

# **Bangtail Management LP**

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## **BROCHURE 2A**

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This brochure provides information about the qualifications and business practices of Bangtail Management LP. If you have any questions about the contents of this brochure, please contact our Investor Relations Department at (970) 457-4340 or e-mail us at [info@deerparkrd.com](mailto:info@deerparkrd.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or any state securities authority.

Bangtail Management LP is an investment firm registering as an investment adviser with the SEC. This registration does not imply any level of skill or training. Additional information about Bangtail Management LP is also available on the SEC’s website at [www.adviserinfo.gov](http://www.adviserinfo.gov).

## **2. Material Changes**

Bangtail Management LP is a newly formed adviser created in December 2021 (“Bangtail” or the “Adviser”). Bangtail manages a single fund, Flywheel SFR Fund I LP which invests primarily in single family residential real estate. Bangtail is affiliated with Deer Park Management Company, LP, (“Deer Park”) an SEC registered investment adviser that manages portfolios for private and registered funds that invest primarily in securities.

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#### 4. Advisory Business

Bangtail Management LP (“**Bangtail**”, the “**Adviser**” or the “**Firm**”) is a Delaware limited partnership that provides discretionary investment advisory and portfolio management services to privately offered managed investment vehicles that invest in a variety of real estate assets. The Adviser commenced operation in 2021 and is owned and controlled by Michael Craig-Scheckman, Scott Burg and Brad Craig. Bangtail is a registered investment adviser with the SEC. The Adviser is an affiliate of Deer Park Road Management LP (“**Deer Park Road**”), an SEC-registered investment adviser. Adviser and Deer Park Road generally have common policies and procedures with respect to investment advisory clients and share senior management teams and back office systems and employees.

Adviser aims to identify attractive investment opportunities in the single family residential real estate market by purchasing and offering properties out to rent. The Adviser will focus on the acquiring, holding, managing, leasing, operating, maintaining, improving, developing, constructing, redeveloping, renovating, remediating, financing, refinancing, transferring and disposing of single family residential real estate. The adviser aims to identify attractive opportunities using technological innovation provided by third party service providers in order to both enhance purchasing and renting efficiencies.

The Adviser manages a privately offered pooled investment vehicle, the Flywheel SFR Fund I LP (“Private Fund” or “Client”), a Delaware limited partnership. Inception of the Client occurred in January of 2022 with commitments of \$165 million. \$165 million. Commitments for the Private Fund were supplied by: 1) a “Seed Investor”; and 2) an affiliate of the Adviser. In return for its commitment, the Seed Investor received an interest in the “General Partner” of the Fund and an interest in the Management Fees payable to the Adviser for this and certain future funds. The Adviser does not manage any assets on a non-discretionary basis. The Manager does not manage wrap fee programs. Assets under management are measured as net assets under management including uncalled capital commitments.

## **5. Fees and Compensation**

The fees and expenses applicable to the Private Fund are set forth in detail in the Private Fund's organizational documents. A brief summary of those fees and expenses follows.

Compensation received by the Adviser from the Private Fund comprises "Management Fees" and "Carried Interest." Monthly Management Fees are based on a percentage of assets under management and are paid quarterly, in arrears. Management Fee rates are generally range between 1% to 1.5% per Annum of total commitments (during the investment period of the Private Fund) and net asset value thereafter.

In addition to Management Fees, the General Partner receives performance-based compensation, generally in the form of an allocation of a profits interest from the Private Fund (commonly referred to as "Carried Interest") based on the net cash proceeds attributable to the Private Fund, subject to a preferred return payable to that Private Fund's investors. Carried Interest for the Private Fund is approximately 20% of the profits earned by such Private Fund. Investors should refer to the Private Fund's organizational documents for additional or supplementary information regarding the Carried Interest paid by the Private Fund.

The Adviser or the General Partner, as applicable, has discretion to waive, modify or change the amount or calculation method for the Management Fee or Carried Interest with respect to the Private Fund or individual investor including affiliates or employees of the Adviser.

Adviser pays all its normal operating expenses incidental to the provision of administrative services to it's the Client, including related overhead. Subject to any expense limitation set forth in the organizational documents, the Client generally bears all expenses of its organization and operation, and generally include but are not limited to: (i) interest on and fees and expenses related to hedging activities of the Client; (ii) research-related expenses; (iii) legal fees and expenses; (iv) fees and expenses related to appraisal, valuation (including expenses associated with the preparation of any valuation opinion), property management, consulting, environmental, tax advisor and other professional services (including, without limitation, expenses of architects, engineers and experts); (v) travel, accommodation, meals and entertainment expenses, including in connection with consummated and unconsummated investment and disposition opportunities; (vi) premiums and fees for insurance to benefit, directly or indirectly, the Client, the Client's partners and covered persons with respect to liabilities to any person in connection with the affairs of the Client, including errors, omissions, fidelity, general partner liability, fiduciary, directors' and officers' liability insurance, financial institutional bond insurance and other similar coverage or insurance policies; (vii) audit and tax preparation expenses; (viii) accounting expenses; (ix) costs of portfolio management and accounting systems; (x) costs of fund administrators, maintenance and storage costs of books and records and other administration fees; (xi) fees, expenses and commissions relating to brokerage, custodial, depository, trustee, account and similar services; (xii) expenses attributable to printing, communications, marketing and publicity (e.g., costs of printing and mailing reports and notices); (xiii) reasonable costs and expenses incurred in connection with any reporting to the Client's partners and any meeting of the partners; (xiv) management fees; (xv) expenses related to defaults by partners in the payment of any capital contributions (to the extent not paid by such defaulting partners); (xvi) expenses incurred in connection with distributions to the Client's partners; (xvii) corporate licensing fees and other professional fees; (xviii) fees and expenses relating to broker, dealer, underwriter, investment banker, finder and similar service providers; (xix) bank service, financing, commitment, origination and similar fees and expenses; (xx) registration, filing, title, withholding, transfer and similar fees and expenses; (xxi) fees and expenses related to Indebtedness of, or guarantees made by, the Client,

including repayment of amounts borrowed or guaranteed (together with any interest and other amounts payable thereon) in accordance with this Agreement and the satisfaction of any obligation of the Client to collateralize any letters of credit, and all fees and other amounts owing by the Client in connection with any such borrowed or guaranteed amounts; (xxii) fees and expenses related to indemnification (including damages); (xxiii) fees and expenses attributable to actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process or governmental inquiry, investigation or Proceeding, in each case related to the Client or any of its activities, investments or Portfolio Investments, including any judgment, other award, settlement or fines paid or payable in connection therewith; (xxiv) taxes, fees, duties and other governmental charges levied against or otherwise payable by the Client; (xxv) fees and expenses attributable to the preparation, distribution or filing of Client-related or investment-related financial statements and reports, tax returns, tax estimates, Schedules K-1 or other information; (xxvi) other expenses related to the discovery, evaluation, due diligence, investigation, negotiating, structuring, organizing, acquiring, financing, refinancing, holding, monitoring, managing, operating, improving, developing, redeveloping, renovating, constructing, leasing, valuing, dissolving, winding up, liquidating, restructuring, taking public or private, selling, exchanging or otherwise disposing of Client assets or investments (whether or not consummated), including private placement fees, leasing commissions, development fees, loan fees, sales commissions, travel and accommodation expenses, insurance premiums and fees and cost of information services; (xvii) expenses related to organizing and maintaining persons through or in which permitted investments may be made (including, without limitation, special purpose vehicles);(xxviii) except as otherwise determined by the General Partner in its sole discretion, any fee, cost, expense, liability or obligation relating to any alternative investment vehicle, subsidiary, special purpose vehicle or their respective activities, investments, business or portfolio investments (to the extent not borne or reimbursed by a portfolio investment of such alternative investment vehicle, subsidiary or special purpose vehicle) that would be a Client expense if it were incurred in connection with the Client; (xxix) expenses incurred in connection with any amendments, modifications, revisions or restatements to the constituent documents of the Client and/or any alternative investment vehicle, subsidiary or special purpose vehicle; (xxx) expenses incurred in connection with the dissolution, liquidation, winding-up or termination of the Partnership or any alternative investment vehicle, subsidiary or special purpose vehicle; (xxxi) expenses related to any activities with respect to protecting the confidential or non-public nature of any information or data; (xxxii) expenses related to compliance with applicable federal and/or state laws and regulations, including costs and expenses in connection with any regulatory and compliance filings necessitated by or attributable to the investments or operations of the Client; (xxxiii) any out-of-pocket and third-party costs and expenses incurred by the General Partner or the Adviser and required to be reimbursed by the Client; (xxxiv) Bungalow fees and any asset and property management expenses and fees of third parties, local operators or service providers engaged to provide services to the Client and/or its subsidiaries, and fees, costs and any reasonable out-of-pocket expenses of Bungalow and any other such third party, local operator or service provider; and (xxxv) extraordinary expenses and other similar expenses related to the Client.

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

As discussed in Item 5, the Adviser or its affiliates and strategic partners are entitled to receive performance-based compensation from the Private Fund in the form of Carried Interest.

The Adviser currently manages only one client. However, affiliates of the Adviser manage other Clients, including private client funds and proprietary funds. While these other accounts will not purchase the same or similar assets to those purchased by the Private Fund, they do purchase and hold shares in companies that provide essential services to the Private Fund. These holdings create conflicts of interest between the Private Fund and the Adviser, its affiliates. The Adviser has a fiduciary duty to its Client and has adopted and implemented policies and procedures intended to address the conflicts inherent in such side-by-side management arrangements.

Carried Interest may create an incentive for the General Partner to make investments that are riskier or more speculative than would be the case if a performance-based compensation arrangement were not in effect.

Due to the method of calculating the Carried Interest of the General Partner, the compensation of the General Partner may be affected by the timing of dispositions and other factors which will be within the control of the Adviser and the General Partner.

Trades are allocated to various accounts based on the attributes of the security and the guidelines of the Account. Often a security will be suitable to several accounts and the Adviser will aggregate its purchase or sale of such security in order to obtain best execution. In such cases, aggregated orders are allocated to in a fair and equitable manner in accordance with the Adviser's Allocation Policy.

### **Allocation Policy**

Trades are executed by Portfolio Managers, Associate Portfolio Managers or Senior Analysts (each a "Trader"). Traders at the Firm have responsibility for multiple Clients. Traders execute block trades for multiple Clients and for Proprietary Accounts of the Firm, or they may determine to execute trades separately for each Client or execute a trade for one Client or proprietary account and not for other Clients. Whether to aggregate trades or place a particular security in one Client and not others will be based on a variety of factors including, but not limited to: different investment guidelines or yield targets; different cash positions; expected cash flows; expected redemptions and subscriptions; existing positions in the subject security; whether a Client is ramping up or liquidating; whether Clients needs have been filled before allocating to proprietary accounts; or other risk parameters and sizing constraints. These factors will also be considered in allocating aggregated trades amongst accounts participating in a block trade. Due to the nature of the Adviser's business and the types of securities in which the Adviser typically invests, there is no default method of allocation used (i.e., pro rata, random or rotational). In all cases, the decision to aggregate and allocate trades or to execute trades separately for any one account will be made on a fair and equitable basis; no client or Account will be systematically advantaged or disadvantaged by the Firm or any of its employees.

The effect of these decisions may, however, operate to a particular Client's advantage or disadvantage. For example, if the Trader decides to purchase securities in a block trade for several Clients but there is not a quantity of the security available in the market sufficient to satisfy all Clients, then each Client

will be allocated less of the security or pay a higher price than if it had acted alone. In this circumstance, the Client may not be able to execute an investment decision as effectively as it could have if it acted alone. The Firm may also execute trades which are not aggregated but rather executed for a specific Client even where such security is suitable for other Clients. This may occur when the one Client has an existing position that is being added to, when other Clients do not have sufficient cash to participate in a minimum size, to avoid creating an odd lot that would have adverse liquidity characteristics or other circumstances.

The ability to allocate a portion of an aggregate trade to a proprietary investment vehicle creates a conflict of interest for the adviser in that the adviser will profit disproportionately if the trade is profitable. In order to mitigate this risk, the Adviser has instituted policies and procedures to safeguard against unfair allocations. These procedures include a requirement that the Portfolio Manager ensure that Clients participating in a bulk trade with a proprietary account receives a full allotment before the proprietary account receives an allocation.



## **7. Types of Clients**

The Adviser and its affiliates serve as the management company, investment adviser or sub-adviser for pooled investment vehicles. The pooled investment vehicles are organized as private investment vehicles. The private investment vehicles are typically structured as domestic limited partnerships or offshore exempted companies. They can take the form of a “Master-Feeder” structure where investors invest in a Feeder Fund that invests exclusively in a Master Fund that is managed by the Adviser or can be stand-alone vehicles. Generally, limited partnership interests in any domestic limited partnerships are offered on a private placement basis, and in reliance on Section 3(c) (7) of the Company Act, to persons who generally are "accredited investors" as defined under the Securities Act of 1933, as amended (the "Securities Act"), and "qualified purchasers" as defined under the Company Act, and who are subject to certain other conditions, which are fully set forth in the offering documents for the applicable Fund. Shares in offshore Funds are generally offered to persons (x) who are not "U.S. Persons," as defined under Regulation S of the Securities Act, or who are tax-exempt U.S. Persons (or entities substantially comprised of tax-exempt U.S. Persons) on a private placement basis and in reliance on Section 3(c) (7) as described above, and (y) who are subject to certain other conditions which are fully set forth in the offering documents for the applicable Funds. Investors in the Funds include some or all of the following: institutional investors, pension and profit-sharing plans, trusts, estates, charitable organizations, high net worth individuals, corporations or business entities other than those listed previously, private investment funds or other entities. The Adviser may manage in the future separate accounts for institutional advisers from time to time but does not currently have any separate account clients. The Adviser does not manage wrap fee accounts.

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

In this section, the term Adviser is used in reference to activities undertaken by the Adviser on behalf of its clients including the Private Fund and its underlying investors. The risks undertaken by the Adviser should be read to include risks undertaken by each investor in the Firm's products except where indicated otherwise.

### **INVESTMENT STRATEGY**

The Private Fund will seek to purchase U.S single-family homes with the purpose of generating an operationally-enhanced stream of rental income and augmenting the price appreciation of the underlying properties. Adviser is partnering with Bungalow Living, a leading technology company for the rental industry. Leveraging the Bungalow's rental platform, the Fund will utilize a differentiated approach and seek to acquire a diverse portfolio of single-family residential properties within five Tier 1-2 target markets, implementing value-added enhancements, and focusing on a critical growing demographic segment and reflecting underserved tenant preferences within the Single-Family Rental (SFR) market. The Private Fund will seek to acquire properties over an initial 18-month investment period, enter a stabilization period and then seek an effective exit strategy.

Adviser will provide its unique market insight, rigorous investment processes, and added synergies to the sourcing, underwriting, and building a portfolio of SFRs. Adviser's principals have extensive investment experience across all securities in the US housing markets and will leverage their past experience in managed portfolios comprised of RMBS, CMBS and housing ecosystem universe investments, offering a unique perspective to underwriting within the SFR markets.

### **RISK OF LOSS**

#### ***General Risks***

##### **General Economic and Market Conditions**

The success of the Fund's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, the health of the U.S. economy (and, in particular, employment) changes in laws (including laws relating to taxation of the Fund's investments), trade barriers, currency exchange controls, the continued reduction of COVID-19 infection rates and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of the prices and the liquidity of the Fund's investments. Volatility or illiquidity could impair the Fund's profitability or result in losses.

##### **Real Estate Market Conditions**

The Fund's strategy will be based upon the premise that real estate assets will be available for purchase by the Fund at prices that the Adviser considers favorable. The Fund's strategy also relies in part upon favorable market conditions for dispositions of the Fund's investments during or after expiration of the Fund's term. Furthermore, the Fund's strategy relies on the ability to obtain tenants paying sufficient rental income to provide a positive cash yield on the Fund's investments while

they are held. No assurance can be given that real estate assets can be acquired at favorable prices, that such assets may be successfully rented at sufficient rates or that the market for such assets will not deteriorate, since this will depend largely on events and factors outside the control of the Fund, the General Partner and the Adviser.

Further, investments in real estate are subject to various risks, including, for example, adverse changes in national and international economic and geopolitical conditions; changes in local market conditions; changes in the number of buyers and sellers of properties; increases in the availability of supply of property relative to demand; changes in availability of financing; increases in interest rates, real estate tax rates, energy prices, the tax laws related to the ownership of real estate and related financing (such as the deductibility of state and local taxes and mortgage interest for federal income tax purposes) and other operating expenses; changes in environmental laws and regulations, zoning laws and other governmental rules and policies; changes in the relative popularity of properties; risks due to dependence on cash flow; risks and operating problems arising out of the availability of certain construction materials, as well as acts of God, uninsurable losses and other factors which are beyond the control of the Fund, the General Partner and the Adviser. In addition, real estate is subject to long-term cyclical trends that give rise to significant volatility in real estate values. All of these factors could adversely affect the performance of the Fund and the Limited Partner's investments therein.

### **Debt Market Conditions**

Volatility in the U.S. debt markets may adversely affect the Fund's acquisition and disposition activities because it may affect the Fund's ability, or the ability of a prospective purchaser of the Fund's assets, to obtain financing on favorable terms, or at all. A combination of lack of liquidity and regulatory constraints on the amount of debt banks may extend for transactions in the capital markets may make it significantly more difficult for the Adviser to obtain favorable financing for investments, particularly if valuations decline and assets become ineligible for borrowing, and the financing that is available may be on significantly less favorable terms than had been prevailing in the past. the Adviser may be required to finance transactions with a greater proportion of equity relative to prior periods. A prospective purchaser's inability to obtain financing, on favorable terms or at all, may make it more difficult for the Fund to sell its investments at attractive prices or at all.

### **Coronavirus Risks**

In December 2019, the virus SARS-CoV-2, which causes the coronavirus disease known as COVID-19, was first identified in the human population. The disease spread around the world, resulting in the temporary closure of many corporate offices, retail stores, and manufacturing facilities across the globe, as well as the implementation of travel restrictions and remote working and "shelter-in-place" or similar policies by numerous companies and national and local governments. These actions caused the disruption of manufacturing supply chains and consumer demand in certain economic sectors, resulting in significant disruptions in local and global economies. The short-term and long-term impact of COVID-19 on the operations of the Adviser and the performance of the Fund is difficult to predict. Any potential impact on such operations and performance will depend to a large extent on future developments and actions taken by authorities

and other entities to contain COVID-19 and its economic impact. These potential impacts, while uncertain, could adversely affect the performance of the Fund.

### **Assumption of Catastrophe Risks**

The Fund may be subject to the risk of loss arising from direct or indirect exposure to various catastrophic events, including the following: hurricanes, earthquakes and other natural disasters; war, terrorism and other armed conflicts; cyberterrorism; major or prolonged power outages or network interruptions; and public health crises, including infectious disease outbreaks, epidemics and pandemics. To the extent that any such event occurs and has a material effect on global financial markets or the U.S. (or has a material negative impact on the operations of the Adviser or the Service Providers), the risks of loss can be substantial and could have a material adverse effect on the Fund and the Limited Partners' investments therein. Furthermore, any such event may also adversely impact one or more individual Limited Partners' financial condition, which could result in such Limited Partner's failure to make capital contributions when due as a result of their individual financial situations and irrespective of Fund performance.

### **Potential Interest Rate Increases**

The United States has experienced a sustained period of historically low interest rate levels. In recent years, however, short-term and long-term interest rates have become more volatile. The uncertainty of the U.S. and global economy, changes in U.S. government policy, and changes in the federal funds rate, increase the risk that interest rates will remain volatile in the future.

### ***Real Estate-Related Risks***

#### **General**

The Fund will be subject to all the risks inherent in investing in real estate and real estate-related investments, ranging from equity investments to debt investments, which risks may be increased if the investment is leveraged. For example, real estate investments are relatively illiquid and, therefore, will tend to limit the General Partner's and/or the Adviser's ability to vary the Fund's portfolio promptly in response to changes in economic or other conditions. Because real estate, like many other types of long-term investments, historically has experienced significant fluctuation and cycles in value, specific market conditions may result in occasional or permanent reductions in the value of the Fund's investments. In addition, the ability of the Fund to realize anticipated rental and interest income on its equity and debt investments will depend on many factors which may be beyond the control of the General Partner, including: general and local economic conditions; neighborhood values; the supply of and demand for properties of the type in which the Fund invests; the financial resources of tenants and borrowers; changes in operating expenses; vandalism; vacancies; rent strikes; terrorism; changes in tax, zoning, building, environmental and other applicable laws; fluctuations in energy prices and energy and supply shortages; federal and local rent control laws; real property tax rates; the ongoing need for capital improvements; cash flow risks; construction risks; natural catastrophes; acts of war, terrorism or civil unrest; pandemics; and changes in interest rates and the availability of mortgage funds, which may render the sale of properties difficult or unattractive. Such risks may also cause fluctuations in occupancy rates, rent schedules and operating

expenses, which could adversely affect the value of real estate and real estate-related investments. There can be no assurance of profitable operations for any property purchased by the Fund, or the repayment of any debt investment made by the Fund. Accordingly, the Fund's investment objectives may not be realized.

### **Real Estate Market Economic Conditions**

The success of each real estate investment of the Fund depends upon the performance of the local real estate markets where the assets are located. Local real estate markets can decline for any of a number of reasons, including population decline, poor regional economic performance, the failure of a large local employer, excess development leading to oversupply, local government policies and heightened taxes. No assurance can be given that the local real estate markets in which the Fund invests will improve, or remain constant, over the term of the Fund. Market conditions can deteriorate due to factors outside the foresight or control of the Fund, the General Partner or the Adviser. Actual or perceived trends in real estate markets do not guarantee, predict or forecast future events, which may differ significantly from those implied by such trends.

In addition to general and local real estate market economic conditions, as described herein, the real estate markets in which the Fund operates are also affected by a number of specific conditions, such as planning, environmental, leasing, tax and other real estate-related laws and regulations, prevailing rental rates, prospective rental growth, occupancy rates, lease lengths, tenant creditworthiness and solvency, and benchmark investment yields and spreads that apply to residential real estate. Adverse general economic and market conditions, such as those that prevailed following the financial crisis of 2007-2008 and are prevailing during the current global economic downturn following the outbreak of COVID-19, could have a material adverse effect on residential real estate assets, including by decreasing demand for residential real estate, reducing rental income, decreasing occupancy rates, causing tenants to terminate leases early or enter bankruptcy proceedings, and decreasing the value of real estate assets generally. Declines in rental income on real estate as a result of negative market conditions would not necessarily be accompanied by a decline in significant expenses associated with holding real estate, such as real estate taxes, utility rates, insurance rates, and renovation and maintenance costs. This mismatch would accentuate the impact of a negative market event.

Recent strengthening of the U.S. economy and job growth, coupled with government programs designed to keep homeowners in their homes and/or other factors, may contribute to an increase in homeownership rather than renting. In addition, as institutional investors like the Fund increasingly seek to capitalize on opportunities to purchase housing assets and convert them to productive uses, the supply of single family rental ("SFR") properties will decrease, which may increase competition for residents, limit the Fund's strategic opportunities, and increase the cost to acquire those properties. A softening of the rental market in the Fund's core areas may negatively impact rental revenue and profitability.

The COVID-19 pandemic and other factors are significantly adversely impacting activities and contributing to extreme volatility and material declines in the markets in which the Fund transacts, and in turn, may have a material adverse effect on the Fund. By affecting the financial strength of many residential tenants, the COVID-19 pandemic has resulted in increased delinquencies in rental payments and increased vacancies and led to decreased real estate activity overall and other declines in income from real estate, among other effects, leading to real or perceived declines in real estate values. Thus, the continued spread of COVID-19 may lead to further decreased real estate activity

overall or further declines in income from, or otherwise further diminish the value of, real estate. In turn, as REITs and other participants in the real estate markets come under stress, they are more likely to seek to liquidate assets, further depressing values for the affected asset classes. This may affect the Fund's ability to dispose of its assets.

The COVID-19 pandemic may result in renters of SFR properties becoming ill, losing their jobs or businesses or experiencing a reduction in wages. Renters may also prioritize payment obligations other than their rent if they experience, or anticipate experiencing, a loss in wages, a job loss or other unexpected increase in expenses. As a result of the COVID-19 outbreak, investors should expect increased delinquencies in rental payments, and such increases could be substantial.

As a result of the COVID-19 outbreak, servicers are offering forbearance, deferrals and other relief to renters seeking relief due to the economic disruption caused by the pandemic. If the Fund's properties do the same, it will have the immediate effect of reduced cashflow on rental payments and could ultimately lead to losses on the Fund's investments. All of these factors could adversely affect the performance of the Fund and the Limited Partners' investments therein.

On August 8, 2020, then-President Trump issued an "Executive Order on Fighting the Spread of COVID-19 by Providing Assistance to Renters and Homeowners" (the "Executive Order"), which directed the Secretary of Health and Human Services, the Director of the Center for Disease Control, the Secretary of the Treasury and the Federal Housing Finance Agency to investigate ways that the spread of COVID-19 can be diminished through the cessation of evictions. Pursuant to the Executive Order, on September 1, 2020, the Centers for Disease Control and Prevention implemented a temporary eviction moratorium (the "CDC Eviction Moratorium") for rental units, which went into effect immediately. The CDC Eviction Moratorium applied to all rental units nationwide until December 31, 2020, and any renter who received an economic impact payment, or stimulus check, as provided for by the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), was eligible for the CDC Eviction Moratorium's protection. While the extension of the CDC Eviction Moratorium has been extended to June 30, 2021, it is currently facing several legal challenges. Several states, including New York and California, as well as local governments, have adopted their own eviction moratoriums in response to the COVID-19 pandemic, and it is unclear what further governmental actions, if any, may arise from the CDC Eviction Moratorium and state and local moratoriums or what impact, if any, they may have on the properties owned by the Fund and its ability to collect rents on such properties or on the Fund's investment activities.

## **Real Estate Title**

Disputes over ownership of land sometimes occur. While title insurance is readily available to cover this risk, typical exclusions from policies may render them ineffective in certain cases. In situations where the Fund does not obtain title insurance, the Fund could rely on opinions of title from lawyers or other professionals, which may prove inaccurate. Finally, in some jurisdictions, a purchase of real property can be attacked as not meeting "true sale" requirements and recharacterized as secured financing in the event the seller becomes insolvent. If any of these events occurs in relation to any of the Fund's interests or properties, the Fund could lose certain of its rights in relation thereto.

## **Potential Environmental Liability**

Under various U.S. federal, state, and local laws, ordinances and regulations, a current or previous owner, developer or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, under or in its property. The costs of removal or remediation of such substances could be substantial. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of such hazardous substances. The Fund will attempt to assess such risks as part of its due diligence activities but cannot give any assurance that such conditions do not exist or may not arise in the future. The presence of such substances on the Fund's real estate investments could adversely affect its ability to sell such investments or to borrow using such investments as collateral.

## **Potential Removal or Remediation Liabilities**

The Fund may engage the services of qualified environmental consultants as necessary to assess the environmental condition of certain types of property that may be or is an investment. Nevertheless, the Fund and/or its Subsidiaries may be considered an owner or operator of properties on or in which asbestos or other hazardous or toxic substances exist and, therefore, potentially liable for removal or remediation costs, as well as certain other related costs, including governmental fines and costs of injuries to persons and property. These costs can be substantially in excess of the value of the property. The presence of hazardous or toxic substances, or the failure to properly remediate such substances, may also adversely affect the value of such property.

## **Newly-Completed Properties and Properties Under Construction**

The Fund may invest in land intended to be developed and in properties under development. Purchase of property prior to completion of development and construction, or making loans relating to properties under development, is subject to greater risks than purchasing properties with operating histories. In connection with the purchase of properties under development and construction, the Fund will be subject to certain risks, including the risks of unanticipated delays in, or increases in the cost of, development and construction as a result of factors beyond the control of the General Partner or the Adviser. These factors may include strikes, adverse weather, material shortages, building restrictions, clearances, environmental impact studies, solvency of the contractor or subcontractors and increases in the cost of labor and materials. In addition, the contractor may not be able to build in conformity with plans and specifications, and the property may not be rented for the amounts or within the time projected. Additional risks may be incurred where the Fund makes periodic progress payments or other advances to contractors prior to completion. The Fund may be unable to recover such payments subsequent to any such contractor's default. Such factors can result in increased costs, delay in completion, loss of anticipated rental revenues and corresponding depletion of the Fund's working capital and reserves or loss of the Fund's investment. Furthermore, the price paid for a property upon which improvements are to be constructed or completed must of necessity be based upon projections of rental income and expenses or fair market value of the property upon completion of construction. Whether the property will operate at such projected income and expense levels or achieve such projected fair market value cannot be determined in most cases until after completion of construction and a number of months of actual operation.

## Acquisition of Existing Properties

The Fund intends to acquire existing properties to the extent that they can be acquired on advantageous terms and meet the Fund's investment criteria. The success of the Fund depends, in large part, on the availability of a sufficient number of investment opportunities that fall within the Fund's investment objectives and the ability of the General Partner and the Adviser (in conjunction with Bungalow) to identify, negotiate, close, manage and exit those investment opportunities. Acquisitions of properties also entail general investment risks associated with any real estate investment. See also "*Real Estate-Related Risks*" above.

The Fund's acquisition activities and their success may be exposed to certain risks, including:

- The General Partner or the Adviser (in conjunction with Bungalow) may not be able to locate and complete investments which enable the Fund to invest all of its committed capital in opportunities that satisfy the Fund's investment objectives, realize the value of these investments or fully invest the Fund's capital commitments;
- The Fund may incur significant expenses in connection with the identification of investment opportunities and the investigation of other potential investments that are ultimately not consummated;
- The Fund may be unable to acquire a desired property, or to acquire such property on desirable terms, because of competition from other well-capitalized real estate investors, including other real estate investment vehicles, publicly traded REITs, public and private investment funds, hedge funds and other institutional investors, specialty investors (such as mortgage banks, pension funds, sovereign wealth funds and real estate operating companies), various types of financial institutions and their affiliates, family groups and wealthy individuals, some of which may have greater resources than the Fund;
- Even if the Fund enters into an acquisition agreement for a property, such an agreement would typically be subject to customary conditions to closing, including satisfactory completion of due diligence investigations, which may be costly;
- Even if the Fund is able to acquire a desired property, competition from other real estate investors may significantly increase the purchase price paid;
- The Fund may be unable to finance acquisitions on favorable terms;
- Once acquired, a property may fail to perform as the Fund projected when analyzing its investments; and
- The Fund's estimates of the costs of repositioning, re-tenanting or refurbishing acquired properties may be inaccurate.

The Fund may also acquire properties subject to known or unknown liabilities and with limited or no recourse. As a result, if liability were asserted against the Fund based upon such properties, the Fund might have to pay substantial sums to dispute or remedy the matter, which could adversely



affect the Fund's cash flow and returns. Unknown liabilities with respect to properties acquired could include, for example: liabilities for clean-up of undisclosed environmental contamination; claims by tenants, vendors or other persons relating to the former owners of the properties; liabilities incurred in the ordinary course of business; and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties. See also "*Potential Environmental Liability*" above. As a result of the foregoing, even if suitable investments are made, the Fund's financial condition and results of operations could be materially and adversely affected, and the objective of the Fund may not be achieved.

### **Investment in Certain Types of Real Estate**

The Fund expects to invest in various types of real estate assets, namely SFR homes and build-for-rent properties, and land for the development of build-for-rent communities, all of which are subject to the general risks associated with owning and operating real estate described in "*Real Estate-Related Risks*" above. In addition, other factors that may adversely affect the value and successful operation of, and income generated from, these types of investments include: the physical attributes of a property used to generate income, such as its age, condition, design, appearance, access to transportation and construction quality; location of the property, for example, a change in neighborhoods over time or desirability of the area to the target tenant population; ability of management to provide adequate maintenance and insurance; the types of services or amenities that the property provides; the property's reputation; competition from other real estate investors, which may affect the number of similar properties available; the level of mortgage interest rates, which may encourage tenants to purchase rather than lease property; presence or construction of competing properties; the quality of tenants and tenant mix, such as the tenant population being heavily dependent on specific industries or businesses or being predominantly students; adverse local, regional or national economic conditions, which may limit the amount of rent that may be charged and may result in a reduction of timely rent payments or a reduction in occupancy levels; and federal, state, and local regulations, which may affect the building owner's ability to increase rent to market rent for an equivalent property. Any of the foregoing could have a material adverse effect on the performance of the Fund's investments.

### **Single-Family Rental Homes**

At present, the institutional SFR industry is still evolving, with few participants, and its long-term viability has not yet been fully demonstrated. Rental housing properties are part of a market that, in general, is characterized by low barriers to entry. Thus, a particular rental housing property market with historically low vacancies could experience substantial new construction and a resultant oversupply of rental units within a relatively short period of time. Because rental housing properties are typically leased on a short-term basis, the tenants residing at a particular property may easily move to alternative properties with more desirable amenities or locations, or available for lower rent. Lower occupancy rates, turnover of tenants, reductions in rents, uncollectible rent, and increasing costs of improvements and other economic concessions will impair the value of the Fund's investments.

### **Ownership of Rental Real Estate Properties**

The yields available from rental property ownership depend on the amount of rental income earned by, and appreciation in the value of, the related properties as well as the expenses incurred in

connection therewith. If any of the Fund's properties do not generate income sufficient to meet operating expenses, including debt service and capital expenditures, the value of the Fund's investments could be adversely affected. There can be no assurance that any property in which the Fund invests will be able to generate income sufficient to meet operating expenses. The successful operation of rental properties is also dependent upon, among other things: (i) the degree to which each property competes with other available properties in the area; (ii) timely collection of rent and other charges payable by tenants; (iii) timely renewal or replacement of existing tenants and leases; (iv) operating costs; (v) increases in rents and charges to cover increases in operating expenses (including taxes, utility rates and maintenance costs) and the costs of required repairs resulting from reasonable wear and tear and casualties; (vi) the impact of applicable federal, state and local laws; and (vii) the performance of the property manager.

Many of the costs associated with the ownership of an equity interest in real estate, such as debt service, real estate taxes and assessments, maintenance expenses and certain operating costs, are relatively fixed and payable whether or not cash flow from such real estate is sufficient for such payments. In addition, many of such costs are beyond the control of the owner or management agent of the property and may increase over time, whether or not rents and other charges payable by tenants may be increased. There may also be shortages of or delays in obtaining the supplies and materials needed to operate a project, such as heating fuels, gasoline, electrical power or other supplies and materials. In addition to the general types of risks identified above, certain types of income-producing projects may be subject to specific risks.

### **Concentration of Portfolio Investments**

Investments will be concentrated in the SFR and build-for-rent sectors of the real estate industry, which are susceptible to seasonal fluctuations in rental demand and downturns in markets. A downturn or slowdown in the rental demand for single-family or build-for-rent housing caused by adverse economic, regulatory or environmental conditions, or other events in the single-family real estate markets may have a greater impact on the value of the Fund's properties than if it had more fully diversified its investments. In addition to general, regional, national and international economic conditions, the Fund's operating performance will be impacted by the economic conditions in the target markets identified by the Adviser. The Fund has based a substantial part of its business plan on a belief that rental income and property values for SFR and build-for-rent properties in such target markets will increase over time. However, these markets have experienced substantial economic downturns in recent years and could experience similar or worse economic downturns in the future. The Fund can provide no assurance as to the extent rental income and property values in these markets will improve, if at all.

### **Capital Intensive**

Real estate investing is capital intensive. The Fund could acquire investments that have defects, and normal wear and tear on the Fund's investments necessitate repairs. The Fund may acquire an investment with a capital expenditure plan, but the conditions of the investment may cause the capital requirements to exceed expectations. Additionally, the Fund may, in certain instances, be responsible for structural repairs, improvements and general maintenance of real property. Thus, the cost of operating a property may exceed the rental income thereof, and the Fund may be required to (i) advance funds to protect an equity investment or (ii) dispose of investments on disadvantageous terms to raise needed funds. Furthermore, the Fund may be required to expend funds to correct

defects or to make improvements before an investment in an asset can be sold. Certain expenditures associated with real estate equity investment, such as property taxes, utility costs, debt service, maintenance costs and insurance, tend to increase and generally do not decrease as a result of events adversely affecting rental revenues. No assurance can be given that the Fund will have the necessary funds available to meet the capital requirements of any particular asset or that any such efforts or expenditures will be successful.

### **Competition for Residents**

The Fund's SFR and build-for-rent communities are expected to compete with numerous housing alternatives in attracting residents, including other single-family homes and multi-family housing options (including owner-occupied single- and multi-family homes), apartment communities and condominiums. Some of the Fund's competitors may offer more attractive properties or lower rents than the Fund does. Competitive housing in a particular area and the relative affordability of owner occupied single- and multifamily homes in the same area (whether caused by declining mortgage interest rates, government programs to promote home ownership or otherwise) could adversely affect the Fund's ability to retain residents, lease homes and increase or maintain rents. Furthermore, some competing housing options may qualify for governmental subsidies that may make such options more affordable and therefore more attractive than the Fund's properties. These competing housing options may attract the high-quality tenants to whom the Fund's Subsidiaries seek to lease their properties.

### **Dependence on Residential Tenants**

The Fund and its Subsidiaries depend on the residents of their properties and such residents' willingness to meet their lease obligations and renew their leases, and the Fund and its Subsidiaries will depend on rental income for substantially all of their revenues. Poor resident selection and defaults and non-renewals by the residents of the Fund's investments may adversely affect the reputation of the Fund's properties and their property managers (including Bungalow), financial performance and ability to make distributions. Any defaults on rent payment obligations by a tenant will cause the Fund to lose the revenue associated with the relevant lease. As a result, the Fund's success depends in large part upon its ability to attract and retain qualified residents for its properties. For example, residents may default on rent payments, make unreasonable and repeated demands for service or improvements, make unsupported or unjustified complaints to regulatory or political authorities, use the properties for illegal purposes, damage or make unauthorized structural changes to the Fund's properties that are not covered by security deposits, refuse to leave the property upon termination of the lease, engage in domestic violence or similar disturbances, disturb nearby residents with noise, trash, odors or eyesores, fail to comply with homeowner association ("HOA") regulations, sublet to less desirable individuals in violation of the lease or permit unauthorized persons to live with them. Damage to the Fund's properties may delay re-leasing after eviction, necessitate expensive repairs or impair the rental income or value of the property, resulting in a lower than expected rate of return. Increases in unemployment levels and other adverse changes in economic conditions could result in substantial resident defaults. If such defaults become significant, the Fund will be forced to use other funds to make payments on the mortgage indebtedness secured by the impacted property to avoid foreclosure. In the event of a resident default or bankruptcy, the Fund may experience delays in enforcing its rights as a landlord and will incur substantial costs in protecting its investments.

## **Tenant Bankruptcy Risks**

The General Partner cannot provide assurance that any tenant that files for bankruptcy protection will continue to pay rent. In addition, the Fund and its Subsidiaries cannot evict a tenant solely because of bankruptcy. The bankruptcy of a tenant or lease guarantor could delay efforts to collect past due balances under the relevant leases, unless the Fund or its Subsidiaries receive an order permitting the Fund or its Subsidiaries to do so from the bankruptcy court and could ultimately preclude collection of these sums. If a lease is assumed by the tenant in bankruptcy, all pre-bankruptcy balances under the lease must be paid in full. If, however, a lease is rejected by a tenant in bankruptcy, the Fund and its Subsidiaries would have only a general, unsecured claim for damages. An unsecured claim would only be paid to the extent that funds are available and only in the same percentage as is paid to all other holders of general, unsecured claims. Restrictions under the bankruptcy laws further limit the amount of any other claims that the Fund can make if a lease is rejected. As a result, it is likely that the Fund and its Subsidiaries would recover substantially less than the full value of the remaining rent during the term.

## **Tenant Relief Laws**

As the landlord of numerous properties, the Fund and its Subsidiaries will be involved from time to time in evicting residents who are not paying their rent or who are otherwise in material violation of the terms of their lease. Adverse changes in general or local economic conditions may result in increased defaults under the Fund's and its Subsidiaries' leases. Eviction activities impose legal and managerial expenses that raise costs and expose the Fund and its Subsidiaries to potential negative publicity. The eviction process is typically subject to legal barriers, mandatory "cure" policies, internal policies and procedures and other sources of expense and delay, each of which may delay the Fund's and its Subsidiaries' ability to gain possession and stabilize the property. Additionally, state and local landlord-tenant laws may impose legal duties to assist residents in relocating to new housing or restrict the landlord's ability to remove the resident on a timely basis or to recover certain costs or charge residents for damage residents cause to the landlord's premises. Because such laws vary by state and locality, the Fund and its Subsidiaries must be familiar with and take all appropriate steps to comply with all applicable landlord-tenant laws and need to incur supervisory and legal expenses to ensure such compliance. To the extent that the Fund and its Subsidiaries do not comply with state or local laws, the Fund and its Subsidiaries may be subjected to civil litigation filed by individuals, in class actions or actions by state or local law enforcement and its reputation and financial results may suffer. The Fund and its Subsidiaries may be required to pay their adversaries' litigation fees and expenses if judgment is entered against it in such litigation or if the Fund and its Subsidiaries settle such litigation. Furthermore, state and local governmental agencies may introduce rent control laws or other regulations that limit the ability to increase rental rates, which may affect rental income. Especially in times of recession and economic slowdown, rent control initiatives can acquire significant political support. If rent controls unexpectedly became applicable to certain of the Fund's and its Subsidiaries' properties, its revenue from and the value of such properties could be adversely affected.

In 2019, California passed the Tenant Protection Act of 2019, a rent control law which limits the ability to increase rental rates for existing residents and puts into place protections for the termination of tenancies. To the extent that any of the Fund's investments are located in California, this law may negatively affect the rental income from such investments.

## **Inability to Pass On Operating Expense Increases to Tenants**

Operating expenses, such as expenses for fuel, utilities, labor, building materials, taxes, including real estate and income taxes, insurance, and other real estate-related costs are not fixed and may increase in the future. There is no guarantee that the Fund will be able to pass these increases on to its tenants. Unless the Fund or its Subsidiaries are able to offset any unexpected costs with sufficient revenues through new or renewed leases at higher rental rates, any increases of such operating expenses would cause the Fund's or its Subsidiaries' cash flow and operating results to decrease.

## **HOA Fees**

A portion of the Fund's properties may be located within HOAs and be subject to HOA rules and regulations. HOAs have the power to increase monthly charges and make assessments for capital improvements and common area repairs and maintenance. HOA fees are subject to significant increases, which can be outside of the Fund's and the General Partner's control. The Fund will be negatively affected if these costs rise significantly, and the Fund is unable to increase rental rates due to rent control laws or other regulations to offset such increases. Additionally, several states have enacted laws that provide that a lien for unpaid monies owed to an HOA may be senior to or extinguish mortgage liens on properties. Such actions, if not cured, may give rise to events of default under the Fund's indebtedness, which could have a material adverse impact on the Fund.

## **Dependence on Public Utilities and Services**

Public utilities, especially those that provide water and electric power, will be fundamental for the sound operation of the Fund's real estate assets. The delayed delivery or any material reduction or prolonged interruption of these services could allow certain tenants to terminate their leases or result in an increase in the Fund's costs or its inability to fully operate its facilities and provide services. Accordingly, any interruption or limitation in the provision of these essential services may adversely affect the Fund.

## **Vacant Properties**

The properties the Fund may acquire may be vacant at the time of closing, and the Fund may acquire multiple vacant properties in close geographic proximity to one another. The Fund may not be successful in locating residents to lease the individual properties that it acquires as quickly as the Fund had expected or at all. Even if the Fund is able to place residents as quickly as expected, the Fund may incur vacancies in the future and may not be able to re-lease those properties without longer-than-assumed delays, which may result in increased renovation and maintenance costs and opportunity costs from lost revenues. Vacant homes may also be at risk for fraudulent activity, which could impact the ability to lease a home. If tenants are unwilling or unable to pay increased rents, or if local businesses transfer or lay off their workers, vacancies may increase. In addition, the value of a vacant property could be substantially impaired, and the Fund will continue to incur the costs of maintenance, insurance, taxes and other expenses on its vacant properties. The Fund may, upon expiration of leases at its properties, be required to make rent or other concessions to tenants, accommodate requests for renovations and other improvements, or provide additional services to the Fund's tenants. As a result, the Fund may have to make significant capital or other expenditures in order to retain tenants whose leases expire and to attract new tenants in sufficient numbers. Additionally, the Fund may need to raise capital to make such expenditures. If the Fund is unable to

do so or capital is otherwise unavailable, the Fund may be unable to make the required expenditures, which could result in non-renewals by tenants upon expiration of their leases, which could materially and adversely affect the Fund's financial performance. If vacancies continue for a longer period of time than the expects or indefinitely, the Fund may suffer reduced revenues, incur additional operating expenses and capital or other expenditures, and the Fund's investments could be substantially impaired.

### **Inflation and Deflation**

Increases in the rate of inflation may adversely affect the Fund's income from leases with stated rent increases or limits on the tenant's obligation to pay its share of operating expenses, which could be lower than the increase in inflation at any given time. Additionally, deflation could lead to downward pressure on rents and other sources of income.

### **Expiration of Residential Leases**

The Fund's financial condition could be adversely affected if the Fund's agents are unable to promptly re-lease or renew expiring leases or if the rental rates upon renewal or re-leasing are significantly lower than expected. If a tenant experiences any type of financial distress, then it may be unable to make timely rental payments or renew its lease. Further, the Fund's agents' ability to rent space and the rents that the Fund's investments can charge may be impacted, not only by tenant demand, but by the number of other properties that compete for such tenants.

### **Dependence on Third-Party Property Managers**

Although the Fund and/or a Subsidiary thereof will retain Bungalow to broker, monitor and manage the properties of the Fund or its Subsidiaries, when entering a new market the Fund or its Subsidiaries may also retain local third-party brokers or managers to manage the properties on a day-to-day basis until the Fund has reached sufficient scale in a particular market. When third-party managers are retained, the Fund's or its Subsidiaries' results of operations, including the Fund's or its Subsidiaries' ability to make payments on any indebtedness, will depend on the ability of these third-party managers to operate and lease the properties on economically favorable terms. The Fund or its Subsidiaries may also retain local third-party managers to assist with acquisitions of real estate. There can be no assurance that the management teams of the third-party management firms employed by the Fund, or its Subsidiaries will be able to operate each of the real estate investments successfully.

Additionally, such management firms can lose employees, as the market for high-performing executive talent is competitive. There can be no assurance that such management firms will be able to attract, develop and retain suitable employees over the life of the Fund. Property managers may also provide management and leasing services to properties owned by others that compete with one or more of the Fund's investments. As a result, these property managers may at times face conflicts of interests in the management and leasing of Fund properties and non-Fund properties managed by such managers.

### **Assumptions Inherent in Acquisitions of Properties**

The Fund's success depends, in part, on its ability to acquire properties that can be renovated, repaired, upgraded and rented with minimal expense and maintained in quality condition. The

information available to the Adviser at the time of making an investment decision may be limited, and the Adviser may not have access to detailed information regarding assets, such as physical characteristics, environmental matters, zoning regulations or other local conditions affecting an investment property. In determining whether a particular property meets the Fund's investment criteria, the Fund must also make a number of assumptions, including, among other things, assumptions related to estimated renovation costs and time frames, annual operating costs, market rental rates and potential rent amounts, time from purchase to leasing and resident default rates. These assumptions may prove inaccurate, particularly since the properties acquired vary materially in terms of renovation, quality and type of construction, geographic location and hazards. As a result, the Fund may pay too much for properties it acquires and/or overvalue its properties, or its properties may fail to perform as anticipated. Adjustments to the assumptions the Fund makes in evaluating potential purchases may result in fewer properties qualifying under the investment criteria.

### **Third-Party Involvement**

Some of the Fund's investments may be made as a co-venturer or partner with the seller of the property, an affiliate of the seller, an investor unaffiliated with the Adviser, the General Partner or the Fund, or other persons. Such investments may involve risks not inherent in other types of investment vehicles, including, for example, the possibility that such persons might become bankrupt, have economic or business interests or goals inconsistent with those of the Fund or otherwise be in a position to take action inconsistent with the Fund's desires, policies or objectives. Action taken by such persons might subject the property to liabilities in excess of, or other than, those contemplated by the Fund. The Fund may also be liable for actions of its co-venturers or partners. In addition, the Fund may rely upon the abilities and management expertise of the co-venturer or partner. It may also be more difficult for the Fund to sell its interest in any joint venture, partnership or entity with other owners than to sell its interest in other types of investments. The Fund may grant co-venturers or partners veto powers with respect to major decisions concerning the management and disposition of the investment, which would increase the risk of deadlocks. A deadlock could adversely affect investment return or value or require the Fund to use its assets to purchase the interest of the co-venturer or partner under agreements providing for the forced sale of such interest.

### **Investments in Land/New Development; Risk of Fraud**

In connection with its development of build-for-rent properties, the Fund will acquire direct or indirect interests in undeveloped land, which will often be non-income producing and will be subject to the risks normally associated with such assets and development activities. Such risks include risks relating to the availability and timely receipt of zoning and other regulatory or environmental approvals, the cost and timely completion of construction (including risks beyond the control of the Fund, such as weather or labor conditions or material shortages) and the availability of both construction and permanent financing on favorable terms. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could have an adverse effect on the Fund and on the amount of funds available for distribution to the Limited Partners. Properties under development or properties acquired for development may receive little or no cash flow from the date of acquisition through the date of completion of development and may experience operating deficits after the date of completion. In addition, changes in market conditions during the course of development may make such development less attractive than at the time it was commenced.

Furthermore, investments in new development activities could be more susceptible to irregular accounting or other fraudulent practices. In the event of fraud in connection with any property in which the Fund invests, the Fund may suffer a partial or total loss of capital invested in that property. There can be no assurance that any such losses will be offset by gains (if any) realized on the Fund's other investments.

### **Eminent Domain Risks**

Municipalities and other government entities may, in certain circumstances, seek to acquire certain assets of the Fund through eminent domain proceedings. While the Fund may seek to contest these proceedings which may be costly and may divert the attention of management from the operation of the Fund, there can be no assurance that a municipality or other government entity will not succeed in acquiring assets of the Fund. In such event, there is a risk that the Fund will not receive adequate compensation for the assets acquired, or that the Fund will not be able to recover all charges associated with divesting these assets.

### **Investments Involving Multiple Properties**

Investments involving multi-property acquisitions are often more complex and expensive than single-property acquisitions and may place additional demands on the Adviser and its Service Providers (including Bungalow). Where multiple properties are acquired as a group, the Fund may be required to purchase all properties as a package rather than declining the properties it does not want. If the Fund is required to purchase one or more properties that it does not wish to acquire as part of a multi-property transaction, it may not be able to identify a buyer to acquire such properties, and thus may be required to operate or attempt to dispose of those properties. The Fund may also be required to accumulate a large amount of cash to fund such acquisitions. Because of the foregoing, acquiring multiple properties in a single transaction may reduce the overall yield on the Fund's portfolio.

### **Contingent Liabilities on Disposition of Investments**

In connection with the disposition of an investment, the Fund may be required to make representations about such investment. The Fund also may be required to indemnify the purchasers of such investment in case any such representations are inaccurate. These arrangements may create contingent liabilities for which the General Partner may establish reserves or escrow accounts.

### **Other Risks Relating to the Fund's Investments and Investment Strategy**

#### **Leverage and Borrowing**

The Fund may elect to leverage its investments on a recourse or non-recourse basis. Although the use of leverage may enhance returns and increase the number of investments that can be made, it may also substantially increase the risk of loss. To the extent that it engages in any leveraging, the Fund will be subject to the risks normally associated with debt financing, including those relating to the ability to refinance a property, and the insufficiency of cash flow to meet principal and interest payments, which could significantly reduce or even eliminate the value of the Fund's equity in such real estate investment. Additionally, borrowings and other types of leverage will be subject to transaction and other costs. Any such costs may or may not be recovered by the return on the Fund's



portfolio. Leveraging the capital structure will mean that third parties, such as banks, may be entitled to the cash flow generated by such investments prior to the Fund receiving a return. Also, if a property or properties are mortgaged to secure payment of indebtedness and such mortgage payments are not made, the property could be foreclosed upon by the mortgagee or otherwise transferred to the mortgagee. In addition, subscription financings may subject the Partners' capital commitments to risk of loss. In order to secure such borrowings, the General Partner may grant to lenders security interests in the Fund's right to receive capital contributions from Limited Partners.

### **Leverage for Investment Purposes**

The use of leverage will allow the Fund to make additional investments, thereby increasing its exposure to assets, such that its total assets may be greater than its capital. However, leverage will also magnify the volatility of changes in the value of the Fund's portfolio. The effect of the use of leverage by the Fund in a market that moves adversely to its investments could result in substantial losses to the Fund, which would be greater than if the Fund were not leveraged.

### **Collateral**

The instruments and borrowings utilized by the Fund to leverage investments may be collateralized by all or a portion of the Fund's portfolio. Accordingly, the Fund may pledge its investments in order to borrow or otherwise obtain leverage for investment or other purposes. Should the investments pledged decline in value, the Fund could be required to pledge additional collateral or suffer mandatory liquidation of the pledged investments to compensate for the decline in value. The lenders that provide financing to the Fund can apply essentially discretionary margin, "haircut", financing and collateral valuation policies. Changes by counterparties in any of the foregoing may result in loss of financing and forced liquidations of positions at disadvantageous prices. There can be no assurance that the Fund will be able to secure or maintain adequate financing.

### **Costs**

Borrowings will be subject to interest, transaction and other costs, and other types of leverage also involve transaction and other costs. Any such costs may or may not be recovered by the return on the Fund's portfolio.

### **Risk of Third-Party Litigation**

The Fund's investment activities subject it to the normal risks of becoming involved in litigation by third parties. The expense of defending against claims by third parties and paying any amount pursuant to settlement or judgments would, except in certain circumstances, be borne by the Fund and would reduce net assets. The Adviser, the General Partner and others are indemnified in connection with such litigation, subject to certain conditions.

**Financial Relationships between the Adviser and the Seed Investor.** The Adviser has entered into financial relationships with the Seed Investor of the Private Fund. The Seed Investor has provided capital for a new line of business and in return will retain a financial interest in the Adviser and the General partner. Such financial relationship may create a conflict in that the Adviser is incited to provide preferential treatment to such investor in future funds. The Adviser has instituted policies and procedures to mitigate this risk including its Code of Ethics.

**Financial Relationship between the Adviser and Service Providers.** The Adviser, its affiliates, and proprietary accounts of the Adviser have made equity investments, both through its Clients and proprietary accounts, in a company that provides essential services to the Private Fund. This company assists in the purchase and controls the management of the assets purchased by the Private Fund. Affiliates of the Adviser and the Seed Investor also retain a financial interest in the service provider creating a conflict of interest in that the Adviser is incented to provide benefits to the service provider that may disadvantage the Private Fund. The Adviser has instituted policies and procedures to mitigate this risk including its Code of Ethics.

**Portfolio Company Directorships.** Certain Bangtail employees, including Portfolio Managers serve on boards of directors or may serve in other management capacities at companies (including public companies) in which the one or more Funds managed by Bangtail or its affiliates invests, either directly or indirectly. In their capacity as directors of portfolio companies, these employees will be subject to fiduciary and other duties to the portfolio companies on whose boards they serve, which duties may on occasion conflict with the interests one or more of the Funds. For example, the Fund's ability to sell the publicly traded securities of a portfolio company may be limited if the applicable employee is in possession of material nonpublic information relating to such portfolio company. The employees may receive compensation from portfolio companies, which may include cash or a meaningful equity position in such companies. Any compensation received or earned by the applicable employee from their service on a board of directors or in a different management capacity at a portfolio company will be contributed to the Fund that holds equity in such company.

**Cybersecurity Risk:** Advisor's information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by its respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes, and earthquakes.

Advisor has implemented various measures to manage risks relating to these types of events. The failures of these systems or the disaster recovery plan for any reason could cause significant interruptions in the Advisor's operations and result in a failure to maintain the security, confidentiality, or privacy of sensitive data, including private information relating to Clients. Such a failure could harm the Advisor's reputation or subject it or its affiliates to legal claims and otherwise affect their business and financial performance. Additionally, any failure of the Advisor's information, technology or security systems could have an adverse impact on its ability to manage the Funds referred to herein.

## 9. **Disciplinary Information**

Bangtail is a newly formed entity and has not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

On June 4, 2019, Deer Park Road Management Company, LP, an affiliate of Bangtail and Mr. Burg, a portfolio manager of Bangtail, entered into an order (**the "Order"**) with the Securities and Exchange Commission (**the "SEC"**). Without admitting or denying the findings in the Order, the SEC found that from at least October 2012 through December 2015 (**the "Relevant Period"**), the Investment Manager's policies failed to address sufficiently how to conform the firm's valuations with Generally Accepted Accounting Principles (**"GAAP"**). Further, the SEC found the Investment Manager's policies were not reasonably designed for its business practices, given its use of valuation models and pricing vendors, and the potential conflict of interest arising from traders' ability to determine the fair value of a portion of the positions they manage.

Moreover, the Order states that Deer Park failed to implement its existing policy. In accordance with GAAP, Deer Park's valuation policy included a requirement to maximize the use of relevant observable inputs. During the Relevant Period, however, Deer Park, at times failed to ensure that certain residential mortgage-backed securities (**"RMBS"**) were valued in accordance with GAAP. Specifically, Deer Park may have undervalued certain client assets by failing to maximize relevant observable inputs, such as trade prices. The SEC found that Mr. Burg was a cause of Deer Park's failure to implement the valuation policy that required maximizing observable inputs. The SEC censured Deer Park and ordered Deer Park and Mr. Burg to cease and desist from committing or causing any violations of Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder. The SEC fined Deer Park \$5 million and Mr. Burg \$250,000.

To the best of the Adviser's knowledge, there are no other legal or disciplinary events the Adviser believes would be material to an advisory client or prospective advisory client's evaluation of the Adviser's advisory business or the integrity of the Adviser's managements. As part of the Adviser's routine compliance training and monitoring program, all employees are asked to certify upon hire, and annually thereafter, whether they have been the subject of any disciplinary actions.

## 10. Other Financial Industry Activities and Affiliations

The Adviser is an exempt commodity pool operator and commodities trading adviser.

Neither the Adviser, its affiliates nor any of its management personnel or employees: 1) are registered as a broker/dealer, a registered representative of a broker/dealer; or 2) have any application pending to register as a broker/dealer or a registered representative of a broker/dealer.

Bangtail is an affiliate of Deer Park, a separate investment adviser that is registered with the SEC. Deer Park provides investment advisory services to pooled investment vehicles and registered investment companies. Bangtail and Deer Park are under common ownership and control and utilize the same personnel and systems. To avoid potential conflicts of interest, Bangtail and Deer Park manage their clients in accordance with their respective governing documents and investment allocation policies and procedures and strive to ensure that all clients are treated fairly and equitably over time.

The Adviser, its affiliates and any of their respective affiliates, officers, members, principals, directors or employees may earn fees and other income from services provided or related to portfolio investments or in connection with portfolio investments or prospective portfolio investments, such as, without limitation, directors' fees, break-up fees or other fees or any other similar fees (collectively, "**Ancillary Fees**"). The Adviser and its affiliates will keep any profits, fees or other income earned by them in connection with any such activities. The Management Fee borne by the Private Fund investors participating in the investment to which any such fees relate will be reduced by an amount equal to the amount of such fees attributable to the Private Fund's share of such investment provided, however, that the Management Fee will not be reduced by any management or other fees paid to the General Partner, the Adviser or any of their respective affiliates in connection with the organization and/or management of the Adviser's Clients or their investments (or proportionate share of an investment made by the Private Fund). For the avoidance of doubt, any amounts of Bungalow fees received by the Adviser or its affiliates as a result of the Adviser's interest in Bungalow will not reduce the Management Fee payable to the Adviser by the Fund.

The Private Fund and/or a subsidiary thereof will engage a third party service provider Bungalow to provide a variety of services relating to the analysis, acquisition, ownership and management of SFR homes. Bungalow will receive brokerage, property management, leasing, renovation and other fees, and compensation for the services provided to the Fund and the Fund's Subsidiaries. In addition, the Adviser is expected to acquire an ownership interest of Bungalow. Such arrangement may create an incentive for the Adviser to engage Bungalow with more frequency than it otherwise would have and/or to agree to greater fees to be paid to Bungalow. Furthermore, Bungalow's participation in a portion of the Adviser's entitlement to Management Fees may encourage Bungalow to make acquisition decisions or take other actions in respect of its services to the Fund and the Fund's subsidiaries that increase the total value of the investments held by the Fund. The fees earned by Bungalow in respect of services provided to the Fund and the Fund's subsidiaries as well as any equity that the Adviser and its affiliates receive from Bungalow will not reduce the Management Fees payable to the Adviser by the Private Fund.

The Adviser is exposed to a conflict of interest in that the Adviser is incentivized to engage Bungalow over more qualified service providers due to the Adviser's interest in Bungalow. There is a possibility

that the Private Fund's General Partner, because of such incentive or for other reasons (including whether the use of such persons or entities could establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to the General Partner, and the Private Fund), may favor such retention or continuation even if a better price and/or quality of service provider could be obtained from another person or entity. Whether or not the General Partner has a relationship with or receives financial or other benefit from retaining Bungalow or a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

The Adviser may, in its sole discretion, determine to engage Bungalow to provide services in addition to those described in the Private Fund's offering materials, and in such event, will determine the compensation to be paid to Bungalow and will generally have the authority to negotiate any services agreements entered into between Bungalow, on the one hand, and the Fund, on the other hand. Such service agreements will not be subject to review or consultation by any third party. The Adviser will have a conflict of interest in determining the costs of such services that will be charged to the Private Fund. In addition to determining the amount of compensation payable to Bungalow, the Adviser will have the authority to determine other key terms of the service arrangement, including terms relating to expense reimbursement, termination fees, indemnification payable to Bungalow, and exculpation provided to Bungalow. While the Adviser will seek to ensure that the terms of the transactions and arrangements with Bungalow will contain terms at least as favorable to the Private Fund as are generally obtainable on an arm's-length basis from unrelated third parties and will provide for compensation that is competitive with the compensation paid to third parties for comparable services which could reasonably be made available to the Private Fund, there is no guarantee that such compensation will be consistent with market terms or that a third party would not have provided the same services at more favorable rates.

The Adviser also maintains economic relationships with certain investors in Private Funds. Certain investors may act as seed investors in new funds managed by the Advisers and may receive compensation for such activity in the form of a percentage of the fees generated by such new funds. Such relationships are clearly disclosed on the Offer Memoranda of the effected fund. These investors do not receive preferential fee or liquidity terms in other funds for which they do not perform this service.

## 11. **Code of Ethics, Participation or Interest in Client Transaction and Personal Trading**

The Firm has adopted a Code of Ethics expressing the Firm's commitment to ethical conduct. The Firm holds a fiduciary duty to its clients which means it must put the interests of its Clients ahead of its own interests in all matters. It is the Policy of the Firm that all Employees must:

- Observe high standards of commercial honor and just and equitable principles of trade in all their dealings on behalf of the Firm;
- Comport themselves in a manner consistent with the standard of conduct as set forth in this Code;
- Comply with all Federal Securities Laws and other applicable laws and regulations;
- Report all personal securities transactions and holdings to the Firm as provided below;
- Report any violations of this Code to the Chief Compliance Officer of the Firm;
- Certify to the Firm on an annual basis acknowledgement of the policies and procedures referred to in this Code and agreement to abide by these rules.

The Adviser's Code of Ethics also places restrictions on the personal trading activities of employees. The Code requires employees to register all personal trading accounts (and certain trading accounts in which the employee has a substantial interest or over which the employee has discretion) with the Firm's Compliance Department. Employees are required to report all transactions in securities and all position in securities to the Compliance Department within 10 days after becoming an employee of the Firm and thereafter at least once per calendar year. Employees are also required to report on a quarterly basis to the Compliance Department all transactions in securities within 30 days of the end of each calendar quarter. Additionally, the Code requires that all employees receive written approval from the Chief Compliance Officer prior to investing in any limited or restricted securities offerings, and/or MBS / ABS transactions.

The Adviser maintains an approved list of securities that Employees may purchase and sell for their personal accounts. Employees are prohibited from purchasing any securities (or derivatives thereof) that are not on this list with the exception of certain broad-based ETFs, managed accounts by independent third party investment advisers and other securities.

The Adviser requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. The Adviser's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. Any individual not in observance of the above may be subject to discipline.

An affiliate of the Adviser acts as General Partner to the Private Fund that is managed by the Adviser. Additionally, Affiliates and employees of the Adviser have invested substantial amounts in the Private Fund managed by the Adviser and therefore have a financial interest in the Private Fund. Investments made by the Firm and its employees are generally made on the same terms as other investors in the Funds. However, fees, investment minimums and redemption restrictions may be waived or reduced for the Adviser and its employees. We do not believe this arrangement presents any material conflicts of interest since our interests are aligned with the interests of Client Fund investors. *The Firm's Code of Ethics may be obtained by client or prospective clients upon request.*

## 12. **Brokerage Practices**

The Adviser has full discretionary authority to manage the investment of the Clients. Including the authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and the commissions or mark-ups and markdowns paid. The Adviser need not solicit competitive bids or offers for any particular security. Accordingly, if the Adviser determines in good faith that the price paid for a security is reasonable relative to the value of such security, it may pay a price higher than or receive a price lower than another broker or dealer may have charged.

**Best Execution**-It is the obligation of all investment advisers to obtain “Best Execution” of securities transactions for their clients. Best Execution is not defined in securities laws or regulations but is generally understood to require the adviser to obtain the most favorable total cost or proceeds in a securities transaction for its clients under the circumstances. The adviser’s duty is not necessarily to find the best price or lowest cost, but rather to achieve the best qualitative execution for the client. In doing this, the Adviser may take into consideration such factors as knowledge of the counterparty, speed of execution, confidentiality, market depth, capital commitment and recent order flow. A periodic and systematic assessment of execution services is important to the Firm meeting its Best Execution obligation.

**Cross Trades**-Section 206(3) of the Investment Advisers Act of 1940, as amended, contains strict rules related to several types of transactions between different clients of an investment adviser. An adviser that arranges for a security to be purchased from or sold to a client from its own account – as opposed to purchasing or selling the security in the secondary markets – is engaging in a “Principal Trade.” An “Agency Cross Trade” occurs when an adviser arranges for a trade to be executed between a client and another party, and a “Cross Trade” occurs when an adviser effects a trade between two or more of its advisory clients’ accounts but does not charge a fee for effecting the transaction.

Principal Trades, Agency Cross Trades and Cross Trades can benefit Accounts in a number of ways, including, but not limited to: 1) enabling the transfer of securities among client accounts without having to expose the security to the market; 2) eliminating counterparty risk; and 3) providing the Firm with added flexibility when dealing with an illiquid asset. Although Principal Trades, Agency Cross Trades and Cross Trades can be appropriate in many circumstances, they can also create the potential for conflicts of interest for the Firm (i.e. the better price the adviser obtains for the selling client, the worse it is for the purchasing client).

It is the Policy of the Firm that Cross Trades meet the following requirements:

- The Transaction must be fair and equitable to all participating Client Accounts
- The transaction is a purchase or sale for no consideration to the Advisor or any third party other than cash payments against prompt delivery of the security. Specifically, no brokerage commission, fee (except customary transfer fees or other administrative fees) or other remuneration is paid in connection with the transaction;
- The transaction is effected at the fair market price of the security determined in accordance with the Firm’s Valuation Policy or as otherwise determined by the parties to the transaction;

- Written consent of the Account for any Cross Trade is obtained prior to execution or settlement of the trade that clearly describe the transaction and the capacity in which the Firm is acting. If a private fund is a party to a Cross Trade, the Board of Directors or the General Partner of the Private Fund may prospectively approve Cross Trades and on an annual basis and then receive a report of all Cross Trades that occurred at the end of each year;
- Prior consent of the Chief Compliance Officer or his designee is obtained; and
- The transaction is consistent with contractual obligations or the investment policy of each client account participating in the transaction (e.g., fund offering documents or each client's investment advisory agreement and corresponding investment guidelines).

It is the Policy of the Firm that Principal Trades and Agency Cross Trades meet the following requirements:

- The Transaction must be fair and equitable to all participating Client Accounts
- Disclosure of the trade is made to each party to the trade prior to the execution or settlement of the trade. Disclosure must include the details of the transaction, the capacity in which each party is acting, and a description of the amount and type of compensation received by any party
- Written consent of the participating Clients must be obtained prior to the execution of the transaction;
- The transaction is affected at the fair market price of the security determined in accordance with the Firm's Valuation Policy or as otherwise determined by the parties to the transaction;
- Prior consent of the Chief Compliance Officer or his designee is obtained; and
- The transaction is consistent with contractual obligations or the investment policy of each client account participating in the transaction (e.g., fund offering documents or each client's investment advisory agreement and corresponding investment guidelines).

The Firm will not affect Principal or Agency Cross Trades involving ERISA clients.

**Trade Errors-**The Firm may, on occasion, experience "Trade Errors" with respect to trades made on behalf of Clients. A Trade Error occurs when a transaction is not executed according to the Firm's intent and instructions. Trade Errors can result from a variety of situations, including, but not limited to, when the wrong security is purchased or sold, when the wrong amount is purchased or sold, when a security is purchased when it was meant to be sold or vice versa or when the same trade is executed twice. Not all errors are properly classified as Trade Errors. Certain errors in booking transactions are not considered Trade Errors, nor are mistakes in calculating NAV for a Fund. If an error is identified and corrected before any Client books or settles the position in their account or incurs a loss as a result, the error is not considered a Trade Error. If the error occurs as a result of the actions of a third party (such as a broker/dealer) that is not considered a Trade Error. Clients will be reimbursed for any material loss realized as a result of a Trade Error. Any gains will be for the benefit of the Account. The Firm may take such other action as is reasonable under the circumstances



**Soft Dollars**-In selecting any broker-dealer and in determining the reasonableness of brokerage commissions charged, the Adviser may take into account the fact that a broker-dealer has furnished or will furnish the Adviser or its affiliates, without charge, with statistical, research or other information or services which may enhance its services generally, whether or not such services, in any particular instance, are of any benefit to the Fund. Such services may take the form of research services, special execution capabilities, clearance, settlement, net price, online pricing, block trading and block positioning capabilities, economic and market information, portfolio strategy advice, industry and company comments, technical data, recommendations and general reports. Accordingly, the Fund may be deemed to be paying for research and such other services with “soft” or commission dollars. The Adviser will only enter into such “soft dollar” arrangements where it reasonably believes that they will be within the “safe harbor” of Section 28(e) of the Securities Exchange Act of 1934, as amended.

The Adviser does not currently pay and does not anticipate the need or desire to pay, for research or other services with “soft dollar” arrangements. Nonetheless, in the future, the Adviser may choose to pay for research or other services through “soft dollar” arrangements. In such case, even though the Adviser believes that each Fund will benefit from many of the services obtained with “soft” dollars generated by Fund trades, each Fund will likely pay higher transaction costs than it would in the absence of such arrangements and may not benefit from all of these “soft” dollar services or one Fund may benefit disproportionately to other Funds. Furthermore, the Adviser and its affiliates and other funds or accounts which they may manage may also derive substantial direct or indirect benefits from these services, particularly to the extent that any of them uses “soft” or commission dollars to pay for expenses that it would otherwise be required to pay itself.

In the event that the Adviser does choose to pay for research or other services through “soft dollar” arrangements, broker-dealers may provide research and brokerage services directly or by paying service providers engaged by the Adviser. In connection with any receipt of products or services under soft dollar arrangements, the Adviser will determine in good faith that the amount of commissions charged is reasonable in relation to the value of the products or services provided by the broker-dealer. Where a product or service provided has both “eligible” uses under Section 28(e), *i.e.*, uses related to the Adviser’s investment decision-making process, but also has other uses, the Adviser will make a reasonable allocation between the eligible and non-eligible uses and use soft dollars only for the eligible portion.

It should be noted that the investment information received from broker-dealers, irrespective of whether such investment information was received complimentary or through “soft dollar” arrangements, may be used by the Adviser or its affiliates in servicing various Funds of the Adviser regardless of the amount of soft dollar commissions contributed by that Fund. The Adviser believes that such an allocation of brokerage business will help each Fund to obtain research and execution capabilities and will provide other benefits to the Funds.

The Adviser may, but is not obligated to, enter into arrangements under which certain direct expenses of the Fund are paid with soft dollars. The Adviser will enter into such arrangements where it believes that it is administratively or operationally expedient to do so or where the Adviser believes it is more favorable to than an arrangement under which the Funds pay for the products or services in question with cash. However, such arrangements make it more difficult for investors to evaluate the cost structure of a Fund because the costs of such products or services are not broken

out separately.

In addition to any soft dollar arrangements that the Adviser enters into with broker-dealers, broker-dealers may provide certain research or other products or services to all of their customers, including the Adviser, without being requested to do so. Similarly, broker-dealers may refer investors to the Adviser. The Adviser may take advantage of the products or services provided rather than producing or paying for them from another provider. Similarly, the Adviser may accept investor referrals from broker-dealers in appropriate circumstances. In these situations the Adviser receives a benefit because it does not have to pay for the products or services, such as research, or because it will receive additional compensation if a Fund accepts new investments.

The Adviser has an incentive to recommend broker-dealers based on benefits that it receives from broker-dealers, whether or not pursuant to soft dollar arrangements, rather than the interests of a Fund in receiving the most favorable execution. Any products or services that the Adviser receives from broker-dealers may be used in connection with its management of all Client accounts, not just selected accounts.

The Adviser assumes no responsibility for the actions or omissions of any broker-dealer or dealer selected by the Adviser in good faith.

**Aggregation of Trade Orders** - Please see item 6 for a discussion of Adviser's practice concerning aggregation of Client transactions.

**13. Review of Accounts**

Client accounts are reviewed on an as-needed basis, but no less frequently than monthly. Reviews are undertaken by Michael Craig-Scheckman and/or Scott Burg. Reports are made to clients as requested.

Tax reports and annual audited financial statements are issued relating to the relevant Private Fund within 120 days of the end such Private Fund's fiscal year.

**14. Client Referrals and Other Compensation**

The Adviser does not receive economic benefits from non-clients for providing investment advice and other advisory services. Neither the Adviser nor any related person directly or indirectly compensates any person who is not a supervised person, including placement agents, for client referrals.

**15. Custody**

The Adviser is deemed to have custody over the funds and securities of the Private Fund. The Adviser is subject to SEC Rule 206(4)-2 under the Advisers Act. However it is not required to comply, or is deemed to have complied, with certain requirements of the rule because it complies with the so-called “Pooled Vehicle Audit Exception”. This exception requires the that each Private Fund be subject to audit at least annually by an independent public accountant that is registered and subject to regular inspection, by the Public Company Accounting Oversight Board, and requires that each Private Fund distributes its audited financial statements to all investors within 120 days of the end of the Private Fund’s fiscal year.

**16. Investment Discretion**

As noted in Item 4, the Adviser has been appointed the investment manager, investment adviser, or General Partner with full discretion with respect to investment decisions on behalf of and trading in the Private Fund.

Investment guidelines and restrictions are set forth in the Client's offering documents. When selecting investments or determining amounts, the Adviser observes the investment policies, limitations and restrictions imposed by the Client.

## **17. Voting Client Securities**

The Advisers Act requires investment advisers that have proxy voting authority to: (i) adopt policies and procedures for voting proxies in the best interest of the client; (ii) describe the procedures to clients; and (iii) inform clients how they may obtain information about how the adviser has actually voted their proxies.

Because Adviser's Client invests almost exclusively in real estate properties (as opposed to equities) Adviser rarely receive proxies to vote.

Adviser's general policy is to vote proxy proposals, amendments, consents or resolutions relating to securities, including interests in pooled investment vehicles, if any (collectively, "proxies"), in a manner that serves the best interests of the Clients, as determined by the Adviser in its discretion, taking into account the following factors: (i) the views of management; (ii) the impact on the value of the investments; (iii) the continued or increased availability of portfolio information; and (iv) industry and business practices. In addition, the Adviser may not vote proxies in certain situations where the associated costs outweigh the anticipated benefits to Clients.

If a material conflict of interest exists between the interests of the Adviser and those of the relevant Client with respect to any issue to be voted on, the Adviser will base its voting decision exclusively on the Adviser's judgment of what will best serve the financial interests of the Client that beneficially owns the securities that are the subject of the vote.

Investors in the Private Fund may request a copy of the Policies and the proxy voting record relating to the Private Fund by contacting the Adviser.

**18. Financial Information**

The Adviser is not required to attach a balance sheet to this brochure because it does not require the prepayment of more than \$1,200 in fees per client, six month or more in advance, is not aware of any financial condition reasonably likely to impair its ability to meet contractual and fiduciary commitments to clients and has never been the subject of a bankruptcy proceeding.