditors. Asset valuations are reviewed quarterly for material changes and on an annual basis for any changes pursuant to generally accepted accounting principles and required procedures consistent with Kairos' valuation policies.

Kairos provides Investors with quarterly unaudited financial statements containing a summary of operations of the Funds' Investments, as well as capital account statements and documentation required for the preparation of annual tax returns. In addition, Kairos provides annual audited financial statements of the Funds. Capital account statements typically include a breakdown of each Investor's account(s). Kairos provides such statements, documents, and reports through a secure online portal.

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

Kairos does not receive compensation or economic benefits from parties other than the Clients for providing portfolio investment management advice or advisory services to the Clients. As disclosed above in Item 5, Kairos receives servicing start-up fees from certain portfolio companies. Such fees are disclosed in the Governing Documents of the Clients and are typically subordinate to the Client equity and a minimum return of the Client. Related party transactions are also disclosed in each Fund's audit. From time to time, Kairos may enter into agreements engaging the services of third-party consultants or placement agents in the process of raising capital for some of the Funds.

Pursuant to such agreements, fees paid to a third-party by a Fund typically reduce the Fund's management fee in accordance with the terms of the Fund's Governing Documents to the extent paid for by the Fund. In these cases, any and all placement agent fees and associated expenses paid by the Fund are applied to reduce (but not below zero) the amount of future management fees paid by the Fund to Kairos on behalf of certain Investors.

### **Item 15 – Custody**

Kairos or an affiliate will, among other things, act as general partner or manager of a Fund that Kairos advises. Such powers cause Kairos to have custody for purposes of the custody rule of the Advisers Act. As required by the custody rule, each Fund is subject to an annual audit conducted by an independent public accounting firm in accordance with GAAP and distributed within 120 days of the end of the Funds' fiscal year, or a surprise examination by an accounting firm coupled with quarterly account statements to be delivered directly from the qualified custodian. Unless exempt under the Advisers Act, Client cash and securities are maintained or held in custody with qualified custodians.

## **Item 16 – Investment Discretion**

Kairos exercises discretionary authority to manage the Funds as outlined in each Fund's Governing Documents.

## **Item 17 – Voting Client Securities**

While not anticipated, Kairos may have the authority to vote proxies on behalf of a Client as set forth in each Client's Governing Documents, although the types of Investments held by the Clients do not typically require proxy voting. When appropriate, Kairos will generally submit votes in what it considers to be the best financial interest of the Client and may, in certain instances, determine that abstaining from voting is in the best interest of the Client. To the extent that a conflict of interest arises in the proxy voting process, Kairos will typically consult with the CCO and/or Advisory Board on how to proceed as applicable. Clients and Investors cannot direct the votes of Kairos but may request information regarding votes submitted by Kairos in the past on behalf of the Clients or a copy of Kairos' proxy voting policies and procedures by contacting [ir@kimc.com](mailto:ir@kimc.com).

## **Item 18 – Financial Information**

Kairos does not currently have any financial condition that could impair its ability to meet contractual and fiduciary obligations and commitments.