

**ITEM 1  
COVER PAGE**

**FORM ADV PART 2A BROCHURE**

# Emet Capital Management, LLC

589 Fifth Avenue, 16<sup>th</sup> Floor  
New York, New York  
(212) 725-7910  
[www.emetcap.com](http://www.emetcap.com)

## March 2021

This Brochure provides information about the qualifications and business practices of Emet Capital Management, LLC (“Emet,” “we,” “us,” or “our”). If you have any questions about the contents of this Brochure, please contact us at (212) 725-7902 or [sbaugh@emetcap.com](mailto:sbaugh@emetcap.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.

Emet is registered as an investment adviser with the SEC. Registration with the SEC does not imply a certain level of skill or training. Additional information about Emet is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

Since the last annual update of Part 2A of Form ADV: Firm Brochure (the “Brochure”) in March 2020, there have been no material changes to the Brochure of Emet Capital Management, LLC.

Pursuant to the United States Securities and Exchange Commission’s (the “SEC”) requirements and rules, you will receive a summary of any material changes to this brochure within one hundred twenty days of the close of the Emet’s fiscal year.

### **Item 3 – Table of Contents**

	<b>Page</b>
Item 2 – Material Changes .....	1
Item 3 – Table of Contents.....	2
Item 4 – Advisory Business .....	3
Item 5 – Fees and Compensation .....	4
Item 6 – Performance Based Fees and Side-By Side Management.....	6
Item 7 – Types of Clients.....	7
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	8
Item 9 – Disciplinary Information .....	20
Item 10 – Other Financial Industry Activities and Affiliations .....	21
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	22
Item 12 – Brokerage Practices .....	24
Item 13 – Review of Accounts.....	26
Item 14 – Client Referrals and Other Compensation.....	27
Item 15 – Custody .....	28
Item 16 – Investment Discretion.....	29
Item 17 – Voting Client Securities.....	30
Item 18 – Financial Information .....	31

#### **Item 4 – Advisory Business**

Emet is a private equity real estate investment firm founded in early 2012 that acts as a discretionary investment advisor to investment vehicles that Emet or an affiliate of Emet sponsors (each an “Advisory Client” and collectively the “Advisory Clients”). Emet’s core investment strategy is to maximize total return on capital by seeking to produce both current income and capital appreciation primarily through the development and management of a portfolio of control investments in debt, equity and other instruments secured by domestic rental housing assets that would qualify for financing through the municipal bond market, and other related opportunistic investments.

These assets are typically owned by qualified non-profit entities and eligible for municipal revenue bond financing. They bear varying degrees of asset and financial distress, and typically require rehabilitation, repositioning, and recapitalization. It is expected that the value generated and premium earned in connection with Advisory Clients’ investments will come primarily from three (3) key sources: (i) current cash flow from property operations; (ii) capital appreciation due to value-add asset repositioning; and (iii) premiums for returning assets to performing status.

Emet will, among other things, obtain control of the assets through covenants in first mortgage debt or equity ownership, seek to rehabilitate and reposition underlying assets to drive operational improvements and, where appropriate, recapitalize and/or restructure portfolio investments to create additional value. Ultimately, Emet will seek to bring Advisory Clients’ portfolio investments to performing status and exit such investments at a premium through refinancing and/or the sale of the underlying debt securities or underlying assets or other interests relating to such investments. In addition, Emet may cause Advisory Clients to make investments in other related securities, instruments and interests (including, without limitation, fee simple ownership, commercial mortgage backed securities (“CMBS”) and non-control and/or unsecured investments) that may, or may not, result in tax-exempt current yield. Generally, it is expected that Emet will operate exclusively in the niche real estate sectors of: (i) affordable housing for low-to-moderate income families (workforce housing); (ii) housing for students at public and private colleges and universities; and (iii) housing for seniors.

Investment advice is provided directly to the Advisory Clients and not tailored to individual investors.

The members and co-founders of Emet are Paul Siegel and Stefan Baugh (collectively the “Principals”). The Management Company is based in New York and managed on a day-to-day basis by the Principals, led by Paul Siegel.

As of December 31, 2020, Emet had regulatory assets under management on a discretionary basis in the amount of \$352,655,224. Emet does not manage any client assets on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

All of Emet's Advisory Clients currently are investment vehicles exempted from the definition of investment company by Section 3(c)(7) of the Investment Company Act of 1940 and we expect any new Advisory Clients to be "qualified purchasers" or private funds with "qualified purchaser" investors. All fees and other compensation are set forth in the agreements between Emet and our Advisory Clients and are disclosed to investors through the offering documents for the vehicles. Emet's fees generally consist of a management fee that is a flat percentage (generally 1-2%) of capital commitments or invested capital depending on the lifecycle of the relevant Advisory Client and a carried interest to Emet or a related person in the profits of the Advisory Clients (generally 20%). The governing documents permit Emet to negotiate different fees with investors and it has done so.

Each Advisory Client's administrator calculates the management fees in the place of the general partners of the Advisory Client, and Emet causes the Advisory Client to pay them to the general partner or to Emet. Emet's management fees are fixed based either on committed capital or invested capital as set forth in the relevant fund client documents and are not refundable. Investors in Emet's Advisory Clients are entitled to a return of their contributed capital plus a preferred return before Emet or its related persons are entitled to any carried interest.

In addition to such fees and compensation, each Advisory Client generally will bear organizational, offering, and operating expenses. Each Advisory Client typically pays its own organizational and offering expenses including, but without limitation, legal, financial, accounting, consulting and other costs and expenses incurred in connection with fund formation and the offering of interests, up to an agreed upon cap. The Advisory Clients also bear all costs and expenses relating to the Advisory Clients activities, operations, and maintenance, including, without limitation, all fees, costs, and expenses associated with the following: the sourcing, acquiring, holding, monitoring, and disposing of Advisory Client investments, or proposed Advisory Client investments or other investments (including, without limitation, consulting services, due diligence and investment-related travel expenses, as well as all fees and expenses due to any legal, financial, accounting, consulting, or other advisors, or any finders, or investment banks, in connection with the sourcing, acquiring, holding, monitoring, and disposing of Advisory Client investments or proposed Advisory Client investments); all entity-level taxes, fees, or other governmental charges (including, without limitation, any entity-level taxes, fees, or other governmental charges levied against any AIV or SPV); costs and expenses attributable to any regulatory filings of Emet or any of our subadvisors, including, without limitation, Form PF, the costs of any insurance in respect of the operations of any Advisory Client (including, without limitation, any directors and officers insurance); expenses incurred in connection with the collection of monies owed to any Advisory Client; extraordinary expenses (including, without limitation, litigation-related and indemnification expenses); legal, auditing, consulting, research, and accounting fees and expenses; the costs of any reporting to investors and meetings with investors; the reasonable out-of-pocket expenses, if any, incurred by members of any advisory board in connection with their activities on behalf of an Advisory Client, and the reasonable fees and expenses of legal counsel and/or professional advisors engaged by any advisory board; the maintenance of the Advisory Client's books and records; and expenses incurred in connection with the dissolution, liquidation and termination of an Advisory Client.

With respect to all costs, fees and expenses incurred, Emet makes a determination to which of the following categories such costs, fees and expenses are allocable: solely to Emet, solely to one of the Advisory Clients (or one of their portfolio companies or other affiliates), to more than one of the Advisory Clients (or more than one of their portfolio companies or other affiliates) but not to Emet, or to both Emet and to one or more of the Advisory Clients (or one or more of their portfolio companies or other affiliates). Such determination shall be made in accordance with the provisions set forth in Emet's Expense Allocation Policy, and, once such determination is made, Emet shall allocate each of such costs, fees and expenses as provided therein. Generally, costs, fees and expenses that are attributable to more than one of the Advisory Clients shall be allocated fairly between and among such Advisory Clients in a manner that is fair and equitable based on the nature of the costs, fees and expenses and the benefits derived therefrom. The Firm's Chief Financial Officer, along with the Chief Compliance Officer, shall be responsible for determining the fair allocation of such costs, fees and expenses, and shall take into consideration all factors that the Chief Financial Officer and the Chief Compliance Officer deem relevant, including but not limited to (i) the extent of each Advisory Clients utilization of the services associated with such costs, fees and expenses, (ii) the relative benefit to each of the Advisory Clients that is derived from such costs, fees and expenses, and (iii) the relationship of such costs, fees and expenses to the legal, contractual or other obligations of each of the Advisory Clients.

Current and prospective investors in Advisory Clients of Emet should refer to the private placement memorandum or other offering documents of the respective Advisory Client for detailed information with respect to the fees and expenses they may pay in connection with an investment in such Advisory Client. The information contained herein is a summary only and is qualified in its entirety by such documents.

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

We have in the case of the Advisory Clients, and may in some other cases enter into performance or incentive fee or allocation arrangements with eligible Advisory Clients. The terms and conditions of such fees or allocations generally are subject to individualized negotiations with each Advisory Clients. We will structure any performance or incentive fee or allocation arrangement in accordance with Section 205(a)(1) of the Advisers Act and the rules and regulations thereunder, including the exemption set forth in Rule 205-3 of the Advisers Act permitting performance fee arrangements with “qualified clients.” For a more detailed discussion of the calculation of the incentive fees or allocations paid or made, as applicable, by our Advisory Clients, see “Item 5 Fees and Compensation – Payment of Fees” above.

Further, although Emet generally agrees with each Advisory Client not to sponsor any additional Advisory Clients with substantially similar investment strategies until the capital commitments for the existing Advisory Client are at least 75% invested, there may be times when Emet manages multiple Advisory Clients that are in their investment periods. Performance-based fee or allocation arrangements may create an incentive for us to recommend investments that may be riskier or more speculative than those that we may have recommended under a different fee or allocation arrangement. In the allocation of investment opportunities, performance-based fee or allocation arrangements may also create an incentive for us to favor Advisory Client’s with performance or incentive fee or allocation arrangements over Advisory Client’s that do not have such arrangements or, alternatively, favor Advisory Client’s with higher performance based fees or allocation arrangements over Advisory Client’s with lower performance based fees or allocation arrangements.

Emet has sole discretion to allocate investment opportunities among its Advisory Clients and no particular Advisory Client has a priority claim on any type of investment. Where an investment is appropriate for multiple Advisory Clients, Emet will allocate such investment among them in accordance with Emet’s Investment Allocation Policy and in a way it determines is fair and equitable bearing in mind, among other things, the size, investment objectives, investment restrictions, risk tolerance, return targets, diversification considerations, eligibility to participate in such investment, available capital, permissible and preferred asset classes’ time horizon, and liquidity needs of each Advisory Client.

### **Item 7 – Types of Clients**

Emet currently manages the assets of U.S. privately offered pooled investment vehicles for which its related persons act as general partner or sponsor, as well as certain parallel and alternative investment vehicles. The Advisory Clients' structures most resemble those of "private equity funds" and would be considered "private funds" for purposes of the Advisers Act.

Emet generally requires investors in its Advisory Clients to initially commit to a minimum of \$1,000,000, although it may, in its sole and absolute discretion, accept a lessor amount.



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

Emet principally makes control investments in debt, equity and other instruments secured by domestic rental housing assets that would qualify for financing through the municipal bond market, and other related opportunistic investments. Emet's investments will typically bear varying degrees of asset and financial distress. The goal is to structure portfolio investments to produce total return through a combination of tax-exempt current yield and capital appreciation. To facilitate this goal, Emet (i) obtains control of the assets through covenants in mortgage debt or equity ownership, (ii) seeks to rehabilitate and reposition underlying assets to drive operational improvements and, (iii) where appropriate, recapitalizes and/or restructures portfolio investments to create additional value. Ultimately, Emet seeks to bring portfolio investments to performing status and exit such investments at a premium through refinancing and/or the sale of the debt securities or underlying assets or other interests relating to such investments. In pursuing its goal, Emet may, however, make investments in other securities, instruments and interests (including, without limitation, fee simple ownership, CMBS and non-control and/or unsecured investments) that may, or may not, result in tax-exempt current yield. Generally, Emet operates in the niche real estate sectors of: (i) affordable housing for low-to-moderate income families (workforce housing); (ii) housing for students at public and private colleges and universities; and (iii) housing for seniors.

Emet uses a multi-step approach to implement its investment strategy that consists of:

- sourcing appropriate investment opportunities;
- acquiring appropriate investments at discounts to stabilized value, at or below underlying real estate liquidation value;
- obtaining control of the assets through covenants in mortgage debt instruments or majority ownership of equity;
- structuring investments to produce total return through a combination of current yield and capital appreciation;
- working with Emet's broad network of specialized operating partners to rehabilitate and reposition the assets, thus driving operational improvement;
- recapitalizing and/or restructuring capital structures to create additional value; and
- bringing assets to performing status and exiting at outsized value through a refinancing and/or sale of the debt securities or underlying assets.

Value generated and premium earned in connection with these investments will come primarily from three (3) key sources: (i) current cash flow from property operations; (ii) capital appreciation due to value-add asset repositioning; and (iii) premiums for returning assets to performing status.

Emet seeks investment opportunities that meet the following criteria (although it is possible that investments may not satisfy some or all of such criteria):

- eligible for municipal bond financing;
- ability to acquire control position;

- ability to identify viable turnaround strategy and clear path to exit;
- estimated hold periods of eighteen (18) to forty-eight (48) months;
- producing current income;
- entry levels at or near liquidation values;
- sound real estate fundamentals;
- alignment of interests with ownership sponsors and operating partners;
- located in geographic markets with favorable supply/demand characteristics and high barriers to entry; and
- well-located for tenants (such as student housing close to campus).

Emet believes that its experience, deep networks, and excellent professional reputations give it the wherewithal to excel at each stage in the investment process.

### *Investment Sourcing Capability*

Emet believes that access to deal flow in the opaque and highly specialized area of the distressed municipal revenue bond market is based largely on personal relationships, which creates barriers to entry for potential competitors. Emet possesses a deep network of long-standing relationships, which Emet believes will provide exceptional access to deal flow in the niche investment arena in which Advisory Clients will operate.

Emet believes that investment sourcing begins before potential investment opportunities are in default. Emet keeps abreast of general market fundamentals by continually monitoring the pricing of and disclosure related to individual municipal bond issues, as low prices and disclosure events may reflect distress and a willingness on the part of bondholders to sell their stakes. Unlike a typical commercial lending arrangement, a municipal bondholder's primary point of contact is typically a bank's corporate trust services department, which has been engaged by the issuer as the issue's trustee. The trustee performs the administrative functions of overseeing and managing the trust estate. Emet believes that bondholders commonly hold the misconception that the trustee has a fiduciary duty to protect the trust estate and thus the value of their bonds, which they do not. While not legally obligated to do so, a trustee may attempt to obtain as much value as possible from a distressed issue. Therefore, when an issue becomes distressed, a trustee may begin to consider options to maximize value in the event of a default, which may take up to five (5) years to occur. Because the universe of potential acquirers is quite limited, trustees generally maintain relationships with potential acquirers. A potential acquirer's track record in managing and repositioning similar assets and industry reputation are key factors in a trustee's decision to enter into such negotiations, as trustees remain involved until the bonds are extinguished and prefer an acquirer that can effect an organized workout and resolution with respect to the project and bonds. Emet believes that the firm is highly respected by trustees, as well as other sources of deal flow and key parties (e.g., investment banks, non-profit agencies and institutions, conduit issuers, real estate brokers, bond traders, property operators, and the borrowers themselves), which will be beneficial to Advisory Clients.

### *Intensive Investment Analysis*

Emet utilizes the following protocol with respect to analysis of potential investment opportunities:

- investment thesis development: nature and severity of distress, value-add proposition and ability to effect change, timing, exit strategy, and idiosyncratic investment features;
- identification of causes of distress: operational deficiencies, financial reporting deficiencies, and asset management deficiencies at both the ownership and bondholder levels;
- existing investment structure and security liquidity: nature of mortgage lien, fee simple interest, size, default status, and municipal bond eligibility;
- physical assessment: extent of rehabilitation required, obsolescence, current unit mix versus ideal unit mix, timing and expense of capital renovation campaign, market limitation considerations, life and safety issues, immediacy of needs, code violations, condition of units and leasing impact, deferred maintenance, asset preservation improvements, and potential upgrades and ability to recoup their cost through higher rents;
- financial analysis: historical operations, rent rolls, operating expense assessment, tax analysis, proforma analysis, liquidation analysis, collection and dissemination of occupancy data, revenue collection procedures and protocols, utility reimbursement status and accounting system utilization;
- market analysis: site visits, sales comparables, economic trends, job growth, unemployment, geographic considerations/assessment, proximity to key value drivers, condition of submarket and immediate competing properties;
- competitive analysis: market landscape, barriers to entry, position relative to comparable set, asset's reputation, and need for rebranding;
- team selection: non-profit borrower, construction manager, owner's on-site representative, property manager and site staff – particularly the site manager and maintenance supervisor but also all leasing agents, maintenance techs, groundskeepers and porters – who will be retained and/or when to replace;
- capital structure and transaction terms: debt, equity, joint venture terms, partnership/affiliation arrangement, and management agreement;
- business arrangement and alignment of interests with key partners: forbearance agreement with non-profit borrower, operating partner, manager, conduit issuer, and host universities; and
- legal framework: project and tenant income compliance with restrictions, tax analysis and structuring, preservation of debt, analysis of potential local law issues such as foreclosure, lien and usury laws, entity structuring and formation.

### *Due Diligence and Investment Execution*

Upon completing preliminary due diligence and deciding to proceed with an investment, the Emet team will commence the acquisition, execution and management phase of the investment process. Prior to closing a transaction, however, Emet expects to conduct a final due diligence review, which may include, without limitation:

- standard real estate due diligence: title, survey, zoning, insurance, environmental, property compliance, lien analysis, real estate taxes and potential for abatement;
- sector-specific diligence: municipal bond restriction analysis, deed and land use restriction agreements, tenant rent and income qualification criteria and university referral agreements;
- comprehensive property inspection: full unit walk-through, tenant lease, file audit, review of service contracts, verification of resident occupants; and
- third-party reviews: physical/structural engineering report, environmental assessment, independent valuation, insurance adequacy, installment plans, and history of losses.

Upon completion of a final due diligence review and a determination to proceed with a specific investment opportunity, Emet will then proceed to the execution phase, which is expected to include:

- seeking to ensure that all parties' economic incentives are properly aligned: operating partner, non-profit sponsor, property manager and conduit issuer;
- structuring the core business arrangement and documenting key terms in a term sheet/memorandum of understanding: debt, equity, partnership, and profit sharing; and
- finalizing and executing all primary, governing documents: joint venture operating agreement, forbearance agreement, financing documents, and final tax analysis.

### *Value-added Investment Management*

Upon closing an investment, Emet implements a tactical business plan, the goal of which is to maximize the value of the underlying assets by working on the ground with select operating partner(s). The plan will vary by asset, but the key points are generally expected to include:

- deploying the chosen team: operating partner, developer, owner's on-site representative, contractor, property manager, and site staff;
- commencing capital improvements: deferred maintenance, life and safety issues, unit repairs, appliance replacements, curb appeal, targeted unit interior upgrades, property and site renovations, and energy efficiency enhancements;
- rebranding the asset: repair reputational damage, tenant cleanout, marketing and community outreach;

- implementing new financial systems: cash controls, lockbox accounts and reliable reporting;
- restructuring and recapitalizing prior to exit: cleanse aged vendor payables, extinguish existing liens, foreclose, forbear, and execute new operating and financing agreements; and
- improving operations and driving stabilized performance: increase rental rates, improve occupancy, reduce operating and capital expenses.

### *Multiple Options for Exiting Investments*

Upon successful completion of the value-add element of the business plan, Emet will pursue options for exiting the investment, either fully or partially. Emet will attempt to take advantage of the most favorable exit strategy given prevailing market conditions in order to optimize returns. Emet believes that even under poor economic conditions, Advisory Clients can realize significant value from its investments because the market value for a distressed asset is far lower than its intrinsic value, which is significantly less than the value of a performing asset.

Exit strategies are anticipated to include, without limitation:

- Recapitalization, Refinancing or Restructuring. Upon completion of the value-add component of the strategy, Emet may seek to recapitalize investments through the municipal bond market, Fannie Mae and Freddie Mac, HUD, traditional bank financing, CMBS securitization, and forming a REIT and selling to the public capital markets. This can be done to either fully exit an investment or to supplant an outstanding investment with low-cost debt; and/or
- Sale of Assets. Upon stabilization, Emet may sell the debt securing the underlying assets or majority equity interest in the project to a traditional financial or strategic investor. Emet believes there is a liquid market for both controlling ownership (and institutional-sized) positions of stabilized and performing securities or fee simple interest in the properties.

Emet recognizes that investments may not always go according to plan. When, in Emet's judgment, an investment is unlikely to meet expectations in a reasonable period of time, Emet intends to seek to salvage value by executing a recapitalization, refinancing, or sale of the debt securities or underlying real property ahead of the Advisory Client's targeted exit date.

### ***Material Risks***

Investing in securities involves risk of loss that Advisory Clients should be prepared to bear. More specifically, investing in assets managed pursuant to our strategies set forth above involves several material risks, including those set forth below. There can be no assurance that the Advisory Clients will achieve their investment objectives. In addition to the risks listed below, Advisory Clients (and underlying investors) should review the respective offering, organizational and similar documents relating to the applicable Advisory Clients. Each Advisory Clients or investor is also encouraged to consult with us to review the specific risk parameters of an investment at any given time and from time to time.

An investment in any of our Advisory Clients is highly speculative and involves a high degree of risk due to the nature of each of the Advisory Client's investments and strategies employed. An investment in any of the Advisory Clients should not in and of itself be considered a balanced investment program. Prospective investors in the Advisory Clients should be able to withstand the loss of their entire investment and should consider carefully the following considerations and risk factors, which apply to our investment strategies described above, prior to subscribing for interests in the Advisory Clients or other clients.

**General.** Advisory Clients will be subject to numerous risks generally related to investing in securities and other investments, and the additional risks associated with investing in non-marketable securities and non-public companies. The securities or other interests acquired by Advisory Clients will have restrictions on resale and, even in the absence of such restrictions, may not be marketable. The ability of Advisory Clients to profit from its investments will be highly dependent upon the ability of its investments to generate income or appreciate in value. Numerous factors may impede or prevent an investment from reaching this point, including inadequate capital, unfavorable competitive developments, adverse legislation at the national, state or local level, inadequate management or loss of key persons, technology obsolescence, and lack of market acceptance. Investments may face significant capital shortfalls for a wide variety of reasons. Resource development and modernization of technology may prove more expensive, or take more time, than anticipated, and the growth in revenues may be slower than expected. In any such event, Advisory Clients may be asked to provide additional capital. If an Advisory Client is unable or refuses to provide the additional capital, the investment may obtain the needed funds from another source, diluting, potentially substantially, the earlier investment by the Advisory Client. Alternatively, the inability of the investment to obtain the needed financing may result in the failure of the investment and a loss of the Advisory Client's investment therein.

**Distressed Municipal Debt.** Investments in distressed municipal debt are subject to various risks that are not generally found in investments in other types of securities. The assets underlying such municipal debt will typically have significant risks as a result of business, economic or legal uncertainties. Such assets likely will be experiencing financial or operational difficulties or be otherwise out of favor. Such securities are typically illiquid and may be considered speculative. The ability of Advisory Clients to manage and rehabilitate the assets underlying such securities could be adversely affected by interest rate movements, changes in the general economic climate or the economic factors affecting a particular industry, or specific developments related to such underlying assets. Any such underlying assets that are operating in workout or bankruptcy modes present additional legal risks, including fraudulent conveyance, voidable preference and equitable subordination risks. Prices of the portfolio investments may be volatile or difficult to gain third party validation of, and a variety of other factors that are inherently difficult to predict or evaluate, such as domestic economic and political developments, may significantly affect the results of the Advisory Clients' activities and the value of its portfolio investments. As part of the strategy to restructure and rehabilitate the assets underlying the municipal bonds in which the Advisory Clients invest, the Advisory Clients may hold various types of other securities, including secured and unsecured notes. There can be no assurance that the Advisory Clients will correctly evaluate the nature and magnitude of the various factors that could affect the value of, and return on, such portfolio investments.

***Municipal Revenue Bond Risks.*** Emet expects to make investments in distressed tax-exempt municipal revenue bonds. Such bonds are typically issued by or on behalf of states, territories and possessions of the United States, the District of Columbia and their political subdivisions, agencies or instrumentalities to obtain funds for a wide range of public facilities, including housing projects, industrial projects, hospitals, schools, mass transportation, stadiums, waterworks and sewer systems and highways. In addition, certain types of industrial development bonds are issued by or on behalf of public authorities to obtain funds for many types of local, privately-operated facilities (such debt instruments are considered municipal obligations if the interest paid on them is exempt from federal income tax). Revenue bonds are municipal bonds that finance income-producing projects and are payable only from the revenue derived from a particular project, facility or specific revenue source. Unlike general obligation bonds, revenue bonds are not payable from the general taxing power of the municipality and holders of revenue bonds typically have no claims on the issuer's other resources. The primary source of repayment and collateral for revenue bonds generally consists of revenue from the underlying project (fees, rent, tolls, concessions, etc.), generally, a senior lien on the underlying asset, and an obligation for repayment by the sponsor. Municipal revenue bonds carry a higher default risk than general obligation bonds. Not only are they not backed by the full faith and credit of a municipality, but the income from the projects funded by revenue bonds cannot be predicted with certainty. If the projects do not produce enough revenue, the bonds may default. The success of revenue bonds ultimately depends on the projects' ability to produce revenue. The bonds in which Advisory Clients expect to invest will typically already be experiencing financial or operational difficulties, which heighten the risk that sufficient revenue will not be generated. If an Advisory Client is unable to manage and rehabilitate the assets underlying such bonds and improve the prospect for revenue generation, the value of its investment in such bonds will likely decline. The value of Advisory Clients' investments in municipal revenue bonds will be affected by local, state, regional and national factors. These may include economic or policy changes, erosion of the tax base, legislative changes (especially those regarding taxes) and the possibility of credit problems. Any such changes or events may adversely affect the value of Advisory Clients' investments.

***Debt Securities and Instruments.*** Advisory Clients may take positions in debt securities and instruments that are not protected by financial covenants or limitations on additional indebtedness. Advisory Clients may invest in securities and instruments that are moral obligations of issuers or subject to appropriations. Advisory Clients will therefore be subject to credit and liquidity risks.

***Unrated Debt Instruments.*** Many of the Advisory Clients' investments may be unrated and may have speculative characteristics. The market values of certain of these investments may reflect borrower developments and changes in economic conditions to a greater extent than rated investments. Moreover, municipal bond issues are typically characterized by a broader range of security provisions and covenants than corporate bond issues, and are not subject to the same disclosure requirements as corporate borrowers. As a result, the market prices of such investments may be more difficult to discern than other investments, and there is no guarantee that the investments will be profitable.

***Investments in Undervalued Assets.*** One of Emet's primary objectives is to invest in undervalued assets. The identification of investment opportunities in undervalued assets is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued assets offer the opportunity for above-average capital appreciation,

these investments involve a high degree of financial risk and can result in substantial losses. Advisory Clients may be forced to sell, at a substantial loss, assets that it believes are undervalued, if they are not in fact undervalued. Advisory Clients may also be required to hold such assets for a substantial period of time before realizing their anticipated value. During this period, a portion of the Advisory Client's funds would be committed to the assets purchased, thus possibly preventing the Advisory Client from investing in other opportunities. Advisory Clients may also finance such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period.

***Restructuring Risks.*** Emet expects to be involved in restructurings involving underlying projects that are experiencing or are expected to experience financial difficulties. These financial difficulties may never be overcome and may cause such projects to become subject to bankruptcy proceedings. Such investments could, in certain circumstances, subject Advisory Clients to certain additional potential liabilities that may exceed the value of the Advisory Clients' original investment therein. For example, under certain circumstances, a lender that has inappropriately exercised control over the management and policies of a debtor may have its claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. Among other things, the nature of the Advisory Client's control-oriented investments and the active management of the Advisory Client's investments may expose the Advisory Client to such adverse actions or liabilities. In addition, under certain circumstances, payments to the Advisory Client and distributions by the Advisory Client 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. Furthermore, such restructurings may be adversely affected by local statutes relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims.

***Control Investments.*** Emet is expected to make control investments. These investments could expose Advisory Clients to risk of liability for environmental damage, product defect, failure to supervise management, violation of governmental regulations, and other types of liability, in which the limited liability characteristics of business operations may be ignored. Advisory Clients may also be exposed to risk in connection with the disposition of these investments. When disposing of these investments, Advisory Clients may be required to make representations and warranties about the business and financial affairs of the investments typical of those made in connection with the sale of any business, or may be responsible for the contents of disclosure documents under applicable securities law. Advisory Clients may also be required to indemnify the purchasers of such investments or underwriters to the extent that any such representations and warranties or disclosure documents turn out to be incorrect, inaccurate or misleading.

***Lack of Control over Investments.*** Under certain circumstances, Emet may acquire non-controlling interests in its investments. While Advisory Clients may be granted certain contractual rights to protect any such investments (which may be set forth in a shareholder's agreement or other similar agreement and may include redemption and registration rights, placement of a designee on the boards of directors or as a board observer of a portfolio company, and/or information and access rights), Advisory Clients will not have control over such investments. In such cases, the applicable Advisory Client runs the risk of refusal of management or other shareholders or equity holders of such investments to adopt the recommendations of the Advisory Client, and any



resulting negative impact on the value of the investment or the Advisory Client's ability to exit from such investment at a profit.

***Risks in Affecting Operating Improvements.*** The success of Emet's investment strategy will depend, in part, on the ability to restructure and affect improvements in the operations of a portfolio investment. The activity of identifying and implementing restructuring programs and operating improvements with respect to portfolio investments entails a high degree of uncertainty.

***Reliance on Management of Projects.*** Emet will monitor the performance of each portfolio investment by maintaining an ongoing dialogue with the underlying project's management team and by actively participating in the rehabilitation of project assets and, in some cases, by actively participating on the boards of directors (or equivalent governing bodies) of underlying portfolio investment entities. However, it will be primarily the responsibility of the project's management team to operate the project on a day-to-day basis. There can be no assurance that the management team, or any successor, will be able to successfully operate the project in accordance with Emet's plans to increase the value of the project assets. The death, disability or resignation of key members of any such management team could adversely affect a portfolio investment's performance.

***Distressed Borrowers and Issuers.*** Advisory Clients may make substantial investments in instruments and securities that are experiencing significant financial or business difficulties, including issuers and properties involved in bankruptcy or other reorganization and liquidation proceedings. Although such investments may result in significant returns to Advisory Clients, they involve a substantial degree of risk. Distressed borrowers and issuers may be less likely to meet their obligations in connection with such instruments and securities, and the inability to meet such obligations may result in defaults and/or substantial or complete losses in value. The level of legal and financial sophistication necessary for successful investment in the securities or instruments of issuers and properties experiencing significant business and financial difficulties is unusually high. There is no assurance that Emet will correctly evaluate the value of any assets collateralizing investments or the prospects for any successful reorganization or similar action, if any, or the general performance of such securities or instruments.

***Risks of Litigation.*** In addition to the risks associated with bankruptcy and liquidation proceedings, investing in instruments and interests relating to Emet's investment strategy can be a contentious and adversarial process in general. The expense of defending against claims against Advisory Clients by third parties and paying any amounts pursuant to settlements or judgments could be substantial.

***Bank Loans and Participations.*** Emet's investment program may include investments in bank loans and participations. These obligations are subject to unique 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, (iii) environmental liabilities that may arise with respect to collateral securing the obligations, and (iv) limitations on the ability of an Advisory Client to enforce its rights directly with respect to participations.

As secondary market trading volumes increase, new loans are frequently adopting standardized documentation to facilitate loan trading, which may improve market liquidity. There can be no

assurance, however, that future levels of supply and demand in loan trading will provide an adequate degree of liquidity or that the current level of liquidity will continue. Because of the provision to holders of such loans of confidential information relating to the borrower, the unique and customized nature of the loan agreement, and private syndication of the loan, such loans are not as easily purchased or sold as publicly traded securities, and historically the trading volume in the loan market has been small relative to other markets.

***Participation and other Indirect Economic Interests.*** A portion of the assets of Advisory Clients may consist of participation interests or other indirect economic interests in instruments, securities or other assets. In such circumstances, Advisory Clients will not directly own the instruments, securities or assets underlying such participation or other economic interests and/or have custody thereof. As a result, Advisory Clients will be exposed to the risk that the assets of the holder/custodian of any such underlying securities, instruments or assets may be subject to the claims of third-party creditors or other parties. In addition, as an owner of participation interests or other indirect economic interests (including as a member of a syndicate), Advisory Clients may not be able to assert any rights against the underlying instruments, securities or other assets or the underlying borrowers or issuers, and may need to rely on the holder/custodian (or other financial institution) issuing the participation interests or such other entity charged with the responsibility for asserting such rights, if any. Such holders/custodians and financial institutions or other entities may have reasons not to assert their rights, whether due to a limited financial interest in the outcome, other relationships with the underlying defaulting borrowers, the threat of potential counterclaims or other reasons, that may differ from the interests of Advisory Clients. The failure of such holders/custodians and financial institutions or other entities to assert their rights (on behalf of the Advisory Client) or the insolvency of such entities could materially adversely affect the value of the assets of the Advisory Client.

***Risks Associated with CMBS.*** Advisory Clients may invest in CMBS and other mortgage-backed securities, including subordinated tranches of such securities. The value of CMBS will be influenced by factors affecting the value of the underlying real estate portfolio, and by the terms and payment histories of such CMBS.

Some or all of the CMBS contemplated to be acquired by Advisory Clients may not be rated, or may be rated lower than investment-grade securities, by one or more nationally recognized statistical rating organizations. Lower-rated or unrated CMBS in which Advisory Clients may invest have speculative characteristics and can involve substantial financial risks as a result. The prices of lower credit quality securities have been found to be less sensitive to interest rate changes than more highly rated investments, but more sensitive to adverse economic or real estate market conditions or individual issuer concerns. Securities rated lower than “B” by rating organizations may be regarded as having extremely poor prospects of attaining any real investment standing and may be in default. Existing credit support and the owner’s equity in the property may be insufficient to protect Advisory Clients from loss.

Advisory Clients may acquire subordinated tranches of CMBS issuances. In general, subordinated tranches of CMBS are entitled to receive repayment of principal only after all principal payments have been made on more senior tranches and have subordinated rights as to receipt of interest distributions. Such subordinated tranches are subject to a greater risk of nonpayment than senior tranches of CMBS or CMBS backed by third-party credit enhancement. As an investor in

subordinated CMBS, Advisory Clients will be first among debt holders to bear the risk of loss from delinquencies and defaults experienced on the collateral. In addition, an active secondary market for such subordinated securities is not as well developed as the market for other mortgage-backed securities. Accordingly, such subordinated CMBS may have limited marketability and there can be no assurance that a more efficient secondary market will develop.

The value of CMBS and other mortgage-backed securities in which Advisory Clients may invest generally will have an inverse relationship with interest rates. Accordingly, if interest rates rise the value of such securities will decline. In addition, to the extent that the mortgage loans that underlie specific mortgage-backed securities are prepayable, the value of such mortgage securities may be negatively affected by increasing prepayments, which generally occur when interest rates decline. Typically, commercial mortgage loans are not prepayable or are subject to prepayment penalties or interest rate adjustments, while most residential mortgage loans may be prepaid at any time without penalty.

**General Real Estate Risks.** Real estate and real-estate-related investments, including CMBS, generally will be subject to the risks incident to the ownership and operation of real estate and/or risks incident to the making of mortgage loans secured by real estate, including, but not limited to: (i) risks associated with the general economic climate; (ii) local real estate conditions; (iii) risks due to dependence on cash flow; (iv) risks and operating problems arising out of the absence of certain construction materials; (v) changes in supply of, or demand for, competing properties in an area (as a result, for instance, of over-building); (vi) the financial condition of tenants, buyers, and sellers of properties; (vii) changes in availability of debt financing; (viii) energy and supply shortages; (ix) changes in tax, real estate, environmental, and zoning laws and regulations beyond the control of Emet; (x) various uninsured or uninsurable risks; and (xi) natural disasters. In addition, Advisory Clients may invest in mortgage loans that are 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. Emet's investment strategy, which may frequently involve the acquisition of distressed or underperforming assets in a leveraged capital structure, will involve a high degree of legal and financial risk. There is no assurance that there will be a ready market for resale of investments because investments in real-estate-related assets generally are not liquid. Illiquidity may result from the absence of an established market for the investments, as well as from legal or contractual restrictions on their resale by Advisory Clients.

**Industry Concentration.** Emet intends to invest primarily in distressed income-producing debt investments secured by rental housing assets, which are eligible for municipal revenue bond financing. Due to the concentration of its investments in the municipal bond market, the Advisory Clients may be exposed to greater risk than if its investments were diversified and spread across a number of industries.

**Concentration of Investment.** Advisory Clients' investments are expected to be concentrated in a relatively small number of investments. This concentration of investments may expose Advisory Clients to greater risk than if its investments were spread across a larger number of opportunities.

**Use of Borrowed Funds.** Advisory Clients may for liquidity purposes enter into one or more lines of credit secured by available capital commitments. Such borrowing increases both the possibilities for profit and the risk of loss. The amount of borrowings by Advisory Clients and the

interest rates on such borrowings, which may fluctuate, could have a significant effect on profitability.

***Cybersecurity Risks.*** Emet and its service providers (including administrators and custodians) are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes, and practices designed to protect networks, systems, computers, programs, and data from cyber-attacks and hacking by other computer users, and to avoid the resulting damage and disruption of hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. In general, cyber-attacks are deliberate, but unintentional events may have similar effects. Cyber-attacks may cause losses to Advisory Clients by interfering with the processing of certain transactions, affecting an Advisory Client's ability to calculate net asset value or impeding or sabotaging certain activities. Advisory Clients may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, the dissemination of confidential and proprietary information, and reputational damage. Any such breach could expose Advisory Clients and/or Emet to civil liability as well as regulatory inquiry and/or action. While Emet has established business continuity plans, incident responses plans, and systems designed to prevent cyber-attacks, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified. Similar types of cyber security risks also are present for issuers of securities in which Advisory Clients may invest, which could result in material adverse consequences for such issuers, and may cause investments in such securities to lose value.

***COVID-19.*** The global outbreak of Coronavirus (or COVID-19) has created unprecedented economic and social uncertainty throughout the world. The ultimate impact of the Coronavirus outbreak is difficult to predict, but it is likely that Coronavirus will have a materially adverse impact on global, national and local economies in the immediate future and that such negative impact is likely to persist for some time. In particular, disruptions to commercial activity across economies due to the imposition of quarantines, remote working policies, "social distancing" practices and travel restrictions, and/or failures to contain the outbreak despite these measures, could materially and adversely impact Emet's investments. Similar disruptions may occur in respect of the General Partner's, and/or Emet's service providers and counterparties, which could also negatively impact Emet. While there have been various governmental responses to the potential negative effects of Coronavirus, it is unclear how effective these responses will be and what other impacts such responses may have on the overall performance of markets or Emet. The Coronavirus outbreak, and its effect on Emet's investments and Emet's ability to source new investments or to realize its investments, may persist for a longer period of time than anticipated.

### **Item 9 – Disciplinary Information**

Neither Emet, nor any of its employees or Principals, has been the subject of any material complaints or disciplinary incidents or proceedings since the firm's inception.

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

***Broker-Dealer Registration.*** Neither we nor any of our management personnel (i) are registered as broker-dealers or (ii) have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

***Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Adviser Registration.*** Neither we nor any of our Principals (i) are registered as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of the foregoing or (ii) have any application pending to register with respect to any of the foregoing.

***Material Relationships and Conflicts of Interests with Industry Participants and Other Investment Advisers.*** Our relationships and arrangements with our Advisory Clients and other industry participants are material to our advisory business and may raise conflicts of interest. We have formed a strategic partnership with Fiera Capital Inc., an investment management firm (“Fiera”), with respect to Emet Municipal Real Estate Strategy, LP (the “Municipal Fund”). This was achieved by means of a joint venture vehicle, Emet Capital Management I, LLC (“Emet I”), which is owned by both us and Fiera and acts as investment manager to the Municipal Fund. We act as a subadvisor to Emet I with respect to the Municipal Fund. While Fiera may be involved with certain strategic decisions relating to the Municipal Fund, Fiera does not participate in the day-to-day management of the Municipal Fund or Emet, or the day-to-day selection, structuring, management, or disposition of any Municipal Fund investments. Fiera will not be privy to Emet information since Fiera will only have limited access (if any) to the Emet’s physical and electronic work space. At this time, no material conflicts of interest relating to Emet’s relationship with Fiera have been identified by us. However, we are aware of the potential for conflicts inherent in our relationship with Fiera, and will actively monitor such relationship and address such conflicts, if any, as needed.

Except as otherwise disclosed in this Item 10, we do not recommend or select for our Advisory Clients, receive compensation directly or indirectly from, or have other business relationships with, other investment advisers.

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

***Code of Ethics.*** We have adopted a Code of Ethics that is based on the principle that we, and each of our personnel, owe a fiduciary duty to our Advisory Clients and a duty to comply with federal and state securities laws and all other applicable laws. These duties include the obligation of all personnel to conduct their personal securities transactions in a manner that does not interfere with the transactions of any Advisory Client or otherwise to take unfair advantage of their relationship with Advisory Clients. Among other things, the Code of Ethics requires regular reporting of personal securities transactions by certain personnel. Additionally, we maintain a restricted list, which is a dynamic list of certain issuers whose securities our personnel are not permitted to trade.

We will provide a copy of our Code of Ethics, free of charge, to any client or investor and prospective client or prospective investor upon request. Our Code of Ethics may be requested by contacting our Chief Compliance Officer, Stefan Baugh, at (212) 725-7902 or [sbaugh@emetcap.com](mailto:sbaugh@emetcap.com).

***Recommending, Buying, or Selling Securities in which We or a Related Person Have a Material Financial Interest, Invest, or Buy or Sell at the Same Time; Conflict of Interests.*** Conflicts of interest may occur if we, or our related persons, were to trade in the same security at or about the same time as our Advisory Clients. An example of such occurrence would be seeking to sell the securities we hold, while simultaneously recommending that our Advisory Clients maintain their position in the security. In such circumstances, a sale by our related persons or by us may affect the liquidity, value, or trading price of the securities that our clients continued to hold. In addition, we or our personnel may invest in the Advisory Clients and, therefore, such persons may hold an indirect interest in the same securities as other investors. Our Code of Ethics and our personal trading policy have been designed to limit such conflicts of interest.

We may give advice and recommend securities to certain Advisory Clients that may differ from advice given to, or securities recommended to, or bought or sold for, other Advisory Clients, even though their investment programs may be the same or similar.

Occasionally, certain Advisory Clients may effect investments through one or more special purpose vehicles for which we serve as general partner or manager. In such cases, we will treat any such special purpose vehicle and any such investing Advisory Clients together as one client, and we will not receive any additional benefits from advising any such special purpose vehicle.

On rare occasions, we may deem it to be in the best interests of our Advisory Clients to reallocate or “cross” securities transactions between Advisory Clients. Similarly, on rare occasions, we may enter into “principal transactions” in which we or an affiliate act as principal for our own account or as broker for the account of an Advisory Client with respect to the sale of a security to or purchase of a security from another Advisory Client. We maintain policies and procedures intended to limit the potential conflicts of interest inherent in cross or principal transactions. Cross or principal transactions will only be effected if they are deemed to be in the best interests of the particular Advisory Clients involved and conducted in compliance with our policies and procedures and applicable law.

We have adopted an “Insider Trading Policy” that prohibits us and our personnel from trading for Advisory Clients or for ourselves or themselves, or recommending trading in securities of a company while in possession of material nonpublic information (“Inside Information”) about the company, and from disclosing such information to any person not entitled to receive it, in either case in contravention of applicable securities laws. By reason of our various activities, we may have access to Inside Information or be restricted from effecting transactions in certain investments that might otherwise have been initiated. We have adopted policies and procedures reasonably designed to, among other things, control and monitor the flow of Inside Information to and within our organization, as well as prevent trading based on Inside Information.

We believe restricting our personnel’s personal trading in certain instances is one way of avoiding conflicts of interest between our Advisory Clients and such personnel. Our personal trading policies are part of our Code of Ethics.

Generally, if a proposed securities transaction involves a security appearing on our restricted list, the transaction will not be approved for personal trading.

In addition, in general, firm personnel must provide our Chief Compliance Officer with (i) their, and their immediate family members’ securities holdings at the commencement of employment and annually thereafter and (ii) quarterly transaction statements.



## **Item 12 – Brokerage Practices**

Pursuant to each Advisory Client’s investment advisory agreement, or other similar agreement, we are generally authorized to select the broker or dealer to effect transactions on behalf of our Advisory Clients. However, our selection of the broker or dealer may be tailored to a particular Advisory Client’s investment guidelines or restrictions, where appropriate. While our advisory activities on behalf of our Advisory Clients generally involve private equity transactions, and not transactions involving publicly traded securities, we have a fiduciary duty to our Advisory Clients to ensure that transactions on their behalf are fair under the circumstances. Accordingly, portfolio transactions will be allocated to brokers based on best execution and in consideration of such broker’s provision or payment of the costs of research and other services.

***Selection of Broker-Dealers and Reasonableness of Compensation.*** The Principals are responsible for due diligence on our advisory activities on behalf of our clients. To the extent applicable, the Principals will be responsible for due diligence on best execution, including ensuring that we meet our best execution obligations, whenever appropriate. In meeting such obligations, the Principals may take into account a variety of factors including, without limitation, commission rates, reliability, financial responsibility, strength of the broker and the ability of the broker to efficiently execute transactions, the broker’s facilities, and the broker’s provision or payment of the costs of research and other services or property that are of benefit to us and our Advisory Clients.

***Research and Other Soft Dollar Arrangements.*** While our advisory activities generally involve private equity transactions, and limited transactions in securities traded on the public market, to the extent that we utilize the services of a broker to effect transactions in publicly traded securities, our Chief Compliance Officer will, in consultation with outside counsel, when necessary, determine the appropriate course of action to ensure that we follow the guidance set forth in Section 28(e) of the Securities Exchange Act of 1934, as amended, with respect to any soft dollar arrangements in which we enter on behalf of any Advisory Clients.

***Directed Brokerage.*** “Directed brokerage” refers to instances in which an Advisory Client retains the discretion to choose brokers and instructs us to direct portfolio transactions to a particular broker-dealer. While we do not currently manage any Advisory Clients with directed brokerage accounts, Advisory Clients may in the future direct us to effect some or all of the transactions on behalf of such managed Advisory Client’s account through other brokers. In such instances, the managed Advisory Client’s direction must be in writing and should identify the directed broker and the percentage of brokerage that should be directed to the broker.

***Aggregating Orders for Various Client Accounts.*** Since individual purchases will frequently be made for all Advisory Clients, it is permissible for us to “bunch” trades for a number of Advisory Clients. The aggregation must be done to assure best execution and is based on the fact that each investment so bunched is appropriate for the applicable Advisory Clients. Prior to executing an aggregate order, a written (email) aggregation statement should be prepared specifying the participating Advisory Clients and the method of allocation between such Advisory Clients. Partially filled orders should be allocated pro rata based on the written aggregation statement. If an order must be allocated in a manner different from that in the written aggregation statement, all Advisory Clients should receive fair and equitable treatment, and the written rationale, prepared

by the Principals for the departure, must be approved by the Chief Compliance Officer. Each Advisory Client that participates in an aggregate order will do so at the average price per share for that order.

### **Item 13 – Review of Accounts**

Emet makes control investments in debt, equity and other instruments secured by domestic rental housing assets that would qualify for financing through the municipal bond market. Prior to making an investment the Emet Principals and other members of the investment team perform an analysis to ensure compliance with each Advisory Client's investment objectives, policies and restrictions as set forth in the applicable offering and governing documents.

The underlying rental housing assets are often in need of repositioning, restructuring and/or recapitalization. Emet's investment team takes a hands-on approach whereby each asset is monitored on an ongoing basis, including, without limitation (i) weekly calls with the applicable on the ground property management staff, (ii) in-depth review of weekly, monthly, quarterly and annual financial statements and status reports and (iii) monthly site visits (however frequency of these visits may vary depending on the stability of the asset). The investment team also monitors the investment portfolios of each Advisory Client on an ongoing basis and, as necessary, adjusts the composition, increases or decreases exposure to identified risks and evaluates exit strategies.

Investors in the Advisory Clients generally are provided with unaudited monthly or quarterly statements and annually receive audited fiscal year-end financial information. Emet provides a quarterly letter to investors in Advisory Clients describing its views on the market, potential pipeline investments, each investment and overall performance. Certain investors may request and receive more frequent or more in depth investment analysis not generally provided to all investors in Advisory Clients.

Emet's Chief Compliance Officer or designated compliance personnel periodically reviews the positions of each Advisory Client and such other information as deemed necessary to evaluate whether investment decisions are consistent with the investment guidelines set forth in the governing documents of such Advisory Client. In the event that a discrepancy is found, the discrepancy is discussed with the investment team and Emet Principals to determine if modifications to the portfolio can or should be made or other remedial actions should be taken.

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

Emet neither compensates anyone for client referrals, nor does Emet receive any economic benefits from non-clients for providing advisory services to our clients. Emet does not charge acquisition, disposition or other similar fees with respect to advisory and related services provided in connection with investments by Advisory Clients.

### **Item 15 – Custody**

Emet is not a broker-dealer, bank, or custodian and does not take custody of client assets. Emet arranges for all funds and securities to be held by qualified, third-party custodians in accounts in the name of the relevant Advisory Client, to ensure that assets are safeguarded in a manner consistent with Emet's fiduciary and contractual responsibility. Our Advisory Clients will be 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. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed to each investor within 120 days of each Advisory Client's fiscal year end.

### **Item 16 – Investment Discretion**

Emet manages Advisory Clients' investments on a discretionary basis under the Advisory Clients' governing documents. Typically, an affiliate of Emet is granted full authority as general partner to make all decisions for an Advisory Client, subject only to such restrictions or investment guidelines as may be set forth in the governing agreement and/or offering documents, and the general partner delegates such authority as well as certain administrative functions to Emet.

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

Emet's policy is to vote all proxies in each Advisory Client's best interest and to maximize the value of the investment to the Advisory Client, on a case-by-case basis, considering such facts as it deems material. The decision on how to vote proxies generally will be made by the investment team in the same manner as other investment decisions. Emet does not invest in securities in which Advisory Clients invest and we restrict employee investments in municipal securities secured by housing assets, therefore we do not expect any material conflicts of interest to arise in voting. If a circumstance arises where the interests of different Advisory Clients may conflict, the investment team will report such circumstance to the Chief Compliance Officer who will determine the appropriate course of action.

### **Item 18 – Financial Information**

Emet is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual and fiduciary commitments to Advisory Clients and Emet has not been the subject of any bankruptcy petition since the formation of the firm in 2012. Additionally, we are not required to attach a balance sheet because we do not require or solicit the payment of fees six months or more in advance at this time.