



MONTICELLOAM, LLC

PART 2A OF FORM ADV: FIRM BROCHURE

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This brochure provides information about the qualifications and business practices of MONTICELLOAM, LLC (“MONTICELLOAM” or the “Firm”). If you have any questions about the contents of this brochure, please contact Jonathan Litt, the Firm’s Chief Compliance Officer, at 646-844-3603 or jlitt@monticelloam.com. Additional information about Part 2A Form ADV is available on the SEC’s website at <https://www.sec.gov/about/forms/formadv-part2.pdf>. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Any reference to MONTICELLOAM as a registered investment adviser does not imply a certain level of skill or training.

Additional information about MONTICELLOAM is available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2: MATERIAL CHANGES

This is MONTICELLOAM's Annual Amendment to Form ADV for the fiscal year ending December 31, 2020. Since the Firm's last Form ADV Amendment, which was filed March 29, 2020, there have been no other material changes

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ITEM 4: ADVISORY BUSINESS

Item 4.A. General Description of Advisory Firm

MONTICELLOAM, LLC (“**MONTICELLOAM**” or the “**Firm**”), a Delaware limited liability company, was formed in September 2014. Alan Litt, Jonathan Litt, and Thomas Lally are the founding Principals of the Firm. Thomas Lally owns 35% of MONTICELLOAM and Alan and Jonathan Litt (together with Mr. Lally, the “**Principals**”) each own 32.5%, indirectly through the jointly owned holding company L2 Associates, LLC.

Item 4.B. Description of Advisory Services

MONTICELLOAM is an investment management firm that provides advisory services to a Real Estate Investment Trust (the “**REIT**”) and a number of privately offered pooled investment vehicles that provide short-term, long-term and working capital loans generally to skilled nursing facilities, assisted living facilities, affordable housing facilities, real estate, renewable energy and other projects (each, individually, a “**Fund**,” and together the “**Funds**” or “**Advisory Clients**”). The Firm also performs active, hands-on servicing for each of its loans. Finally, the firm provides advisory services for financial institutions with regard to senior housing investments.

Each Advisory Client’s investment objective is to provide an opportunity for current distribution and strong overall risk-adjusted returns through the origination and holding of short-term, long-term, mezzanine and/or working capital loans. MONTICELLOAM focuses on private commercial financing opportunities including, but not limited to, multifamily, assisted-living, and skilled nursing home properties, and sectors of the commercial real estate market that, in MONTICELLOAM’s view, have strong long-term demand and demographic drivers, can benefit from specialized knowledge and experience to value the underlying properties, can provide government guarantees, and are expected to produce stable cash flows.

Based upon the strategy disclosed in its respective governing documents, or advisory agreement as applicable, each Advisory Client will provide short-term, long-term, mortgage, mezzanine and/or working capital loans generally to skilled nursing facilities, assisted living facilities, affordable housing facilities, real estate, and renewable energy and other projects throughout the United States for the purpose of acquisition financing, improvements and/or refinancing of existing debt. Certain of the short-term loans, the bridge loans, are expected to be repaid/refinanced with permanent financing within two to three years (“**Bridge Lending**” or “**Bridge Loans**”). Bridge Loans are generally expected to bear interest at rates floating over an index and may either be secured by a mortgage or in the form of mezzanine financing secured by a pledge of a membership interest (“**Mezzanine Financing**”) as further described herein. Longer-term financing is generally expected to be secured by a mortgage with an expected duration of up to 10 years and bear interest at fixed rates (“**Mini-Perm Loans**” or “**Perm Loans**”). Each such Bridge Loan and Perm Loan will typically be underwritten by reviewing the borrower, the real estate or other collateral assets, the capital structure of the transaction, project government support, the local real estate market, local/state health care market, regulations affecting the asset, financing exit scenarios, and the macro-economic environment, focusing on the exit strategy of permanent financing. Additionally, a Fund may provide (i) longer term loans, financing, or working capital loans for specified purposes to owners or operators of real estate assets and to the facilities to which an Advisory Client has previously provided a loan and (ii) other loans.

Item 4.C. Availability of Customized Services for Individual Clients

The Firm's investment management and advisory services to each Advisory Client are provided pursuant to the terms of their respective offering memoranda and investment management agreements. The Firm may enter into side letters with investors to the Funds to provide them with special terms related to their investment in a Fund, which are not offered to other investors in the Fund.

Item 4.D. *Wrap Fee Programs*

MONTICELLOAM does not participate in a wrap fee program.

Item 4.E. *Regulatory Assets Under Management*

As of December 31, 2020, MONTICELLOAM had approximately \$1,586,935,928 in regulatory assets under management on a discretionary basis and approximately \$1,654,530 on a non-discretionary basis. Currently, MONTICELLOAM does not manage any Advisory Client assets on a non-discretionary basis, but it may choose to do so in the future.

ITEM 5: FEES AND COMPENSATION

Item 5.A. *Description of Compensation Arrangements*

Management Fees:

The Firm will typically be entitled to receive a management fee from each Advisory Client, in its capacity as investment manager for such Advisory Clients, in an amount between 1.5% and 3.0% per annum. Management fees will typically be calculated as a percentage of the capital allocated to the Advisor for investment by each Advisory Client in the Funds in accordance with the advisory agreement or the Fund's governing documents.

Management fees are typically accrued in arrears and paid quarterly. The Firm may, in its capacity as investment manager to a Fund, in its sole discretion, waive, reduce or modify the management fee payable with respect to any investor in a Fund (but without any concurrent increase in any other Fund investor's share of such management fees).

Carried Interest:

The Firm or Managing Member of each Fund is typically entitled to receive an incentive distribution or 'carried interest' in an amount equal to a specified percentage for each Fund. The specific percentage and amount of the incentive distribution or 'carried interest' will vary depending on the terms arranged for each Fund. Generally, Fund investors will receive a stated "preferred return" (based on cumulative distributions) per annum as described in each Fund's offering documents. The Managing Member of a Fund may be entitled to a "catch-up" carried interest distribution over such preferred return until the Managing Member has received an amount equal to its specified carried interest percentage of the aggregate of the preferred return distributions to the Fund investor and the carried interest catch-up distributions to the Managing Member, after which distributions shall be distributed to the Managing Member in the specified carried interest percentage with the balance distributed to Fund investors in accordance with the Fund's governing documents. The Managing Member may, in its sole discretion, cause the Fund to waive, reduce or modify the carried interest applicable to any investor, including the share of carried interest allocated to certain investors in any Fund (but without any concurrent increase in any other Fund investor's share of such carried interest). Carried interest will ordinarily be calculated on a monthly basis and allocated quarterly, with reconciliation after year-end. The carried interest will generally be determined separately with respect to each calendar year and, among other things, will not be reversible even if a Fund or a Fund investor

suffers a net loss in a subsequent calendar year. As certain other provisions may apply, prospective investors are urged to review the relevant Fund offering documents for specific information related to fees and, particularly, carried interest.

The Firm may also provide advisory services to Funds or investment vehicles for the selection of specific loan investments or participations. Compensation due to the Firm with respect to any such account will be calculated in accordance with the terms of the applicable investment advisory agreement and will be negotiated in conjunction with the drafting of such agreement. In addition, the Firm may, under the execution of its investment discretion and authority for those Funds or investment vehicles direct the investment into a Fund structure under which an affiliate, acting as the Managing Member of that Fund or investment, collect carried interest on such investments.

Item 5.B. Manner of Fee Payment

Management fees as described in Item 5.A. are allocated against the capital account of each investor with all other Fund expenses.

Item 5.C. Other Fees Clients May be Charged

MONTICELLOAM or its affiliates may receive acquisition, disposition, financing, leasing, origination, servicing or other fees (“**Transaction Fees**”) from transactions initiated by MONTICELLOAM or its affiliates for its Advisory Clients. Management fees and or carried interest payable by a Fund or investor to the Firm are not currently reduced or offset by the Firm’s receipt of any fees of that nature.

The Firm shall be entitled to reimbursement from each Fund or Advisory Client for any expenses which are incurred by the Firm on behalf of the Fund or Advisory Client, consistent with the terms of that advisory agreement or Fund’s governing documents.

Item 5.D. Timing of Fee Payments

Each Fund will typically pay a management fee to the Firm, which will be accrued in arrears and paid as set forth in Item 5.A. above. Incentive distributions or ‘carried interests,’ if any, will be paid as set forth in Item 5.A. above. The timing of payments relating to Transaction Fees will be in accordance with the Fund’s governing documents. Fees related to the servicing of each loan are due monthly during the time period that MONTICELLOAM provides servicing.

Item 5.E. Receipt of Compensation for Sales

Not applicable. Neither MONTICELLOAM nor its supervised persons are compensated for the sale of securities or other investment products.

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

MONTICELLOAM understands that there exist certain potential conflicts of interest associated with the presence of a performance-based fee (including carried interest payments). Such a fee may create an incentive for the Firm to cause an Advisory Client to make investments that are riskier or more speculative than would be the case if there were no performance fee or where the performance fees of different Advisory Clients are set at different rates. However, MONTICELLOAM advises each Advisory Client in accordance with its investment strategy and any allocation restrictions set forth in each Advisory Client’s organizational documents or advisory agreement such that Clients or investors in the Funds are aware of the applicable investment strategy, restrictions, and risks.

ITEM 7: TYPES OF CLIENTS

MONTICELLOAM provides discretionary investment management services to pooled investment vehicles in which interests may be offered to other private funds, high-net worth individuals and institutions, as described in Item 4.B.

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

Item 8.A. *Methods of Analysis and Investment Strategies Generally*

Each Advisory Client's investment objective is to provide a prospect for current distribution and strong overall return, while seeking to reduce downside risk, by originating and holding loans that are anticipated to be repaid by the borrowers and/or refinanced with permanent financing. There can be no assurance that any such investment objectives will be achieved, and investments involve risk of loss that Fund investors should be prepared to bear.

Bridge Lending

Based upon the strategy disclosed in its respective governing documents, as applicable, certain Funds advised by the Firm will provide or invest in short-term bridge financing for real estate assets that are eligible to obtain permanent financing from state and federal programs. MONTICELLOAM believes that an attractive market opportunity exists due to increasing consolidation within the skilled nursing facility industry as larger scale super regional and regional operators, with strong balance sheets, continue to acquire facilities and grow their portfolio. Recent revisions to industry related U.S. Government regulations may lead to an increase acquisition volume; and an aging "Baby Boomer" population increases demand for skilled nursing facilities, far exceeding current supply. Additionally, a Fund may provide financing, for working capital or other purposes, to owners or operators of the facilities to which a Fund or Funds have previously provided a real estate-related loan.

Loans are expected to be made on multifamily, senior housing and healthcare assets throughout the United States.

With exception of mezzanine loans, which could bear fixed interest rates, Loans are expected to bear interest at rates floating over an index. Loan terms will typically be 18 to 36 months.

Loans are generally expected to be leveraged at up to approximately 5 to 1 with one or more financial institutions.

In the case of each loan, the Firm expects to review the borrower, the real estate, the capital structure of the transaction, project government support, the local real estate market, regulations affecting the asset, and potential financing exit scenarios, focusing on an anticipated exit strategy of permanent financing from HUD and other state and federal programs, as well as from alternative lenders and certain affiliates of MONTICELLOAM's permanent financing program.

Working Capital Financing

A Fund may also provide financing for working capital purposes, to owners or operators of the facilities to which it, or another Fund, has provided a real estate-related loan. The loans will generally be lines of credit with terms of 12-36 months and expected to bear interest at rates floating over an index. Loans are expected

to be participated out to one or more financial institutions. Additionally, a Fund may provide financing, in the form of personal loans that are backed by a personal guaranty.

Permanent Financing

Based upon the strategy disclosed in the prospective governing documents, as applicable, the Firm anticipates that certain Funds advised by the Firm will provide longer term financing for eligible assets, with loan terms ranging from 5 to 10 years. Loans are expected to be made on real estate assets, including but not limited to commercial real estate, multifamily, skilled nursing, senior housing, memory care, independent senior living, affordable housing and assisted living facilities, throughout the United States. Loans are expected to bear interest at rates fixed over an index. Loans are expected to be syndicated in part or in whole to participant banks or other financial institutions.

In the case of each loan, the Firm expects to review the borrower, the real estate, the capital structure of the transaction, project government support, the local real estate market, regulations affecting the asset, and potential financing exit scenarios.

Commercial Real Estate Financing

Based upon the strategy disclosed in the prospective governing documents, as applicable, the Firm anticipates that certain Funds advised by the Firm and its affiliates may provide construction, bridge and longer term financing for commercial real estate assets, including but not limited to, multifamily, for-sale condominiums, offices, industrial properties and retail properties. Loans are expected to be secured by a first-mortgage or a mezzanine position on the property or borrower. Loans are expected to bear interest at rates that are floating or fixed over an index. Loan terms will typically range from 18 to 120 months. Loans are generally expected to be participated out with one or more financial institutions or qualified investors with which the Firm has relationships.

In the case of each loan, the Firm expects to review the borrower, the real estate, the capital structure of the transaction, the local real estate market, regulations affecting the asset, and potential financing exit scenarios.

Renewable Energy Financing and Project Development

Based upon the strategy disclosed in the prospective governing documents, as applicable, affiliated entities of the Firm anticipate purchasing participations in existing renewable energy loans or acting as project developers for and/or originators of financing through special purpose vehicles organized as pooled investment vehicles for renewable energy infrastructure projects throughout the United States, capitalizing on fragmented and niche capital markets and the regulatory complexities in underwriting these projects. A Fund may originate various forms of financing including construction loans, bridge loans to government backed loans, mini-permanent financing, permanent financing loans, and tax credit equity.

Loans are expected to bear interest at rates fixed over an index. Loan terms will typically be 15 to 25 years. The other investments, such as the tax credits, may be in the form of equity investments.

In the case of each loan, the Firm expects to review the borrower, the property, the capital structure of the transaction, government support, the local real estate market, regulations affecting the asset, potential financing exit scenarios, and the macro economic environment.

Mezzanine Financing

Based upon the strategy disclosed in the respective governing documents, as applicable, the Firm anticipates that certain Funds advised by the Firm will provide mezzanine loans (the “Mezzanine Loans”) to (i) certain

entities that are the sole owners of the Propcos and Opcos, as defined below (collectively, the “Holdcos”), or to (ii) the sole owners of the applicable Holdcos.

Certain entities that are the owners and/or leaseholders, as the case may be, of the real estate assets, including but not limited to commercial real estate, multifamily, skilled nursing, senior housing, memory care, independent living, affordable housing, assisted living facilities, and other real estate assets are herein collectively referred to as the “Propcos” (collectively, the “Facilities”). Certain entities that are the current operators and owners of the operating assets of the Facilities and certain newly formed operating companies are herein referred to as the “Opcos”).

Mezzanine Loans are expected to bear interest at rates either fixed or floating over an index. Loan terms will typically be 18 to 36 months.

Item 8.B and Item 8.C. *Material Risks Involved for MONTICELLOAM's Strategies*

General Risks

Reliance on Management: The success of the Funds will depend in substantial part on the skill and expertise of the employees of MONTICELLOAM. There can be no assurance that MONTICELLOAM’s investment professionals or other employees of MONTICELLOAM will continue to be employed by MONTICELLOAM throughout the life of the Funds. The loss of key personnel could have a material adverse effect on the Funds.

Lack of Management Control by Investors: Under the applicable fund agreements, the investors do not have the right to participate in the management, control or operation of the Funds or to remove MONTICELLOAM or their respective general partner.

Force Majeure Events. The Firm’s investment strategies are sensitive to instability in the U.S. or global financial markets, or changes in market and economic conditions, resulting from pandemics and other force majeure-type events. In particular, interest rates and general economic disruptions affect the value of credit investments that clients can acquire under the Firm’s management. Disruptions in the global debt markets can impact the price of, as well as the ability to dispose of, mortgages and related securities. Instability in the financial system could result in the commercial borrowers being incapable or unwilling to repay their debts and obligations when due.

Pandemic Risk. An outbreak of infectious respiratory illness caused by a novel coronavirus known as COVID-19 was first detected in December 2019 and has now been detected globally. COVID-19 has resulted in travel restrictions, closed international borders, enhanced health screenings at ports of entry and elsewhere, disruption of and delays in healthcare service preparation and delivery, prolonged quarantines, cancellations, supply chain disruptions, and lower consumer demand, as well as general concern and uncertainty. The impact of COVID-19, and other infectious illness outbreaks that may arise in the future, could adversely affect the economies of many countries or the entire global economy, individual issuers and capital markets in ways that cannot necessarily be foreseen. Public health crises caused by the COVID-19 outbreak, or other infectious diseases, may exacerbate other pre-existing political, social and economic risks in certain countries or globally. As such, issuers of real estate securities with properties, operations, productions, offices, and/or personnel in (or other exposure to) areas affected by diseases outbreaks may experience significant disruptions to their business and/or holdings. Potential impacts on the real estate market may include lower occupancy rates, decreased lease payments, defaults and foreclosures, among other consequences. Also, nursing homes and senior housing facilities could see disproportionate disruptions to their business compared to other industries due to the vulnerability of the residents in such facilities to infectious diseases such as COVID-19, which could negatively impact the financial viability of such businesses and result in an increase in loan defaults by such businesses. The outbreak has triggered unprecedented levels of stress and illiquidity across global financial markets, including global credit

markets. The long-term impact of COVID-19 on credit markets, in particular, remains uncertain, but it may materially and adversely impact the value of credit assets that we manage for our clients. The extent to which COVID-19 or other infectious diseases will affect the Funds, the Funds' service providers and/or such issuer's operations and results will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of COVID-19 and the actions taken to contain COVID-19. The duration of the COVID-19 outbreak cannot be determined with certainty.

Risks Relating to Bridge-to-HUD Lending

Lack of Diversification: Although the Funds intend to diversify its investments within the bridge-to-HUD lending arena, the limited degree of diversification of types of investments may result in the performance of the Funds to be more susceptible to a single economic, political or social event. Moreover, the investors in any particular Series of Class BTH Interests will participate only in the specific Fund investments made by the Funds with capital contributions from the Class BTH investors in that Series, and will not participate in any other Fund investments. Accordingly, such investors will be dependent on the performance of only those one or more specific Fund investments.

Future Investments; Inability to Invest Committed Capital: investors should be aware that the activity of identifying, completing and realizing attractive loan origination opportunities and investments is highly competitive and involves a high degree of uncertainty. The Funds compete for desirable loan opportunities with third parties with similar investment objectives, some or all of which may have capital and resources in excess of those of the Funds, or may be willing or able to make investment decisions more rapidly than the Funds. Specifically, the Funds encounters significant competition from real estate investment trusts, banks, conduits, pension funds, public and private lending companies and mortgage bankers. These third parties may invest in promising opportunities before the Funds are able to do so or their competitive offers to invest may thereby limit suitable investment opportunities for the Funds. In addition, many of the Funds' competitors have substantially greater assets and therefore will have the ability to make larger loans. An increase in the funds available to lenders, or a decrease in borrowing activity, may increase competition for making loans and may result in loans available to the Funds having a greater risk or lower returns. As a result, investors face risks and uncertainties with respect to the selection of loans by the Funds and will be relying on the ability of the Firm to find and close suitable future loans. There is no assurance that suitable lending opportunities will be identified that satisfy the investment objectives of the Funds.

Risks of Real Estate Loans: Real estate loans may become nonperforming for a wide variety of reasons. Nonperforming real estate loans may require a substantial amount of workout negotiations and/or restructuring, which may require, among other things, a substantial reduction in the interest rate and/or a substantial write-down of the principal of such loan. Even if a restructuring were successfully accomplished, moreover, there is a risk that upon maturity of such real estate loan replacement "takeout" financing will not be available. It is possible that the Manager may find it necessary or desirable to foreclose on collateral securing one or more loans by the Funds. The foreclosure process can be lengthy and expensive. Borrowers often resist foreclosure actions by asserting numerous claims, counterclaims and defenses against the holder of a real estate loan including, lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action. In some states, foreclosure actions can take up to several years or more to conclude. The borrower may file for bankruptcy at any time during the foreclosure proceedings, staying the foreclosure action and further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the collateral property and may result in disrupting ongoing leasing and management of the property.

Risks of Loans to Operators of Facilities: The Funds may provide other financing, for working capital or other purposes, to owners or operators of facilities for which the Funds provide, or acquire interests in, real estate loans. In addition to the risks described above, such loans are also subject to the risks of the

business operations, including, in the case of many healthcare facilities, dependence on third-party reimbursement programs. Working capital loans, for example, are typically made largely on the basis of the borrower's ability to pay interest and repay principal from the cash flow of the business. If the cash flow from business operations is reduced, the borrower's ability to make payments of interest on, or repay the principal of, the loan may be significantly impaired. There can be no assurance that the available cash flow from operations will be sufficient to service or repay such loans.

Risk of Government Intervention: Interest rates are subject to certain risks arising from government regulation of, or intervention in, the interest rate markets through regulation of the local exchange market, limits on inflows of funds or changes in the general level of interest rates. Such regulation or intervention could adversely affect the performance of the Funds.

Leverage. The Funds intends to utilize leverage, as the Manager deems appropriate in its sole discretion, with respect to its investment strategy. Initial investments by the Funds are expected to be leveraged at approximately 5 to 1, or higher in certain instances. While leverage presents opportunities for increasing the total return on investments, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment could be magnified to the extent leverage is utilized and may result in a substantial loss to the Funds.

Prepayment and Risk of Reinvestment of Proceeds Distributed to investors: The loans by the Funds may be prepayable in whole or in part at any time at the option of the borrower, and such loans may or may not provide for the payment of a prepayment premium. Prepayment on loans may be caused by a variety of factors which are often difficult to predict, including the prevailing level of interest rates as well as economic, demographic, tax, social, legal and other factors. For example, during periods of declining interest rates or for other reasons, borrowers may exercise their option to prepay principal on debt obligations earlier than scheduled. Principal proceeds received by the Funds upon such a prepayment will ordinarily be distributed to investors. If loans made with capital contributions from a Class BTH Member are prepaid and the proceeds are distributed to such Member, there is no assurance that the Member will be able to reinvest such proceeds in assets with comparable interest rates or (if it is able to make such reinvestments) as to the length of any delays before such investments are made.

Inability of Borrowers to Refinance or Sell the Underlying Real Property: The Funds intend to invest capital contributed to the Funds by investors primarily in short-term bridge loans, or interests in such loans, secured by multifamily and healthcare real estate assets, including skilled nursing facilities, which will typically be due within 18 to 36 months. Borrowers will be required to pay all or substantially all of the principal balance of the loans at maturity, in most cases with little or no amortization of principal over the term of the loan. Accordingly, in order to satisfy this obligation, at the maturity of a loan, a borrower may be required to refinance or sell the property or otherwise raise a substantial amount of cash. While the Funds expect to provide financing primarily for real estate assets that are in the process of obtaining permanent financing from HUD or other state or federal programs, there is no assurance that such permanent financing will be available, or will be obtained in amounts and at times sufficient to fully and timely repay the bridge loans by the Funds. The ability to refinance or sell or otherwise raise a substantial amount of cash is dependent upon factors which neither the Funds nor the borrowers control, such as national, local and regional business and economic conditions, government economic policies, and the level of interest rates. If a borrower is not able to pay the balance due at maturity, the loan will be in default, and the Funds is not willing to extend or restructure the loan, the Funds will in most cases be required to foreclose on the property, which can be expensive and time consuming and could adversely affect the return for the Funds and the Class BTH investors whose capital contributions have been invested in the loan secured by such foreclosed property. Where the refinancing obtained from HUD or other state or federal programs, or from alternative commercial lenders, if available, is insufficient to repay the full amount of a loan, the Funds may continue to hold a junior "B" note, or an interest in a junior "B" note, from the borrower with a longer amortization schedule. Such "B" note may be subordinate in right of payment to senior refinancing, and may be secured by interests in real estate, and/or the equity of the

borrower or other assets, which are junior to the security interests of senior refinancing.

Compliance with Real Estate Laws: In many jurisdictions the laws relating to real estate lending, management and/or ownership may be complex or unclear. To the extent such laws apply to the Funds, the Funds may not be in compliance with one or more such laws and may be liable for fines or other penalties for such non-compliance.

Borrower Fraud: The potential for material misrepresentation or omission on the part of the borrower in the origination of loans may adversely affect the valuation of the underlying collateral or may adversely affect the ability of the Funds to perfect or effectuate a lien on the collateral securing such loans. Notwithstanding the diligence efforts of the Manager, representations made by borrowers may be incomplete or inaccurate. In addition, under certain circumstances, payments by a borrower to the Funds and therefore by the Funds to the investors may be reclaimed if such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment by the borrower.

Risk of Decline in Value of Real Estate Collateral: The value of the real estate which underlies loans by the Funds are subject to market conditions. Changes in the real estate market may adversely affect the value of the collateral and thereby lower the value to be derived from a liquidation. In addition, adverse changes in the real estate market increase the probability of default, as the incentive of the borrower to retain equity in the property declines. Loans by the Funds may become non-performing for a variety of reasons, including, without limitation, because the underlying property is too highly leveraged (and, therefore, the property is unable to generate sufficient income to meet its debt service payments), is poorly managed, or has not been fully completed. Such non-performing loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate, capitalization or interest payments and/or a substantial write-down of the principal of the loan. Moreover, even if such restructuring were successfully accomplished, a risk exists that upon maturity of such loans, replacement “take-out” financing will not be available.

General Real Estate Risks: With respect to any properties that may be acquired by the Funds through foreclosure or otherwise, the Funds will incur the burdens of ownership of real property, which include paying expenses and taxes, maintaining such property and any improvements thereon, and ultimately disposing of such property. In addition, real estate investments generally will be subject to the risks incident to the ownership and operation of such real estate and/or risks incident to the making of nonrecourse loans secured by real estate, including (i) risks associated with both the general economic climate and local real estate conditions; (ii) risks due to dependence on cash flow; (iii) risks and operating problems arising out of the absence of certain construction materials; (iv) changes in supply of, or demand for, competing properties in an area (as a result, for instance, of over-building); (v) the financial condition of tenants, buyers and sellers of properties; (vi) changes in availability of debt financing; (vii) energy and supply shortages; (viii) changes in the tax, real estate, environmental and zoning laws and regulations; (ix) various insured or uninsurable risks; (x) natural disasters; and (xi) the ability of the Funds, or third party borrowers, to manage such properties.

Environmental Hazards: If any properties that may be acquired by the Funds through foreclosure or otherwise were subsequently found to have an environmental problem, the Funds could incur substantial costs and suffer complete loss of its investment in such property as well as of other assets. Under environmental laws enacted by the United States and the various states and elsewhere, owners of property may be liable for the clean-up and removal of hazardous substances even where the owner was not responsible for placing the hazardous substances on the property or where the property was contaminated prior to the time the owner took title. The costs of removal and clean-up of hazardous substances and wastes can be extremely expensive and, in some cases, can exceed the value of a property. Similarly, real estate is subject to loss due to so-called “Special Hazards” (e.g., floods, earthquakes, hurricanes). It may be impractical or impossible to fully insure against such events and, should such an event occur, the Funds could incur substantial costs and suffer a complete loss of its investment in such property.

Casualty Risk: The Funds intend to require all borrowers to obtain comprehensive insurance covering the property collateralizing the Funds' loans in an amount intended to be sufficient to provide for the replacement of the improvement at the property in the event of casualty. In addition, if the Funds becomes the owner of any real property as a result of foreclosure or otherwise, the Funds intend to carry comprehensive insurance covering such property for the replacement cost of the improvements at such property in the event of a casualty. However, the amount of insurance coverage maintained for any property may not be sufficient to pay the full replacement cost of the improvement following a casualty event. In addition, the rent loss coverage under a policy may not extend for the full period of time that a tenant may be entitled to a rent abatement as a result of, or that may be required to complete restoration following, a casualty event. In addition, there are certain types of losses, such as those arising from earthquakes, floods, hurricanes and terrorist attacks that may be uninsurable or that may not be economically insurable. Changes in zoning, building codes and ordinances, environmental considerations and other factors may make it impossible for borrowers or the Funds, as the case may be, to use insurance proceeds to replace damaged or destroyed improvements at a property. If any of these or similar events occur, the amount of coverage may not be sufficient to replace a damaged or destroyed property and/or to repay in full the amount due on all loans collateralized by such property and, therefore, may reduce the value of the Funds' investment and returns to the Funds.

Equitable Subordination: Investments in properties operating in workout modes or under Chapter 11 of the U.S. Bankruptcy Code are, in certain circumstances, subject to certain additional potential liabilities which may exceed the value of the Funds' original investment. For example, under certain circumstances, lenders who have inappropriately exercised control of the management and policies of a debtor may have their claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions.

Action of the Agent: The Funds may or may not rely on an agent to collect the payments on a loan. Furthermore, the Funds may rely on such agent to use appropriate creditor remedies against the borrower. Typically, the agent is given broad discretion in enforcing the credit agreement and is obligated to use only the same care it would use in the management of its own property. In the event that an agent becomes insolvent, or has a receiver, conservator or similar official appointed for it by the appropriate bank regulatory authority or becomes a debtor in a bankruptcy proceeding, assets held by the agent under a loan agreement should remain available to the Funds. If, however, assets held by the agent for the benefit of the Funds were determined by an appropriate regulatory authority or court to be subject to the claims of the agent's general or secured creditors, the Funds might incur certain costs and delays in realizing payment on a loan or suffer a loss of principal or interest.

Commitment Risk: It is standard practice in real estate finance for the lender to issue a commitment to fund, prior to the completion of due diligence. In the ordinary course of events, the lender would then complete the necessary work and make the decision to fund based on the information gained. Should the lender choose not to fund, it may be claimed that the lender is liable for that decision.

Interest Rate Risk: The loans by the Funds will generally bear interest at a floating rate. The Funds will be taking on interest rate risk to the extent that the floating rate applicable to the financial assets in which the Funds invest decrease, reducing the cash flow available to the Funds. In addition, such floating-rate investments may fluctuate in value due to changes in interest rates because of a time lag between the period when interest rates rise and when rates on the investments are reset.

Credit Risk: There can be no assurance that any borrower will not default with respect to a loan by the Funds, or that an event that has an immediate and significant adverse effect on the value of a loan by the Funds will not occur, and that the Funds will not sustain a loss on a transaction as a result.

Obligation of Good Faith to the Borrower: In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal

theories (collectively termed “lender liability”). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors. The Funds may be subject to potential allegations of lender liability. In addition, courts have in some cases applied the doctrine of equitable subordination to subordinate the claim of a lending institution against a borrower to claims of other creditors of the borrower when the lending institution is found to have engaged in unfair, inequitable or fraudulent conduct.

Other Participants in Loans: Third parties may participate in certain loans by the Fund, which may involve risks, including the possibility that a third party participant may at any time have economic or business interests or goals which are inconsistent with those of the Funds, or may be in a position to take action contrary to the investment objectives of the Funds.

Assignments of Loans: Participations in Loans: In addition to originating loans, the Funds may acquire interests in loans either directly (by way of novation or assignment) or indirectly (by way of participation in the loans originated by other parties). Each institution from which such an interest is acquired is referred to herein as a “Selling Institution”. Interests in loans acquired directly by way of novation or assignment are each referred to as an “Assignment”. Interests in loans acquired indirectly by way of participation or sub-participation are each referred to herein as a “Participation”. Assignments and Participations are sold without recourse to the Selling Institution and the Selling Institution will generally make no representations or warranties about the underlying loan, the obligors thereunder, the documentation or any collateral securing the loans. In addition, the Funds will be bound by provisions of the underlying loan agreements, if any, that require the preservation of the confidentiality of information provided by the obligor. In certain cases, the Funds may also assign a portion of a loan or a portion of its interest in a loan to one or more third parties.

As described in more detail below, holders of Participations are subject to additional risks not applicable to a holder of a direct interest in a loan.

Assignment: The purchaser of an Assignment typically succeeds to all the rights of the assigning Selling Institution and becomes entitled to the benefit of the loans and the other rights of the lender under the loan agreement. The Funds, as an assignee, will generally have the right to receive directly from the obligor all payments of principal and interest to which it is entitled provided notice of such Assignment has been given to the obligor. As a purchaser of an Assignment, the Funds typically will have the same voting rights as other lenders under the applicable loan agreement and will have the right to vote to waive enforcement of breaches of covenants. The Funds will also have the same rights as other lenders to enforce compliance by the obligor with the terms of the loan agreement, to set off claims against the obligor and to have recourse to collateral supporting the loan. As a result, the Funds will generally not bear the credit risk of the Selling Institution and the insolvency of the Selling Institution should have little effect on the ability of the Funds to continue to receive payment of principal or interest from the obligor. The Funds will, however, assume the credit risk of the obligor.

Participation: Participation of the Funds in a Selling Institution’s portion of a loan typically results in a contractual relationship only with such Selling Institution and not with the obligor under such loan. The Funds would, in such case, have the right to receive payments of principal and interest to which it is entitled only upon receipt by the Selling Institution of such payments from the obligor. In purchasing Participations, the Funds generally will have no right to enforce compliance by the obligor with the terms of the applicable loan agreement, nor will the Funds have any rights of set off against the obligor and the Funds may not directly benefit from the collateral supporting the loan in respect of which it has purchased a Participation. As a result, the Funds will assume the credit risk of both the obligor and the Selling Institution selling the Participation. In the event of the insolvency of the Selling Institution selling a Participation, the Funds may experience delays in securing payments made to the Selling Institution by

the obligor and may be treated as a general creditor of the Selling Institution and may not benefit from any set off between the Selling Institution and the obligor and the Funds may suffer a loss to the extent that the obligor may set off claims against the Selling Institution. If the Funds are treated as a general creditor of the Selling Institution, it may not have any exclusive or senior claim with respect to the Selling Institution's interest in, or to the collateral securing, the loan in question. The Funds may purchase a Participation from a Selling Institution that does not itself retain any economic interest in the loan, and therefore, such Selling Institution may have limited interest in monitoring the terms of the loan agreement and the continuing creditworthiness of the obligor. When the Funds hold a Participation in a loan it generally will not have the right to vote to waive enforcement of any covenants breached by an obligor. Although most participation agreements provide that the Institution may not vote in favor of any amendment, modification or waiver that forgives principal or interest, reduces principal or interest that is payable, postpones any payment of principal (other than a mandatory pre-payment) or interest or release substantially all of the collateral without the consent of the participant at least to the extent the participant would be affected by any such amendment, modification or waiver, there can be no assurance that this will be the case. A Selling Institution voting in connection with a potential waiver of a restrictive covenant may have interests which are different from those of the Funds and such a Selling Institutions is not required to consider the interest of the Funds in connection with the exercise of its votes. The rights and obligations of the Funds in connection with a purchase of a Participation from a Selling Institution, including the economic terms of such purchase, will be set forth in the applicable participation agreement between the Funds and the Selling Institution.

Priority: The Funds may acquire an interest in a loan which is junior to the interest of the originator of such loan or other third parties. The Funds may also assign a portion of a loan or a portion of its interest in a loan to a third party and retain an interest which is junior to the interest assigned to such third party. In such a case, the Funds' right to receive payments of principal and interest from the borrower would be subordinate to certain rights of the senior lender. Any payments made by the borrower would be applied in accordance with the terms of the applicable subordination, inter-creditor or other agreements governing the respective rights of the lenders, which may provide for payment in whole or in part of amounts then due to the senior lender before any payments to the Funds. If payments from the borrower are insufficient, the Funds might not be paid in full, or at all. Moreover, the Funds' security interest in the real estate or other collateral for such loan would generally be junior to the security interest of the senior lender. The senior lender would typically control when and whether to foreclose and liquidate such collateral, and the proceeds of liquidation would be applied in accordance with the terms of the applicable agreements, which may provide for payment in whole or in part of amounts due to the senior lender before any such proceeds would be available to pay the Funds.

Risks Relating to Mezzanine & Equity Investments

Mezzanine loans take the form of a subordinated loan secured by a pledge of the ownership interests of the entities that indirectly own the ownership interests in the entities owning the real property or leaseholds of the facilities. These types of investments involve a higher degree of risk than senior mortgage lending secured by income producing real property because the investment may become unsecured as a result of foreclosure by the senior lender. In the event of a bankruptcy of the entity providing the pledge of its ownership interests as security, a mezzanine lender may not have full recourse to the assets of such entity, or the assets of the entity may not be sufficient to satisfy the mezzanine loan. If a borrower defaults on the mezzanine loan or debt senior to the mezzanine loan, or in the event of a borrower bankruptcy, the mezzanine loan will be satisfied only after the senior debt. As a result, a mezzanine lender may not recover some or all of its investment. In addition, mezzanine loans may have higher loan to value ratios than conventional mortgage loans, resulting in less equity in the property and increasing the risk of loss of principal.

The Loan will be subordinated to the Mortgage Loan. Such subordinated investments may be characterized by greater credit risks than those associated with the senior obligations of the same issuer.

In addition, the ability of the Funds to influence the affairs of the Borrowers or Mortgage Borrowers, especially during periods of financial distress or following an insolvency is likely to be substantially less than that of senior creditors. For example, under terms of intercreditor or subordination agreements, senior creditors are typically able to block the acceleration of the mezzanine debt or otherwise exercise creditor rights. Accordingly, the Funds may not be able to take the steps necessary to protect its investments in a timely manner or at all.

It is possible that the general partner of the Funds may find it necessary or desirable to foreclose on collateral securing the Loan. The foreclosure process can be lengthy and expensive. Borrowers often resist foreclosure actions by asserting numerous claims, counterclaims, and defenses against the holder of a loan including, without limitation, lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action. Foreclosure actions can take up to several years or more to conclude. During the foreclosure proceedings, a borrower may have the ability to file for bankruptcy, potentially staying the foreclosure action and further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the collateral underlying the Mortgage Loan and may result in disrupting ongoing leasing and management of such property which may cause a corresponding disruption of the Borrowers' abilities to satisfy their obligations under the Loan. There can be no assurance that the liquidation of any collateral of an investment would satisfy Borrowers' obligation in the event of non-payment of scheduled interest or principal payments with respect to such investments, or that such collateral could be readily liquidated. In addition, in the event of bankruptcy of Borrowers or Mortgage Borrowers, the Funds could experience delays or limitations with respect to its ability to realize the benefits of the collateral securing an investment, if any. Under certain circumstances, collateral securing an investment may be released without the consent of the Funds.

Insolvency Considerations. An investment held by the Funds may be subject to various laws enacted for the protection of creditors. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of a borrower entity, such as a trustee in bankruptcy, were to find that the borrower did not receive fair consideration or reasonably equivalent value for incurring the indebtedness constituting such investment and, after giving effect to such indebtedness, the borrower: (i) was insolvent; (ii) was engaged in a business for which the remaining assets of such borrower constituted unreasonably low capital; or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could invalidate, in whole or in part, such indebtedness as a fraudulent conveyance, subordinate such indebtedness to existing or future creditors of the borrower or recover amounts previously paid by the borrower in satisfaction of such indebtedness. The measure of insolvency for purposes of the foregoing will vary. There can be no assurance as to what standard a court would apply in order to determine whether the borrower was "insolvent" after giving effect to the incurrence of the indebtedness constituting the investment, or that, regardless of the method of valuation, a court would not determine that the borrower was "insolvent" upon giving effect to such incurrence. In addition, in the event of the insolvency of a borrower, payments made on the applicable loan could be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one year and one day) before insolvency.

If a borrower is the subject of a bankruptcy proceeding, payments to the Funds with respect to such investment may be delayed or diminished as a result of the exercise of various powers of the bankruptcy court, including, without limitation, the following: (A) an "automatic stay," under which the Funds will not be able to institute proceedings or otherwise enforce its rights against the borrower or obligor with respect to the Funds' investment without permission from the court; (B) conversion by the bankruptcy court of the Funds' investment into more junior debt or into an equity obligation of the borrower or obligor; (C) modification of the terms of the Funds' investment by the bankruptcy court, including, without limitation, reduction or delay of the interest or principal payments thereon; and (D) grant of a priority lien to a new money lender to the borrower or obligor on the applicable loan.

Nature of Bankruptcy Proceedings. The Funds may make investments that could require substantial

workout negotiations or restructuring in the event of a default or bankruptcy. There are a number of significant risks involved with bankruptcy proceedings, including the following: First, many events in a bankruptcy are the product of contested matters and adversarial proceedings which are beyond the control of the creditors. Second, a bankruptcy filing may have adverse and permanent effects on an issuer. Further, if the proceeding is converted to a liquidation, the liquidation value of the issuer may not equal the liquidation value that was believed to exist at the time of the investment. Third, the duration of a bankruptcy proceeding is difficult to predict. A creditor's return on investment can be adversely impacted by delays while the plan of reorganization is being negotiated, approved by the creditors, and confirmed by the bankruptcy court, and until it ultimately becomes effective. Fourth, the administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor's estate prior to any return to creditors. Fifth, creditors can lose their ranking and priority if they exercise "domination and control" over a debtor and other creditors can demonstrate that they have been harmed by such actions, especially in the case of investments made prior to the commencement of bankruptcy proceedings. Sixth, certain claims, such as secured and/or unsecured senior debt claims, trade claims, administrative claims, and claims for taxes, may have priority by law over the claims of certain creditors. Seventh, the Funds may seek representation on creditors' committees and, as a member of a creditors' committee, it may owe certain obligations generally to all creditors similarly situated that the committee represents and it may be subject to various trading or confidentiality restrictions.

Lender Liability, Equitable Subordination and Recharacterization. Under Title 11 of the United States Code, as amended (the "Bankruptcy Code"), a lender that has inappropriately exercised control of the management and policies of a company that is a debtor under the Bankruptcy Code may have its claims against the company subordinated or disallowed, or may be found liable for damages suffered by parties as a result of such actions. Such claims may also be disallowed or subordinated to the claims of other creditors if the lender (e.g. the Funds) (i) is found to have engaged in other inequitable conduct resulting in harm to other parties; (ii) intentionally takes action that results in the undercapitalization of a borrower; (iii) engages in fraud with respect to, or makes misrepresentations to other creditors; or (iv) uses its influence as a shareholder to dominate or control a borrower to the detriment of other creditors of such borrower. The lender's investment may also be recharacterized or treated as equity if it is deemed to be a contribution to capital or if the lender attempts to control the outcome of the business affairs of a company prior to its filing under the Bankruptcy Code. While the Funds will attempt to avoid taking the types of action that would lead to the subordination, disallowance and liability described above, there can be no assurance that such claims will not be asserted or that the Funds will be able to successfully defend against them.

Risks Relating to the Terms of the Funds

Indemnification: The Funds will be required to indemnify MONTICELLOAM, the applicable fund general partner and their respective affiliates, officers, directors, managers, agents, stockholders, members and partners for liabilities incurred in connection with the affairs of the Funds. Such liabilities may be material and have an adverse effect on the returns to the investors. The indemnification obligations of the Funds will initially be payable from the assets of the Funds. If the assets of the Funds are insufficient, the Funds may recall certain distributions previously made to the investors.

Lack of Transferability of Interests: The Interests offered have not been registered under the securities laws of any jurisdiction and are subject to restrictions on transfer contained in such laws and in the applicable fund agreements. Interests are not transferable except with the consent of the applicable general partner of the fund, which may be given or withheld in its reasonable discretion, or in the case of certain limited permitted transfers as provided in, and subject to certain significant terms and conditions set forth in the applicable fund agreements. There will not be any market for the Interests.

Sale or Distribution of Assets: If a Fund is liquidated, it could take years to liquidate the Fund's assets. The fund general partner will endeavor to ensure that the Fund investment is fully repaid, sold or otherwise

disposed of during the liquidation of the Funds. However, it may not be possible for the Funds to dispose advantageously of the Funds investment and, as a result, the Funds may have to sell, distribute or otherwise dispose of the Funds investment at a disadvantageous time as a result of dissolution, or to extend the term of the Funds. To the extent that the Funds investment remains unsold or not fully repaid at the end of the liquidation period, which could prevent the Funds from being finally wound up, the liquidator of the Funds (the "Liquidator") may decide to distribute property in-kind to the investors. Investors may be subject to restrictions on disposal of in-kind property distributed to them by the Funds and, consequently, investors may not be able to realize the full value of such in-kind property. In addition, the Liquidator may choose to distribute the proceeds of the disposition of in-kind property to the investors instead of distributing such in-kind property, and may not be able to dispose of such in-kind property at optimal prices and, consequently, the proceeds received by the investors from the sale of such in-kind property by the Liquidator may be less than the value of the in-kind property itself. In-kind distributions may have adverse tax consequences that may not otherwise apply to an equivalent cash distribution. There can be no guarantee or assurance as to the liquidity of in-kind property distributed to investors, or the effect that such lack of liquidity could have on the value of such in-kind property or such investors' return on their investment in the Funds.

There may be circumstances where the fund's general partner, in its sole discretion, deems it appropriate to make in-kind distributions to certain investors prior to liquidation. Such distributions of in-kind assets shall be made in accordance with the provisions described above applicable to a distribution of assets in-kind in connection with the liquidation of the Funds.

Default: The Funds may experience difficulty in making up for a shortfall from other sources should a Member fail for whatever reason to pay to the Funds sums drawn down by MONTICELLOAM in respect of a Member's commitments. Other investors may be required to make additional contributions to replace such shortfall, thereby reducing the diversification of their investments. Any default by one or more investors could have an adverse effect on the Funds, its assets and the interest of other investors. A Defaulting Member will be subject to the remedies specified in the applicable fund agreements.

Co-Investments: MONTICELLOAM from time to time may offer investors or third parties, including third party participants, opportunities to co-invest with the Funds in the Funds investment. Accordingly, the percentage interest of the other investors or the Funds, as applicable, in, and the contribution of obligations of the other investors or the Funds, as applicable, with respect to, the Funds investment may be more or less than what it would have been otherwise.

Limitations on Resignation: Generally, a Member may not resign as a Member or withdraw its capital until such time as there is a repayment, sale or other liquidity event with respect to the Funds investment.

Compulsory Redemption: The general partner may cause any Member to compulsorily redeem its interest and cease to be a Member of the Funds in certain circumstances, including, among others, if the Member ceases to be an eligible investor, if the continued holding of such Interests by such Member could cause the Funds, the Fund's general partner or MONTICELLOAM to violate any law or regulation, to become subject to a material tax, regulatory or other burden or to suffer other economic disadvantages, if such Member has breached the applicable fund agreements and/or the subscription agreement or for any reason or no reason, as determined by general partner in its sole discretion.

Limited Recourse to MONTICELLOAM or the General Partner: The fund agreements will limit the circumstances under which MONTICELLOAM, the Funds' general partner or their respective affiliates can be held liable to the Funds and the investors. As a result, investors may have more limited rights of action in certain cases than they would in the absence of such provisions.

Lack of Control by investors: The business of the Funds will generally be managed by their general partner, and accordingly the general partner will have significant discretion in managing the Fund's business. The

rights and obligations of investors will be subject to the limitations set forth in the applicable fund's agreements and except for the rights specifically reserved to them by the fund agreements and applicable law, the investors will have no part in the management and control of the Funds.

Tax Issues: In computing its United States federal income tax liability for a taxable year, each Member subject to U.S. tax will be required to take into account his, her or its allocable share of Fund items of income, gain, loss and deduction for the taxable year of the Funds sending within or with such taxable year of the Member, as determined by the Funds taking into account the Funds investment, regardless of whether the Member has received any distributions from the Funds. Prospective investors should also be aware that they will be subject to various limitations on their ability to deduct their allocable share of Fund losses (or items of loss and deduction). For these and various other reasons, it is possible that a Member's federal income tax liability with respect to its allocable share of the Funds' earnings in a particular year could exceed the cash distributions to the Member for the year, thus giving rise to an out-of-pocket payment by the Member. In addition, a Member may become subject to tax return filing obligations and income, franchise and other taxes in state and local jurisdictions, such as the State of New York, in which the Funds conducts business or other activities, earns income or owns property, even if the Member is not a resident of such jurisdiction. The Funds may also become subject to tax in certain jurisdictions, including the City of New York. In view of the complexity of the United States federal, state and local and non-U.S. tax aspects of the offering, and given that certain of the tax aspects of the offering may not be the same for all investors, prospective investors must consult their own tax advisers with specific reference to their own United States federal, state and local and non-U.S. tax situations prior to investing in the Funds. See Section V. – "Certain Tax and Regulatory Considerations."

ERISA Risk for Benefit Plan Investors: Persons acting as fiduciaries with respect to any Benefit Plan Investor should satisfy themselves that an investment in the Funds is prudent, taking into consideration cash flow and other objectives of the investor as may be applicable in light of its individual circumstances, and, to the extent applicable, consistent with Section 404 of ERISA. See Section V. – "Certain Tax and Regulatory Considerations - ERISA Considerations."

Diverse Member Group: The investors in the Funds may have conflicting investment, tax and other interests with respect to their investments in the Funds. The conflicting interests of individual investors may relate to or arise from, among other things, the nature of a Fund investments, the structuring or the acquisition of a Fund and a Fund investment and the timing of disposition of the Funds' investments. As a result, conflicts of interest may arise in connection with the decisions made by MONTICELLOAM, including with respect to the nature or restructuring of investments that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring the Funds investment, MONTICELLOAM considers the investment and tax objectives of the Funds, not the investment, tax or other objectives of any investor individually.

Absence of Regulatory Oversight: While the Funds may be considered similar in some ways to an investment company, it is not required and does not intend to register as such under the Company Act and, accordingly, investors in the Funds are not accorded the protections of the Company Act. MONTICELLOAM is registered as an investment adviser under the Advisers Act.

Changes in Applicable Law: The Funds must comply with various legal requirements, including requirements imposed by U.S. federal income tax law and U.S. federal and state securities laws. If any of the laws and regulations currently in effect should change or any new laws or regulations should be enacted, the legal requirements to which the Funds and the investors may be subject could differ materially from current requirements and may materially and adversely affect the Funds and the investors.

ITEM 9: DISCIPLINARY INFORMATION

MONTICELLOAM and its supervised persons have no reportable disciplinary events to disclose.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Item 10.A. *Broker-Dealer Activities*

Not applicable. MONTICELLOAM is currently not applying to register as a broker-dealer and does not intend to do so.

Item 10.B. *Commodity or Futures Industry Affiliations*

Not applicable at this time. Neither MONTICELLOAM, nor any of its management persons, are applying to register with the National Futures Association.

Item 10.C. *Affiliate Relationships*

KL2 Partners, LLC serves as the Managing Member of each of the Funds. In order to address any potential conflicts of interest, the Firm requires any housing market or renewable energy transactions made by private investment entities owned by Access Persons to be pre-cleared with the Chief Compliance Officer or his designee.

Item 10.D. *Investment Adviser Recommendations*

Not applicable. MONTICELLOAM does not recommend or select other investment advisers for its clients.

Item 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Item 11.A. *Code of Ethics Generally*

Employees of MONTICELLOAM may only purchase and sell securities in accordance with the Firm's Code of Ethics to which all employees are subject. This policy is monitored by the Chief Compliance Officer.

Employees are permitted to maintain personal brokerage accounts, subject to the Code of Ethics and personal trading policy.

The Code of Ethics includes the following:

- A statement of the standard of business conduct.
- Limits on gifts and entertainment.
- Limits on political contributions.
- All employees are required to pre-clear any purchases or sales in any security of an issuer on the Firm's restricted list, including contemplated investments, and/or any investments where material non-public information may be gained, in any of his or her personal accounts.
- Additionally, employees are subject to strict reporting requirements regarding personal holdings.

- Employees must acknowledge in writing having received and read a copy of the Code of Ethics.
- Any exceptions to the above need prior approval of the Chief Compliance Officer.

A copy of the Firm's Code of Ethics is available to Advisory Clients, Fund investors and prospective Fund investors upon request.

Item 11.B. Participation or Interest in Client Transactions

To minimize conflicts of interest, and to maintain the fiduciary responsibility MONTICELLOAM has to its clients, the Firm has established policies to monitor the following types of transactions.

Participation or Interest in Client Transactions

From time to time, the Firm may recommend securities to clients that it, or an affiliate, acts as managing member, from which it or an affiliate receives servicing or other fees, and/or invests clients in the same securities as the Firm and/or its related persons. Affiliated entities may also make loans to the same types of entities to which Advisory Clients make loans. Furthermore, MONTICELLOAM and/or their affiliates will typically make an investment in the Funds alongside third-party investors. Because MONTICELLOAM decides which loans to offer to Advisory Clients and investors in the Funds and in what proportions, a conflict of interest may arise whereby MONTICELLOAM may have an interest in offering greater proportions of those loans that they find less attractive, while retaining a greater proportion of those loans that they consider to be more attractive investments.

Furthermore, the Firm offers working capital lines of credit to borrowers through special purpose vehicles organized as pooled investment vehicles. In connection with these lines of credit, as well as other loans offered to Advisory Clients and Fund investors, the Firm or its affiliates receives management fees, origination fees, transaction fees, or other fees related to the use of the working capital lines by borrowers. Because fees will typically be based upon the availability as well as the level of use of the working capital line following the closing of a loan, these arrangements may create an incentive to offer loans through the Funds or to Advisory Clients when the Firm may not otherwise have done so, or in situations which may not be in the best interests of Fund investors or Advisory Clients.

Principal Transactions

From time to time, the Firm may execute principal transactions between clients and an affiliate of the Firm. With respect to principal transactions, MONTICELLOAM discloses to the client in writing before the completion of the transaction the capacity in which the Firm is acting with respect to this transaction, and obtains the client's consent to such transaction as required by Section 206(3) of the Investment Advisers Act of 1940, as amended.

Affiliated Loans

The Firm generally does not intend to allow employees or affiliated entities to make loans, either directly or indirectly, to any of the Firm's Advisory Clients ("**Client Loans**"); however, such Client Loans have occurred in the past. Client Loans may present conflicts of interest between the affiliated party making the loan and MONTICELLOAM's clients. With respect to Client Loans, MONTICELLOAM discloses to the client in writing before the completion of the loan the details of the loan and the affiliated parties' interest.

In addition, certain affiliated entities may operate and manage certain skilled nursing facilities and assisted living facilities. The Advisory Clients may, in the future, provide Bridge Lending to facilities operated or managed by these affiliates ("**Loans to Affiliates**"). The terms of the Loans to Affiliates will be substantially similar to any loans made to third parties. MONTICELLOAM will also disclose to the

Advisory Client in writing before the completion of any Loans to Affiliates the details of the loan and the relationship with the affiliated parties.

Fee Structure

MONTICELLOAM or its affiliates may earn performance-based fees from or receive “carried interest” in its Funds. Under these payment structures, MONTICELLOAM generally would participate in the property or portfolio return once the Fund receives a total return in excess of a specified threshold, which is usually based on an internal rate of return. These performance-based fees or carried interest may create an incentive for the Firm to pursue investments that are riskier or more speculative than would have been the case in the absence of such allocation to the Firm.

Item 11.B. through Item 11.D. *Related Person Transactions*

MONTICELLOAM, as a fiduciary to its clients and endeavoring to be honest and truthful to its clients at all times, prohibits investments in the personal account of any Firm personnel or related person in a security that is currently held or intended to be held by the applicable Fund, except for investment by MONTICELLOAM and its affiliates (including the Principals) in Funds alongside other investors.

ITEM 12: BROKERAGE PRACTICES

Item 12.A.1. *Research and Other Soft Dollar Benefits*

The Funds invest primarily in private investments, although they may acquire, sell or distribute public securities in the future. As set forth in each Fund’s governing documents, MONTICELLOAM retains full discretion to determine the broker or dealer to be used for each securities transaction for Fund accounts and seeks to obtain best execution for its clients by placing orders for the purchase and sale of securities with brokers and dealers based on the Firm’s evaluation of the ability of the broker or dealer to execute orders in a prompt and effective manner as well as a consideration of factors as, including but not limited to, the financial stability and reputation of brokerage firms, and the brokerage or other services provided by such brokers.

MONTICELLOAM does not currently engage in the use of soft dollars.

Item 12.A.2. *Brokerage for Client Referrals*

MONTICELLOAM does not participate in selecting or recommending brokers or dealers in exchange for client referrals.

Item 12.A.3. *Directed Brokerage*

Not applicable. MONTICELLOAM does not allow directed brokerage by its clients.

Item 12.B. *Aggregation and Allocation*

MONTICELLOAM recognizes its duty to treat all Advisory Clients fairly and equitably. Typically, investments pursued by MONTICELLOAM on behalf of its Funds are capacity constrained by the amount of the loan contemplated through the investment transaction. To the extent possible, the Firm will allocate investment opportunities that are appropriate for more than one Fund or Advisory Client according to policies designed by the Firm to distribute investment opportunities on a fair and equitable basis guided by

attributes of each specific loan and Fund, as well as other factors including, but not limited to: standing commitments from investors; cash flow changes (including available cash, redemptions, exchanges, capital additions and capital withdrawals) which may provide a basis to deviate from a pre-established allocation as long as it does not result in an unfair advantage to specific Advisory Clients over time; priority given to Advisory Clients with specialized investment objectives or restrictions emphasizing investment in a specific investment or type of specified borrowers or collateral over other Advisory Clients in allocating such investments; Advisory Clients having specific investment size restrictions that affect allocations; prior investments in other Funds or special purpose vehicles; each Advisory Client's investment objectives and investment focus; each Advisory Client's appropriate risk profile; each Advisory Client's liquidity and reserves; each Advisory Client's risk appetite; each Advisory Client's diversification; each Advisory Client's targeted rate of return; anticipated holding period and/or liquidity of the investment; composition of each Advisory Client's portfolio; tax implications; legal, contractual or regulatory constraints; timeliness of an investment commitment; and size of an investor's commitment relative to the proposed loan investment.

The Firm does not anticipate trading public securities, however, in circumstances where the Firm is trading public securities and the Firm determines to buy or sell the same security on behalf of more than one Advisory Client account, it may, but shall be under no obligation to, aggregate (to the extent permitted by applicable law and regulations) the securities to be purchased or sold in order to seek more favorable prices, lower brokerage commissions or more efficient execution. In such case, the Firm will place an aggregate order with the broker on behalf of all such accounts to confirm that accounts for which no directed brokerage arrangement is in place are treated fairly; provided, however, that trading shall be reviewed periodically to confirm that accounts are not systematically disadvantaged by this policy. The Firm will determine the appropriate number of securities to place with brokers and will select the appropriate brokers based upon the determination of who will likely provide best execution.

ITEM 13: REVIEW OF ACCOUNTS

Item 13.A. and 13.B. *Review of Accounts*

The portfolio investments of the Funds are continuously reviewed by a team of investment professionals. The team generally includes Alan Litt, Thomas Lally, and other investment professionals of MONTICELLOAM. The Firm actively monitors the portfolios of each Fund and has established the MONTICELLOAM Credit Committee to formalize its monitoring process.

Item 13.C. *Client Reports*

Investors in each Fund will receive, among other things, a copy of audited financial statements of the relevant Fund within 120 days after the fiscal year end of such Fund. In addition, investors in each Fund will typically receive written reports containing unaudited summary financial information regarding their Fund investments quarterly.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

Item 14.A. *Other Compensation*

Not applicable. MONTICELLOAM does not receive a direct economic benefit from any third party for providing investment advice or other advisory services to any Fund related to the selection or recommendation of broker-dealers.

Item 14.B. *Client Referrals*

MONTICELLOAM does not currently compensate any person, directly or indirectly, for client referrals.

ITEM 15: CUSTODY

Under Rule 206(4)-2 of the Advisers Act (the “**Custody Rule**”), in connection with the advisory services provided by MONTICELLOAM, certain affiliated entities are deemed to have custody of the cash and/or securities of certain Funds. MONTICELLOAM and its affiliates are exempt from many of the requirements of the Custody Rule because (i) the Funds are audited in accordance with U.S. generally accepted accounting principles on an annual basis by an independent public accountant that is registered with, and subject to regular inspection by the Public Company Accounting Oversight Board, and (ii) the Firm distributes the Fund’s audited financial statements to investors in such Fund within 120 days of the Fund’s fiscal year end. Some of the loan documents, which the Firm does not consider securities for purposes of complying with the Custody Rule, are held with an unaffiliated attorney as opposed to a qualified custodian.

ITEM 16: INVESTMENT DISCRETION

MONTICELLOAM has full discretion to manage each Fund. This authority is granted pursuant to an Investment Management Agreement (“**IMA**”) between MONTICELLOAM and that Fund. Individual Fund investors will grant authority to the Fund to enter into or be party to an IMA with MONTICELLOAM by signing a subscription agreement.

ITEM 17: VOTING CLIENT SECURITIES

MONTICELLOAM has voting authority due to the fact that it has discretionary authority over the securities held by its clients. Accordingly, although it is unlikely that MONTICELLOAM will receive proxies based on its current and anticipated investments, the Firm understands its fiduciary responsibility to monitor corporate events, to vote proxies and cast votes in the best economic interests of its clients, and to not put client interests second to its own economic interests. MONTICELLOAM has adopted the proxy voting policies and procedures set forth in its Compliance Manual. Under the Firm’s proxy voting policy:

- MONTICELLOAM will vote proxies in the best interests of each particular Advisory Client. The Firm’s policy is to vote all proxies for a specific issuer in the same way for each Advisory Client, absent some qualifying restrictions or a material conflict of interest.
- MONTICELLOAM will generally vote with recommendations on routine corporate housekeeping matters.
- MONTICELLOAM will generally vote against proposals that cause board members to become entrenched or cause unequal voting rights.
- MONTICELLOAM may choose not to vote in certain instances where the Firm’s interest may be deemed too small to make an impact. Such determination will be documented by way of a proxy voting log and maintained by the Chief Compliance Officer.
- In reviewing proposals, the Firm may also consider the opinion of management, the effect on management, the effect on shareholder value and the issuer’s business practices.

ITEM 18: FINANCIAL INFORMATION

Item 18.A. *Balance Sheet*

Not applicable. MONTICELLOAM does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

Item 18.B. *Financial Condition*

MONTICELLOAM is not aware of any financial condition that is reasonably likely to impact its ability to meet its contractual commitments to clients.

Item 18.C. *Bankruptcy Petitions*

Not applicable. MONTICELLOAM has not been the subject of a bankruptcy petition at any time during the past ten years.