



Form ADV Part 2A Brochure

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This brochure provides information about the qualifications and business practices of Hudson Americas L.P. (“HAM”), the filing adviser, and its relying adviser, Hudson Advisors L.P. (“HAL”). Together, HAM, its relying adviser and its participating affiliates (listed in Item 10) are referred to herein as “Hudson”. If you have any questions about the contents of this brochure, please contact us at 214-754-8400. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Hudson is also available on the SEC’s website at: www.adviserinfo.sec.gov. Registration as an investment adviser does not imply a certain level of skill or training.

Item 2: Material Changes

This brochure, dated September 14, 2022, contains material changes to Items 9 and 11 reflecting certain additional risks and conflicts as well as legal and regulatory developments described herein.

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Item 4: Advisory Business

A. Organization

Founded in 1995, Hudson is a globally integrated asset manager focused on real estate, credit, equity, and other financial assets. Hudson provides investment advisory and related services to private funds (collectively the “Funds”) and certain related investment vehicles and separately managed accounts as discussed under “Advisory Clients” below (which Hudson refers to collectively with the Funds as its “Clients”) from offices in North America, Europe, Asia, and Latin America. A complete list of Hudson’s relying adviser and participating affiliates is provided in Item 10.

Hudson provides investment advice and services with respect to a broad range of financial and other investment assets in various U.S. and non-U.S. jurisdictions, subject to the specific objectives and restrictions of each Client. These assets include, but are not limited to:

- Commercial Real Estate – Commercial real estate-secured debt; direct and indirect equity interests in commercial real estate and commercial real estate-related assets; commercial mortgage-backed securities (“CMBS”);
- Credit – Single-family residential real estate-secured debt; single-family residential real estate and related assets; securitized products such as residential mortgage-backed securities (“RMBS”), collateralized debt obligations (“CDOs”) (the underlying assets of which generally consist of RMBS), and other asset-backed securities (“ABS”); consumer debt;
- Corporate – Equity (typically control interests) in financially oriented and other operating companies; corporate debt; and
- Single-Family Rental Homes – Single-family rental (“SFR”) homes in targeted areas of the United States.

The sole limited partner of HAL is Hudson Advisors Holdings L.P. The majority limited partner of Hudson Advisors Holdings L.P. is Hudson LP Holdings LLC. The general partner of Hudson Advisors Holdings L.P. is Hudson Advisors GenPar LLC, which is also the general partner of HAL. Hudson Advisors GenPar LLC is owned by Hudson LP Holdings LLC. The sole member of Hudson LP Holdings LLC is Hudson LP Holdings Ltd. The Hudson LP Holdings Trust is the 100% shareholder of Hudson LP Holdings Ltd. Minot Nevada PTC, Inc. serves as trustee for The Hudson LP Holdings Trust. Minot International Ltd. is the 100% shareholder of Minot Nevada PTC, Inc., and The Minot Purpose Trust is the 100% shareholder of Minot International Ltd. Conyers Trust Company (Bermuda) Limited serves as trustee for The Minot Purpose Trust. HAL directly or indirectly owns 100% of the filing adviser HAM.

Hudson has established a group of senior professionals (the “Executive Committee”) to oversee the operations of the firm. The Executive Committee includes the following Hudson officials: the Chairman and Chief Executive Officer, the Chief Operating Officer, the Chief Business Development Officer, the Global Head of Real Estate, the General Counsel and the Chief Operating Officer of Hudson Homes Management LLC (together with its subsidiaries, “Hudson Homes”).

B. Advisory Clients

Hudson provides investment advisory and related services to the Funds and certain related investment vehicles in addition to separately managed accounts.

1. Lone Star

Lone Star Global Acquisitions, Ltd. (“LSGA”), a related person of Hudson and an SEC-registered investment adviser, is the primary adviser to a family of closed-end private Funds (the “Lone Star Funds”). LSGA, Lone Star Americas Acquisitions, Inc. (“LSAA”), and LSAA’s relying advisers and participating affiliates are collectively referred to in this brochure as “Lone Star”. The general partners of the Lone Star Funds (the “LS General Partners”) are affiliates of Lone Star.

Hudson was originally established to provide support to Lone Star and the Lone Star Funds. Hudson continues to provide advisory, including asset management and underwriting, and related services to the Lone Star Funds, which remain its largest group of Clients. Hudson typically provides underwriting/due diligence and analysis services with respect to potential Lone Star Fund investments in order to support evaluation and execution of such investments by Lone Star. After an investment is acquired, Hudson is typically engaged to provide asset management services. Hudson also provides various administrative and support or ancillary services to the Lone Star Funds and their investments, including financing and securitization services. Further information regarding Lone Star and its services may be found in Item 10 and in the Form ADV Part 2 brochure for Lone Star.

From time to time, Lone Star forms capital around particular or multiple investment strategies or themes, or establishes, for a specific investment or group of investments, investment vehicles through which certain persons generally invest alongside one or more Lone Star Funds (each, a “Co-Investment Vehicle”). Co-Investment Vehicles are distinct from the Employee Investment Vehicles (as defined below). The investors in Co-Investment Vehicles may consist of investors in the respective Lone Star Fund(s) as well as investors that have not invested in the respective Lone Star Fund(s).

Certain employees, officers, directors, executives, members and contractors (“Key Employees”) of Hudson, Lone Star, and their affiliates are given the opportunity to invest on a side-by-side basis with the Lone Star Funds through employee investment vehicles (each of the Hudson and Lone Star vehicles, an “Employee Investment Vehicle”).

2. SFR Fund

On March 5, 2021, Hudson Single-Family Rental GP LLC (the “SFR Fund General Partner”) held the initial closing of the Hudson Single-Family Rental Fund L.P. (collectively with its subsidiaries and parallel vehicles, and any related collective investment vehicles, the “SFR Fund”), a perpetual life, open-ended, commingled fund with a primary investment objective to achieve attractive, risk-adjusted returns by assembling or otherwise acquiring and renting individual and/or portfolios of single-family homes in targeted areas of the United States. Hudson provides investment advisory and related services to the SFR Fund. The SFR Fund General Partner is a related person of Hudson. HAL has entered into an asset management agreement with the SFR Fund pursuant to which HAL provides advisory, portfolio and investment management, investment committee, and investor relations services for the SFR Fund.

3. Family Accounts

HAL provides investment advisory services to certain accounts related to members of senior management of Lone Star and Hudson or their families (“Family Accounts”) through separately managed accounts. Except as provided in the applicable agreements with the Client, organizational or offering documents, advisory committee consents, and/or side letter agreements negotiated with the Client’s investors (collectively, together with any amendments, supplements and/or restatements and relevant advisory committee meeting consents, the “Governing Documents”) of the Lone Star Funds, the Family Accounts generally do not engage in transactions related to other Hudson Clients and do not invest in the same types of assets as other Clients.

C. Description of Services

1. Advisory Services

Hudson provides a variety of discretionary and non-discretionary advisory services to Clients with respect to current or potential investments. Hudson conducts underwriting, due diligence, and analysis of specific assets and portfolios of assets. With regard to the Lone Star Funds, Hudson provides due diligence and underwriting services and advises Clients on acquisition and disposition strategies, including transaction structuring and financing, and assists with implementation of approved transactions. Hudson also advises the Lone Star Funds on asset management strategies, as well as overall portfolio composition and investment strategy, managing and resolving Client assets in accordance with a business plan that Hudson develops that includes an initial acquisition plan, strategic action items to maximize profits, and a plan to assimilate the acquisition into Hudson's asset management program, or other Lone Star Fund guidelines. Hudson tailors its non-discretionary advisory services to the investment strategies and objectives of each Client.

Hudson provides a variety of services to the SFR Fund, including advisory, portfolio and investment management, investment committee, and investor relations services, subject to the oversight of the SFR Fund General Partner. Hudson identifies the selection criteria for sourcing SFR assets for the SFR Fund and originates assets for inclusion in a portfolio of SFR homes. Once a target SFR asset or portfolio has been identified, the underwriting team will evaluate the merits and risk associated with the investment by performing an in-depth analysis of the target SFR asset's characteristics to assess the suitability of the investment. An investment committee will approve the markets to be targeted by the SFR Fund and the investment criteria for such markets, the amount of capital to be allocated, the incurrence of leverage and will approve the acquisition of portfolios of SFR assets as they arise.

In addition, Hudson monitors asset and portfolio performance on behalf of the SFR Fund. Hudson conducts a periodic review across the portfolio to provide internal valuation and review and values the portfolio to explore disposition and financing opportunities and executes asset dispositions.

Hudson provides services to certain Lone Star Funds with respect to corporate debt under the name LStar Capital.

2. Administrative and Support Services (Ancillary Services)

Hudson provides to Clients and their investments certain administrative back office services that work in tandem with asset management, including but not limited to, legal, compliance, audit, accounting, administration, investor relations and fund services, reporting, cash management, hedging, tax, risk management advice, communications, information technology development and support, and other similar and related services. Hudson also provides investor relations services to the Lone Star Funds and the SFR Fund. For certain Lone Star Funds, Hudson's corporate or operating company oversight services (if any) are classified as asset management and grouped with the advisory services described above and for other Lone Star Funds corporate oversight remains classified as an ancillary service. As part of Hudson's administrative and support or ancillary services, it advises on the fair value of Client investments, and also provides periodic financial reports on Client investments, as discussed in Item 13.

D. Assets Under Management

As of December 31, 2021, Hudson provided investment supervisory services with respect to approximately \$38,029,752,331 in assets of its Clients, including unfunded commitments of the Lone Star Funds, calculated in accordance with the methodology prescribed by the SEC for calculating Regulatory Assets Under Management.

Item 5: Fees and Compensation

Hudson generally receives fees, directly or indirectly, from Clients for services provided. Hudson is also generally

entitled to be reimbursed by Clients for expenses paid on their behalf. Common Hudson fee and expense arrangements are discussed below. The specific fee and expense terms for each Client are subject to negotiation with the Client and are detailed in the Governing Documents of the relevant Client. Fees paid by Clients are indirectly borne by their investors.

Hudson typically bills fees for its services on a monthly or quarterly basis in arrears and generally does not bill in advance. In limited circumstances, Hudson fees may be payable in advance. If Hudson did not perform the applicable services for the entire quarter, Hudson would return or rebate funds consistent with the terms of the applicable agreement. Hudson does not require or solicit prepayment of fees six months or more in advance. A Client may invest in assets directly or indirectly through special purpose entities formed to hold the Client's investments (each a "Special Purpose Vehicle" or "SPV"). Hudson's fees are billed to the applicable Client and/or SPV.

A. Fees and Expenses Payable by the Lone Star Funds

1. Advisory Services

Hudson provides investment advisory, including, but not limited to, asset management and underwriting, services to the Lone Star Funds, the relevant Lone Star Fund SPV, and/or to the applicable operating company owned by one or more of the Lone Star Funds ("Portfolio Company"). Hudson typically provides in-house underwriting/due diligence and analysis services with respect to potential Lone Star Fund investments to support Lone Star's evaluation and execution of such investments, including (i) preliminary underwriting and valuation of potential investments, (ii) market assessments/research, (iii) development of models for evaluating potential Fund investments, (iv) detailed business plan formulation, (v) capital expenditures assessment and planning, (vi) corporate governance and board structuring, (vii) negotiation and documentation of deal/financing terms, (viii) employment arrangements and management incentive plans, and (ix) full financial review and analysis, which includes a complete bottom-up, asset-based due diligence evaluation of the transaction. In some cases, certain of these services will be undertaken before a specific investment target has been identified. Hudson fees for underwriting services for certain Lone Star Funds are based on a fixed cost plus methodology and for other Lone Star Funds the relevant fees are charged based on market-based rates.

After an investment is acquired, Hudson is engaged to provide asset management services, which include a broad range of asset management activities across all asset types relevant to the Lone Star Fund. For certain Lone Star Funds, operating company oversight (if any) is classified as an asset management service and for others it is classified as an ancillary service (see below). For asset management services provided to the Lone Star Funds and related Clients, Hudson receives an asset management fee. Hudson fees for asset management services are negotiated periodically and will vary within the applicable maximum asset management fee limits, as defined in the Lone Star Funds' Governing Documents. Hudson's fees are billed to the applicable Lone Star Fund, to the Lone Star Fund SPV that directly or indirectly owns the applicable investment, and/or to the applicable Portfolio Company.

Hudson's actual fees and investment business plans for Lone Star Fund investments are periodically reviewed and adjusted and are, therefore, subject to change. Lone Star and Hudson periodically benchmark the asset management fee limits against fees charged by third-party service providers.

2. Administrative and Support Services or Ancillary Services

Hudson also provides certain administrative and support or ancillary services to the Lone Star Funds and their investments for the life of the relevant Lone Star Funds that work in tandem with asset management, including, but not limited to, legal, compliance, audit, accounting, fund administration and support, reporting, cash management, hedging, tax, risk management advice, communications, information technology development and support, and

other similar and related services. Hudson fees for administrative and support services for certain Lone Star Funds (and ancillary services for other Lone Star Funds), are generally structured as hourly billing rates or flat fees as agreed with the Lone Star Funds and related Clients and are based on a fix cost plus methodology or based on market-based rates.

Hudson also provides certain ancillary and other administrative and support services directly to Lone Star in connection with Lone Star's business and general operations.

3. Expenses

Clients are typically required to cover expenses related to their investments and the operations of the entities involved, including the offering and sale of interests to prospective investors and the organization of the Client. Client expenses include recurring and regular items, as well as extraordinary expenses which may be difficult to budget or forecast. As a result, the amount of expenses ultimately borne by one or more of the Clients may be difficult to budget or forecast. The specific types of expenses payable by each Client are subject to negotiation with the Client and are detailed in the applicable Governing Documents or services agreements. To the extent that Client expenses are initially incurred by Hudson rather than paid by Clients or SPVs directly, Clients will reimburse Hudson for such expenses. With regard to the Lone Star Funds, please reference the Lone Star Form ADV for information relating to expenses borne by the Lone Star Funds ([See https://adviserinfo.sec.gov/firm/summary/160000](https://adviserinfo.sec.gov/firm/summary/160000)).

While the general operating expenses of the LS General Partner, Lone Star, Hudson, or their affiliates (including payroll and other overhead costs and taxes) are not paid or reimbursed directly by the Lone Star Funds, Hudson's costs of resources deployed is incorporated into Hudson's billing rates chargeable to certain of the Lone Star Funds, the SFR Fund, and other Clients. To the extent such overhead and Employee Investment Vehicle costs are incorporated into Hudson's fees and rates and such overhead costs are incorporated into the fees and rates of other affiliated service providers, such costs will be borne by certain of the Lone Star Funds and will not offset fees charged to the Lone Star Funds.

B. Fees and Expenses Payable by the SFR Fund

1. SFR Fund Asset Management Fee

Each limited partner in the SFR Fund bears an asset management fee (the "SFR Fund Asset Management Fee") to be paid on a quarterly basis in arrears. The SFR Fund Asset Management Fee is a percentage of the SFR Fund's net asset value attributable to each limited partner's investment in the SFR Fund. The net asset value is the fair value of the SFR Fund's net assets, taking into account both the fair value of the SFR Fund's liabilities as determined by the SFR Fund General Partner, and the unamortized balance of any organizational and offering expenses of the SFR Fund (the "Net Asset Value"). The SFR Fund Asset Management Fee compensates Hudson for advisory, portfolio and investment management, investment committee, and investor relations services for the SFR Fund. Hudson may at any time defer, reduce, waive or otherwise modify payment of all or any part of the SFR Fund Asset Management Fee with respect to any investor, but any such deferral, reduction, waiver, or modification shall not increase the SFR Fund Asset Management Fee payable by any other investor.

2. Expenses

With regard to the SFR Fund and as described further in the SFR Fund Governing Documents, whether the SFR Fund makes any profits or not, the SFR Fund is responsible for, and pays or reimburses the SFR Fund General Partner or its affiliates for, the expenses of the SFR Fund and any subsidiary of the SFR Fund, including:

- all costs pertaining to the offering and sale of units in the SFR Fund to prospective investors and the

organization of the SFR Fund and the SFR Fund General Partner, including legal, printing, capital raising, accounting, regulatory compliance, administrative, filing, transportation, pre-marketing and other organizational and offering expenses;

- all expenses incurred in connection with the SFR Fund's operations, including, the fees and costs incurred in engaging various affiliated and non-affiliated parties to provide specialized property recovery, renovation, construction management, appraisal, valuation, insurance, development, marketing, broker, asset management, consulting and related services, including, Hudson, Hudson Homes and their respective affiliates;
- costs, fees and expenses of legal counsel, tax advisors, brokers, auditors, accountants, administrators, bookkeepers, custodians, depositories (including costs, fees and expenses related to appointments or changes of a depository, representative or paying agents appointed pursuant to applicable laws and the implementation thereof), banks, agents, consultants, compliance firms and other outside advisors or service providers;
- fees, costs and expenses associated with the formation and maintenance of the SFR Fund's subsidiaries (including all costs, fees and expenses incurred to qualify or maintain a subsidiary's status as a real estate investment trust under the U.S. Internal Revenue Code, as amended);
- all expenses incurred with respect to the purchase, holding, ownership, management, hedging, financing, refinancing, sale or proposed sale of any assets (even those not consummated), and including SFR Fund Asset Management Fees and property management fees;
- costs of property management, investment and fund accounting software and services (including any acquisition software platforms and tenant web portals) or other administrative or reporting tools (including subscription-based services) for the benefit of the SFR Fund;
- costs of preparing, distributing, compiling and filing (each, as applicable) financial statements and other reports (including the costs of licensing, implementing and maintaining any web portal, extranet tools or other reporting tools), tax returns, Schedules K-1 to the limited partners or any administrative, compliance, legal, tax or regulatory filings, registrations or reports (including any filings, registrations or reports pursuant to laws in jurisdictions in which the SFR Fund invests, has investors domiciled or otherwise located in or otherwise does business), any taxes, fees or other governmental charges levied against the SFR Fund, expenses incurred in connection with any tax audit, investigation, settlement or review of the SFR Fund, or other information, including fees and costs of any third parties related to the foregoing;
- the costs of prosecuting or defending any legal action for or against the SFR Fund, the SFR Fund General Partner, Hudson, Hudson Homes or their affiliates, in each case, so long as such legal action relates to the SFR Fund, its business, investments, assets or operations;
- principal and interest on and fees, expenses, costs and other amounts payable in respect of or arising out of all permitted borrowings made by the SFR Fund;
- all costs and expenses, including premiums, related to risk management services and insurance for the SFR Fund, including insurance to protect the SFR Fund, its affiliates, the SFR Fund General Partner, the other parties required to be indemnified and the limited partners in connection with the SFR Fund (provided, that to the extent Hudson provides insurance to the SFR Fund directly, Hudson may charge all such costs and expenses, including premiums, so long as such amounts are consistent with the amounts that would be payable to outside insurance providers under arm's-length agreements for substantially similar insurance coverages);;

- costs and expenses relating to the SFR Fund's indemnification of parties required to be indemnified pursuant to the Governing Documents;
- the cost of in-house legal, compliance, SFR Fund administrative services (including the preparation of financial and tax reports, portfolio valuation, accounting, auditing, regulatory filings and SFR Fund tax returns) and other back office services to be rendered by employees of Hudson for the SFR Fund (including associated overhead expenses of such employees) provided that such costs are no greater than those that would be payable to outside legal counsel or other third parties under arm's length agreements;
- all expenses of dissolving and liquidating the SFR Fund and its subsidiaries;
- expenses related to travel associated with investigating and evaluating investment opportunities or making, monitoring, managing or disposing of investments;
- extraordinary expenses, including any changes to the management structure and operation of the SFR Fund and the terms of the SFR Fund partnership agreement, the Fund's management agreement and any agreement with any other provider of services to, or related to the SFR Fund as the SFR Fund General Partner or Hudson considers to be necessary or desirable (provided, that such changes or amendments are not primarily for the benefit of the SFR Fund General Partner or Hudson);
- unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer by a limited partner; and
- any other fees, costs or expenses that the SFR Fund General Partner determines in good faith are properly chargeable to the fund as a result of its operations.

As described above, the SFR Fund is responsible for the cost of in-house legal, compliance, SFR Fund administrative services (including the preparation of financial and tax reports, portfolio valuation, accounting, auditing, regulatory filings and tax returns) and other back office services to be rendered by employees of Hudson for the SFR Fund, including the associated overhead expenses (collectively, "Internal Back Office Resources") provided that such costs are no greater than those would be payable to outside legal counsel or other third-party vendors under arm's length agreements as determined by Hudson. Such associated overhead expenses include costs of resources deployed. Additionally, the costs associated with Internal Back Office Resources will incorporate administrative costs relating to any employee co-investment program related to the SFR Fund. To the extent such overhead and employee co-investment program-related costs are incorporated into the costs associated with Internal Back Office resources, such costs will be borne by the SFR Fund (including in many instances indirectly through its subsidiaries) and will not offset the SFR Fund Asset Management Fees or property management fees. If Hudson or the SFR Fund General Partner or one of their designees incurs SFR Fund expenses in connection with its duties, Hudson or the SFR Fund General Partner or such designee may cause the SFR Fund to reimburse it for an amount equal to such expenditure by way of additional consideration for the management services or other services provided.

C. Travel, Investment-Related, and Shared Expenses

Each Client generally bears all expenses related to its investments, including the broker's commissions, clearance charges, due diligence expenses (related to consummated or unconsummated investments), loan servicing fees, travel expenses, taxes, other expenses incident to the purchase, maintenance and sale of investments by such Client, charges incurred in connection with the custody of investments, outside legal and accounting fees, insurance and litigation expenses, and any taxes, fees, or other governmental charges levied against the investment. Item 12 discusses Hudson's practices for choosing brokers and certain other counterparties.

In some instances, expenses may be shared by multiple Clients. This creates conflicts of interest for Hudson in some instances, as the allocation of such expenses may impact the performance of different Clients, as well as management fees and profits interest and incentive allocations. As Hudson is an affiliate of LSGA and the LS General Partners, it has an interest in the allocation among Lone Star Funds. Hudson, in conjunction with its Clients, allocates such expenses in good faith and consistent with its Clients' policies. Hudson has implemented policies and procedures designed to ensure that expense allocations are equitable and consistent with the requirements of the applicable Governing Documents. Certain expenses shared by one or more Clients may be initially paid by a single Client, which is reimbursed by other Clients for their appropriate share of the relevant expenses.

Travel, accommodation and related expenses described herein and charged to the Lone Star Funds and the SFR Fund as applicable include, without limitation, first class and/or business class airfare (and/or private charter, as may be permitted by the respective policies of Hudson and/or its affiliates), first class lodging, ground transportation, travel and premium meals (including, as applicable, with Portfolio Company management, customers, Clients, borrowers, brokers and service providers) and related costs and expenses incidental thereto.

The Lone Star Funds and the SFR Fund also bear any extraordinary expenses they may incur, including any litigation, arbitration or settlement expenses involving any such Fund, any investment or entities in which it has an investment or otherwise relating to such investment, and the amount of any judgments or settlements paid in connection therewith.

D. Fees and Expenses Relating to Co-Investment Vehicles and Employee Investment Vehicles

Fee and expense arrangements for investors in Co-Investment Vehicles are often different from those of investors in the Lone Star Funds, and management fees, profits interest, costs and expenses, and other amounts may be reduced or waived for the benefit of one or more co-investors. Co-Investment Vehicles generally do not bear any share of Unconsummated Transaction Expenses for other investments pursued by the Funds that would not have been made by such Co-Investment Vehicles.

Employee Investment Vehicles do not pay any fees to Lone Star, profits interest, or other Lone Star Fund-level expenses. Employee Investment Vehicles do not pay any fees directly to Hudson, but receive distributions from the underlying investments net of fees paid to Hudson, transaction costs, expenses related to the set up and the maintenance of Employee Investment Vehicles, and other fees and expenses allocated to the investment, including entity costs and costs related to audits. The Employee Investment Vehicles also bear a pro rata portion of the Unconsummated Transaction Expenses incurred by the corresponding Lone Star Funds. Further information regarding the Co-Investment Vehicles and employee co-investment arrangements is discussed in Item 11 – Employee Investment Vehicles.

E. Family Accounts

Hudson typically charges fees for services provided to Family Accounts using hourly billing rates based on the cost of providing the services plus a specified margin. The cost of such services is not borne by other Hudson Clients.

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

Each LS General Partner, which is a related person of Hudson, receives a “profits interest” (also referred to as “carried interest”), which is a certain percentage of the actual returns in excess of certain performance hurdles of each investment made by the relevant Lone Star Fund. Certain associated persons of Lone Star and Hudson have interests in one or more of the LS General Partners and receive a portion of such profits interest. Payment of the profits interest will generally occur on an investment-by-investment basis after all capital contributed for such investment is returned and a specific preferred return on such investment is realized and paid to the relevant Lone Star Fund's limited partners. The specific structure of each Lone Star Fund's profits interest is detailed in its

Governing Documents.

In accordance with the Governing Documents of the SFR Fund, the SFR Fund General Partner is entitled to share in the profits of the SFR Fund via an incentive allocation if the SFR Fund exceeds a pre-determined annualized rate of return (i.e., the hurdle amount) over a certain period of time. The incentive allocation equals a portion of each limited partner's excess profits over the hurdle amount, which is tied to an annualized return on the investor's proportionate share of the Net Asset Value of the SFR Fund. Certain associated persons of Lone Star and Hudson have interests in the SFR Fund General Partner and are entitled to a portion of such incentive allocation.

Item 7: Types of Clients

See Item 4 – “Advisory Business”

Hudson's primary Clients are the Lone Star Funds, the SFR Fund and their respective affiliates. Hudson may also provide services to financial institutions, corporate and public pension Funds, sovereign wealth funds, university endowments, foundations, other private funds, and operating companies.

Interests in the SFR Fund are offered pursuant to applicable exemptions from registration under the U.S. Securities Act of 1933, as amended and the U.S. Investment Company Act of 1940, as amended (the “Investment Company Act”). Investors in the SFR Funds are generally “qualified purchasers” as defined in the Investment Company Act, and may include, among others, high net worth individuals, banks, thrift institutions, pension and profit sharing plans, trusts, estates, charitable organizations, university endowments, corporations, limited partnerships and limited liability companies or other entities.

Hudson does not have a minimum size for the SFR Fund, but minimum investment commitments will be established for investors in the SFR Fund. The SFR Fund General Partner may in its sole discretion permit investments below the minimum amounts set forth in the Governing Documents of the SFR Fund.

As noted in Item 4, Hudson provides investment advisory services to certain Family Accounts through separately managed accounts. See Item 4 – “Advisory Business” for a further description of the types of clients serviced by Hudson.

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

A. Methods of Analysis

With regard to the Lone Star Funds, Hudson leverages its transactional experience and a global platform to provide due diligence and analysis, asset management and administrative and support or ancillary services to the Lone Star Funds and their assets. Specifically, when evaluating a potential investment opportunity, Lone Star generally engages Hudson to complete a full financial review and valuation, which includes a complete bottom-up, asset-based due diligence evaluation of the transaction. In connection with the acquisition of an investment by the Lone Star Funds, Hudson prepares an initial acquisition plan that contains a summary of the investment, strategic action items to maximize profits, and a plan to assimilate the acquisition into Hudson's asset management program. Lone Star is not involved in the day-to-day asset management of the Clients' investments, but rather provides strategic oversight and advice with respect to the management and ultimate resolution of these assets. Hudson, with strategic oversight and investment advice from Lone Star, advises on the appropriate exit, based on the ongoing analysis of buy versus hold scenarios in an effort to achieve overall maximum risk-adjusted returns. In analyzing the preferred resolution of each asset, a variety of possible disposition alternatives are considered based on a given asset's underlying characteristics.

With regard to the SFR Fund, Hudson's investment committee identifies the selection criteria for sourcing SFR

assets. Once a target SFR asset or portfolio has been identified, Hudson's underwriting team evaluates the merits and risk associated with the investment by performing an in-depth analysis of the target SFR asset's characteristics to assess the suitability of the investment. The investment committee of the SFR Fund is responsible for approving the markets to be targeted by the SFR Fund and the investment criteria for such markets, the amount of capital to be allocated, the incurrence of leverage and the acquisition of portfolios of SFR assets as they arise. Hudson monitors asset and portfolio performance on behalf of the SFR Fund. Hudson conducts a periodic review across the portfolio to provide internal valuation and review and values the portfolio to explore financing and (where applicable) disposition opportunities and executes asset dispositions.

B. Investment Strategies

1. Lone Star Opportunity Funds

The Lone Star Opportunity Funds ("Opportunity Funds") target opportunistic investments in a broad range of financial and other investment assets other than commercial real estate investments. The Opportunity Funds will not invest, directly or indirectly, in portfolios of assets or single asset transactions that the general partner of the applicable Opportunity Fund expects will not generate returns on a levered basis consistent with the Opportunity Fund's opportunistic investment strategy. Subject to the leverage limitations set forth in the relevant Governing Documents, an Opportunity Fund, directly or through SPVs, may use a substantial amount of direct or indirect leverage in connection with its investments.

2. Lone Star Real Estate Funds

The Lone Star Real Estate Funds ("Real Estate Funds") target investments in a broad range of financial and other investment assets which the relevant general partner has determined consist of opportunistic commercial real estate investments. Subject to the leverage limitations set forth in the relevant Governing Documents, the Real Estate Funds, directly or through the Fund entities, may use a substantial amount of direct or indirect leverage in connection with its investments.

3. Lone Star Residential Mortgage Funds

The Lone Star Residential Mortgage Funds ("Residential Mortgage Funds") target investments in assets predominantly comprised of or relating to U.S. single family residential real estate and related assets. The Residential Mortgage Funds directly or through SPVs, are expected to deploy a substantial amount of direct or indirect leverage in connection with their investments, including through the use of securitizations.

4. Lone Star Value Add Fund

The Lone Star Value Add Funds ("VAF") targets investments that the general partner has determined, in its sole discretion, consist of commercial real estate investments with value-add characteristics, in each case, that the general partner expects will generate a gross internal rate of return below the opportunistic target return of the Real Estate Funds. VAF may finance its investments in a manner that creates a substantial amount of direct or indirect leverage.

5. SFR Fund

The primary object of the SFR Fund is acquiring and renting individual and/or portfolios of SFR homes in targeted areas of the United States. The SFR Fund targets investments in SFR assets in metropolitan statistical areas within the United States that Hudson, in its discretion, identifies as appropriate for SFR Fund investments based on a variety of factors, including demographic and housing fundamentals and general market conditions.

C. Material Risk Relating to Investment Strategies and Methods of Analysis and General Risk Factors

All investments involve the risk of loss that Clients and their underlying investors should be prepared to bear. Not all possible risks are described below, and risks described below may not be applicable to all Clients. A more detailed discussion of the risks relating to an investment in one of the Lone Star Funds or the SFR Fund can be found in the applicable Client's Governing Documents.

1. *Opportunistic Investment Strategy.* The opportunistic investment strategy utilized by Hudson on behalf of Clients generally does not incorporate consideration of other investments held in a Client's investment portfolio. Accordingly, portfolio risk controls such as value at risk metrics, investment diversification across regions or industries or avoidance of risk concentration at the investment portfolio level are often not considered when assessing the merits of a potential investment. Instead, certain Clients' opportunistic investment strategy focuses on the expected returns of each potential investment on an individual basis. This opportunistic investment strategy may result in a significantly higher risk profile compared to a strategy that actively diversifies investments across type, sector, location, and/or other risk factors.
2. *Limited Number of Investments.* As a result of Hudson's focused investment strategy, Clients may participate in a limited number of investments or a limited number of asset classes and, as a consequence, the aggregate return of Client portfolios may be substantially adversely affected by the unfavorable performance of even a single investment. In addition, to the extent a Client participates in a limited number of investments, the diversification of the Client's investments across asset classes and geographic regions could be limited.
3. *Limited Current Return.* The return of capital and the realization of gains, if any, will generally occur only upon the partial or complete disposition of a Client's investment. Developments in global and U.S. financial markets over the past few years and new developments, if they occur, may adversely impact the ability of Clients to dispose of investments at their expected returns. Current returns from investments may vary, as Hudson generally attempts to maximize realized returns on the disposition of Client investments, and as such, will generally not favor early liquidation of an investment or foregoing potential disposition upside to maximize current returns.
4. *Investing in Troubled Assets.* Hudson may make investments in secured and unsecured non-performing loans or other troubled assets on behalf of Clients that involve a significant degree of legal and financial risk and, particularly in the international context, political risks. Furthermore, investments in assets operating in workout modes or under bankruptcy reorganization laws may, in certain circumstances, be subject to certain additional potential liabilities that may exceed the value of a Client's original investment. For example, under certain circumstances, lenders who have inappropriately exercised control of the management and policies of a debtor may have their claims subordinated or disallowed or counterclaims may be filed and lenders may be found liable for damages suffered by various parties as a result of such actions. In addition, under certain circumstances, payments to the Client and distributions by the Client to investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment. Moreover, particularly with respect to international investments in secured and unsecured non-performing loans or other troubled assets, there are additional risks and uncertainties related to litigation, bankruptcy, and other laws and regulations affecting the rights and remedies of Clients, which can create additional financial risks to Clients.
5. *Investing in Real Estate-Related Assets.* Investments in real estate assets and real estate-related investments are subject to various risks that include, but are not limited to, those associated with the burdens of ownership of real property; general and local economic conditions; environmental, zoning and building laws and regulations (including changes thereto); environmental liabilities; casualty or condemnation

losses; regulatory limitations on rents; decreases in asset values; changes in the appeal of assets to tenants; changes in supply of and demand for competing assets in an area (as a result, for instance, of overbuilding); fluctuations in the average occupancy, operating income and room rates for hotel assets; the financial resources of tenants; changes in (including increases in) interest or other borrowing rates and changes to the availability of debt financing, which may render the sale or refinancing of investments difficult or impracticable; energy and supply shortages; various uninsured or uninsurable risks; natural disasters; political events; other governmental rules and fiscal policies, including changes thereto (such as rent control); inability to compete renovations on advantageous terms; volatility of property income, laws protecting tenants and tenant relief laws; redevelopment risks; eminent domain risks; failure of subcontractors or defects in components obtained from building supply companies; environmental hazards; changes in real property tax rates and operating expenses; increased mortgage defaults; negative developments in the economy or political climate that depress travel activity; contingent liabilities on disposition of assets; acts of God; terrorist attacks; war; the availability of certain construction materials; and other factors that are beyond the control of Hudson. 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 investments or the collateral therefor. Developments in global and local financial and real estate markets over the past few years, and new developments in those markets, if they occur, may result in reductions in the value of real property interests.

The real estate assets associated with Client investments may be or become non-performing after acquisition for a wide variety of reasons. Such non-performing real estate investments may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial write-down of such loans or assets. However, even if an asset is performing as expected, a risk exists that, upon maturity of financing, replacement “takeout” financing will not be available or will not be available on attractive terms. It is possible that Hudson, affiliated service providers or other servicers to the relevant Fund would find it necessary or desirable to foreclose on some of the collateral securing one or more investments, but such remedy may not be available in the jurisdiction where the property is located, or if available, may not be comparable to a foreclosure action in the United States. Even if foreclosure is an option, the foreclosure process can be lengthy and expensive. At any time during the foreclosure proceedings, the borrower may file for bankruptcy, which may have the effect of further delaying the foreclosure process. Under certain circumstances, payments to the relevant Funds and distributions by the Funds to their partners may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment. Foreclosure litigation tends to create a negative public image of a Client or the collateral property and may result in disrupting ongoing leasing and management of the property.

6. *Commercial Mortgage Loans.* The value of Clients’ commercial mortgage loans and the underlying real estate will be influenced by the historical rate of commercial mortgage loan delinquencies and defaults experienced on the commercial loans and by the severity of loss incurred as a result of such defaults. The factors influencing delinquencies, defaults, and loss severity include: (i) economic and real estate market conditions by industry sectors (e.g., multifamily, retail, office); (ii) the terms and structure of the mortgage loans; and (iii) any specific limits to legal and financial recourse upon a default under the terms of the mortgage loan. Commercial mortgage loans are generally viewed as exposing a lender to a greater risk of loss through delinquency and foreclosure than lending on the security of single-family residences. The ability of a borrower to repay a loan secured by income-producing property typically is dependent primarily upon the successful operation and operating income of such property (i.e., the ability of tenants to make lease payments, the ability of a property to attract and retain tenants, and the ability of the owner to maintain the property, minimize operating expenses, and comply with applicable zoning and other laws) rather than upon the existence of independent income or assets of the borrower. Most commercial mortgage loans provide recourse only to specific assets, such as the property, and not against the borrower’s other assets or personal guarantees.

7. *Credit Risks.* A Client's investment could lose money if the issuer or guarantor of a fixed income security is unable or unwilling, or is perceived by market participants, ratings agencies, pricing services or others as unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. Securities are subject to varying degrees of credit risk, which are often reflected in their credit ratings. The downgrade of the credit of a security held by a Client may decrease its value. "Opportunistic" assets, such as those invested in by certain Lone Star Funds, are generally considered to have significant credit risk. With respect to the financing strategies and hedging services described herein, Clients may also be subject to the risk that a counterparty to a financing arrangement or derivatives contract may be unable or unwilling to honor its obligations as a result of the counterparty's financial condition or insolvency.
8. *Mortgage-Backed Securities.* In general, risk factors discussed herein pertaining to mortgage loans (and the type of property securing such mortgage loans), would similarly pertain to any mortgage-backed security in which Clients invest. Some or all of the potential mortgage-backed securities acquired by Clients may not be rated, or may be rated lower than investment grade by one or more nationally recognized statistical rating organizations. The majority of the mortgage-backed securities acquired by Clients are typically lower-rated or unrated, and the original ratings of many of these securities were withdrawn or downgraded to levels that are significantly below investment grade. Lower-rated or unrated mortgage-backed securities in which Clients may invest have speculative characteristics that can involve substantial financial risks. Securities rated lower than "B" can be regarded as having extremely poor prospects of ever attaining any real investment standing and may be in default. Existing credit support and the owner's equity in the property may be insufficient to protect Clients from loss. If Clients invest in subordinated mortgage-backed securities in particular, Clients will be first in line among debt holders to bear the risk of loss from collateral delinquencies and defaults. To the extent that the mortgage loans that underlie specific mortgage-backed securities are prepayable, the value of such mortgage securities may be negatively affected by increasing prepayments, which generally occur when interest rates decline. With respect to commercial mortgage loans in which certain Clients may invest, these are typically not prepayable or are subject to prepayment penalties or interest rate adjustments.
9. *Leveraged Buyouts.* A Client may structure one or more of its operating company investments as a leveraged buyout, in which the acquisition is financed using substantial amounts of debt secured by the target company's cash flows or other assets. These investments are particularly sensitive to adverse economic factors and other risks associated with leverage generally, which magnify their volatility and may substantially increase the Client's risk profile. In the event an operating company is unable to generate sufficient cash flow to meet the payment obligations associated with the related acquisition financing, the value of the Client's equity position in such operating company could be significantly reduced or even eliminated. In addition, such investments are subject to risks generally associated with investments in operating companies, including, without limitation, the possibility that the operating company's management may have economic or business interests or goals which are inconsistent with those of the applicable Client. Further, the exercise of control over an operating company, which often results from a leveraged buyout, imposes additional risks of liability for environmental damage, product defects, failure to supervise and other types of related liability. If such liabilities are to arise, the Client may suffer a loss on its investment.
10. *Finance Companies and Other Regulated Institutions.* A Client may invest in finance companies or other regulated institutions, which operate in a highly competitive environment and are subject to extensive regulation. Finance companies compete for loans, deposits, and other financial services with other finance companies as well as commercial banks, savings and loan associations, credit unions, mutual funds, insurance companies, brokerage and investment banking firms, and various other non-bank competitors, many of which may be subject to a lesser degree of governmental regulatory oversight and periodic examination than their competitors. Investments in certain types of institutions that provide secured and

unsecured loans are highly speculative and subject to various risks, including adverse changes in national or international economic conditions; adverse local market conditions; changes in availability of debt financing; changes in interest rates, governmental rules, and fiscal policies; risks due to dependence on cash flow; risks and operating problems arising out of acts of God and other unanticipated events; uninsurable losses; and other factors that are beyond the control of a Client, its general partner (if any), Hudson, or Lone Star. In the event a finance company or similar institution forecloses on the properties, if any, securing its loans, such company would need to operate those properties, thus being subject to environmental and other risks associated with the ownership and operation of real property. Furthermore, there can be no assurance that such company would be able to sell such properties at a price that would result in a return on the loans.

11. *Leverage.* A Client may employ a substantial amount of direct or indirect leverage in connection with their investments, including for certain Clients through the use of securitizations. Such Clients' ability to achieve or surpass target rates of return on the investments depends on its ability to access sufficient financing sources on desirable terms. Clients utilize various types of financing, which may include securitizations, repurchase agreements, loan facilities, swaps, and multi-tiered credit arrangements, many of which contain inherent risks. For example, the SFR Fund may, from time to time, borrow (including guaranteeing indebtedness) at the Fund level or at a subsidiary of the Fund on a secured or unsecured basis. Clients typically obtain one or more general facilities for working capital, to bridge capital calls, to provide interim bridge financing and for similar purposes and procure one or more working capital facilities in order to fund expenses, to provide greater working capital to the Clients, to finance investments, and for similar permitted uses. A Client's investments are typically financed by initially borrowing under a Client's general facility and/or third-party financing, subsequently to be replaced with investment level financing that is secured by the specific investment that is being financed. This leverage will increase the exposure of such investments to adverse economic factors such as significantly rising interest rates, increased risk spreads, severe economic downturns, or deterioration in the condition of the investment or its corresponding market. Generally, the presence of leverage in a Client's investments will magnify their volatility and may substantially increase the Client's risk profile. In the event a specific investment is unable to generate sufficient cash flow to meet a principal or interest payment required to maintain the financing arrangement or a margin call related to an investment, the value of a Client's equity position in that investment and other investments of the Client could be significantly reduced or even eliminated. There are generally no limitations in the Governing Documents on the amount of leverage certain Clients can use with respect to any particular transaction. In using leverage, a Client's investments may be subject to terms and conditions that include restrictive financial and operating covenants, which may impair the Client's ability to finance or otherwise pursue the investment's future operations or otherwise satisfy additional capital needs. The amount and terms of financing available to a Client could affect the returns generated by the Client and the ability to structure potential transactions. While Hudson will take the availability and terms of financing into consideration when identifying, assessing, and structuring potential investments, a decrease in the ability of a Client to leverage the investments could adversely affect the returns generated by the Client and could result in fewer investments being made, therefore reducing the diversification of the portfolio. If interest rates rise, as anticipated, the cost of financing will increase. Further, deterioration in the ability of a Client to leverage the investments could result in the aggregate return of the Client being substantially adversely affected.

The SFR Fund General Partner may use credit facility leverage for working capital, including to fund management fees payable to Hudson and other expenses of the SFR Fund, to finance investments, to bridge capital calls, to provide interim bridge financing and capital, and for other similar purposes. In some cases, the use of credit facility leverage may delay calling capital from limited partners, which may increase the internal rate of return of an investment. It may also increase the probability of the SFR Fund General Partner

receiving an incentive allocation. In addition, the existence of credit facility leverage (which may be secured in part by a pledge of the capital commitments of the SFR Fund partners) may impair a limited partner's ability to transfer its units as a result of restrictions imposed on such transfers by lenders. The SFR Fund will pay interest expenses and other expenses incurred in relation to the credit facility leverage. As a general matter, use of leverage in lieu of drawing down capital commitments amplifies returns (either negative or positive) to limited partners.

In connection with any credit facility leverage used by a Client, the borrowers thereon (and investors) may be required to make certain representations and warranties to one or more lenders. The borrowers thereon (and the investors) may also be required to indemnify the lenders pursuant to any credit facility in case any such representations and warranties are inaccurate. These arrangements may create contingent liabilities of the Client and/or its subsidiaries, for which the LS General Partners or the SFR Fund General Partner may establish reserves or escrow accounts in which the Limited Partners would be required to fund a pro rata share. Additionally, if one or more banking institutions, which are a party to such credit facility, fails to fund a request (or any portion of such request) by a Client to borrow money, the Client's ability to make investments, fund operations and pay debt service could be reduced, each of which could adversely affect the Client's operations.

In addition, the extent to which the SFR Fund or other Client uses leverage may have other important consequences to investors, including the following: (a) use of cash flow (including capital contributions) for debt service and related costs and expenses, rather than for additional investments, distributions or other purposes, (b) increased interest expense on variable-rate borrowings if interest rate levels were to increase, (c) in certain circumstances, prematurely disposing of investments to service a Client's debt obligations, and (d) limitation on the flexibility of a Client to make distributions to its investors or sell assets that are pledged to secure the indebtedness. There can be no assurance that Clients will have sufficient cash flow to meet their debt service obligations. As a result, Clients' exposure to losses may be increased due to the illiquidity of their investments generally.

As discussed above, the Clients expect to use a variety of financing sources including, without limitation, repurchase agreements and securitizations. The repurchase agreements used by the Client for financing purposes may have various terms ranging from a month or less to five or more years. Securitizations are expected to provide long term financing, the structures of which may be re-levered to improve effective leverage. An inability of a Client to re-lever or obtain take-out financing for Client's investments at the end of the term of a given financing arrangement may have an adverse impact on the aggregate returns of such investment. Further, in the event that any given financing arrangement is terminated prior to its expected term, a Client may not be able to refinance the underlying investment in a timely manner, or on the same terms as the prior financing arrangement, or on any terms. In addition to the enhanced portfolio volatility and risk that may arise from the use of leverage, financing instruments are generally subject to credit risks with respect to the counterparty. Financing transactions typically involve the transfer of legal title, pledge, or other encumbrance of the underlying investment of the Client. Repurchase agreements may require the transfer of title to the underlying assets and may reduce the options available to resolve any issues with the counterparty involved in such repurchase agreements. The number of potential counterparties offering financing of the type desired by a Client may be very limited, which may result in less attractive terms and conditions, and concentrations of financings with such counterparties. Accordingly, the insolvency or bankruptcy of a financing counterparty may result in legal action that impairs the value or marketability of the underlying investment, or a Client's ownership rights. There can be no assurance that the Client will recover all or any of the economic value of the investment under such circumstances, and any such recovery may require the payment of substantial legal costs.

12. *Illiquidity of Investments.* Most Client investments are highly illiquid, and there can be no assurance that the Clients will be able to liquidate these investments in a timely manner. While certain investments by the Clients may generate current income, the return of capital and the realization of gains, if any, with respect to certain other investments will generally occur only upon the partial or complete disposition of such investment. While an investment may be sold at any time, typically this will not occur until a number of years after the investment is made. It is unlikely that there will be a public market for most of the investments held by Clients. It is unlikely that there will be a public market for most of the investments held by Clients. Clients generally will not be able to sell securities held in their investment portfolios publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In some cases Clients may be prohibited by contract or regulatory requirements from selling investments for a period of time. In addition, the types of investments held by Clients may be such that they require a substantial length of time to liquidate. In the event of a margin call or other loan repayment at a time in which a Client does not have sufficient cash assets to cover such call or payment, Clients may have to liquidate certain investments at less than their expected returns, thereby resulting in lower realized proceeds. Moreover, certain Clients may make investments which may not be advantageously disposed of prior to the date that such Client is dissolved. Although Hudson expects that investments will either be disposed of prior to dissolution or may be suitable for in-kind distribution at dissolution, the Clients may have to sell, distribute, or otherwise dispose of investments at a disadvantageous time as a result of dissolution.
13. *Swaps and Derivative Investments.* Hudson may utilize swaps and other derivative transactions on behalf of Clients to obtain a desired exposure and such transactions may expose Clients to risk of loss. In addition, Clients may take advantage of certain other customized instruments to create “synthetic” or derivative investments that are not presently contemplated for use by Clients, or that are currently not available but that may be developed, to the extent such opportunities are both consistent with the Clients’ investment objectives and legally permissible for the Clients. To the extent Clients invest in repurchase agreements, swaps, and other “synthetic” or derivative instruments, counterparty exposures can develop and Clients take the risk of nonperformance by the other party on the contract. Transactions such as these, which are entered into directly between two counterparties, may expose the parties to the risk of counterparty default. In addition, if Clients were to invest in synthetic or derivative instruments that do not currently exist, certain other risks may apply in addition to the risks described herein. Derivatives are a financial contract with a value that depends on, or is derived from, an underlying product. Some of the risks generally associated with derivatives include, for example, the risks that: (1) the value of the derivative will change in a manner detrimental to Clients; (2) another party to the derivative may fail to comply with the terms of the derivative contract; (3) the derivative may be difficult to purchase or sell; and (4) the derivative may involve indebtedness or economic leverage, such that adverse changes in the value of the underlying asset could result in a loss substantially greater than the amount invested in the derivative itself or in heightened price sensitivity to market fluctuations. Derivatives markets can be highly volatile. The profitability of investments by Clients in derivatives depends on the ability of Hudson to correctly analyze these markets, which are influenced by, among other things, changing supply and demand relationships, governmental, commercial, and trade programs and policies designed to influence world political and economic events, and changes in interest rates. In addition, the assets of Clients may be pledged as collateral in derivatives transactions. Thus, if Clients default on such an obligation, the collateral may be at risk.

The use of derivative instruments presents various risks. For example, when used for hedging or synthetic investment purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged or tracked may prevent a Client from achieving the intended hedging effect or expose the Client to the risk of loss. Derivative instruments, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets a Client may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative position limits imposed by regulators, exchanges, or other trade execution facilities on which a Client may conduct its transactions in derivative instruments may prevent prompt

liquidation of positions, subjecting the Client to the potential of greater losses. Derivative instruments that may be purchased or sold by a Client may include instruments not traded on an exchange or centrally cleared. Derivative instruments not traded on exchanges or centrally cleared are also not subject to the same type of government regulation as exchange-traded or cleared instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions. The risk of nonperformance by the obligor on such an instrument may be greater and the ease with which a Client can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange-traded or cleared instrument. In addition, significant disparities may exist between “bid” and “asked” prices for derivative instruments that are not traded on an exchange or similar trade execution facility.

14. *Reuse of Collateral.* In connection with swaps and other derivative transactions, a Client is frequently required to post collateral to transaction counterparties or clearing firms. The amount of such collateral may be material to the Client’s account. Such collateral may, from time-to-time and without notice to Hudson or the Client, be carried in the general account of the counterparty or clearing firm and may be sold, pledged, rehypothecated, assigned, invested, loaned, commingled or otherwise disposed of, or otherwise used in the business of the counterparty or clearing firm without any claim or right of any nature whatsoever of the Client. A counterparty or clearing firm holding collateral in connection with a swap or other derivative transaction is obligated to return to the Client assets equivalent to those provided as collateral. Although Hudson seeks to enter into transactions on behalf of Clients with creditworthy counterparties and clearing firms on favorable terms, there can be no assurance that collateral posted to such parties will be returned to Clients in a timely manner. The insolvency or bankruptcy of a counterparty or clearing firm may result in partial or full loss of collateral posted and may require the payment of substantial legal costs to enforce the right of Clients to the return of equivalent assets.
15. *Investments through Partnerships, Joint Ventures, and Co-Investments.* Certain Clients will generally make investments through or alongside partnerships, joint ventures, Co-Investment Vehicles, operating companies, corporations, companies, or other entities (collectively, “Investment Parties”). Such investments may involve risks not present in direct investments, including, for example, the possibility that an Investment Party may commit fraud, become bankrupt, or have economic or business interests or goals which are inconsistent with those of the Client, or that any such Investment Party may be in a position to take action contrary to the Client’s objectives. If neither a Client nor an Investment Party unilaterally controls an investment, deadlocks may occur, making it difficult to act quickly in connection with a potential acquisition or disposition. If there is a governance impasse under the terms of the investment that results in an acquisition or disposition, a Client may be forced to sell its interest in the investment, or buy an Investment Party’s share of the investment, at a time when it would not otherwise be in the Client’s best interest to do so. Moreover, an Investment Party may have economic or other interests that are inconsistent with the interests of a Client, including interests relating to the financing, management, operating, leasing or sale of the assets in the joint venture arrangement. Furthermore, if an Investment Party defaults on its funding obligations, it may be difficult for the Client to make up the shortfall from other sources. The Client may be required to make additional contributions to replace such shortfall, thereby reducing the diversification of its investments. Any default by such Investment Party could have an extremely deleterious effect on the Client, its assets, and the interests of the limited partners. In addition, the Client may be liable for actions of an Investment Party. While the Client will attempt to limit the liability of the Client by reviewing the qualifications and previous experience of an Investment Party, it does not expect generally to obtain financial information from, or to undertake private investigations with respect to, prospective Investment Parties.
16. *Hedging Services.* Hudson may recommend that a Client enter into hedging and similar transactions with respect to foreign currency, interest rate, and other risks where deemed appropriate and cost effective. There is, however, no assurance that foreign exchange risk and/or interest rate risk can be perfectly hedged or minimized where the magnitude and timing of future cash flows can only be estimated and not known with

certainty. Thus, prudent currency and interest rate hedging policies only serve to minimize or reduce these risks, but not to eliminate them completely. There can be no assurance that a Client will have sufficient liquidity or credit capacity to support the hedging services provided by Hudson, and no assurance that hedging techniques will be available, be available at a reasonable cost, or be sufficient to eliminate these risks. In addition, Hudson may recommend that a Client hedge the investment's currency or interest rate exposure at an amount less than the expected value of that investment or not at all. In such cases, the Client may suffer losses from changes in foreign exchange rates or interest rates that may have been recouped through hedging transactions if the investment had been fully hedged. With any hedging transaction there exists a risk that any counterparty to a hedging transaction will not perform as expected. There may also be complications in the enforcement of hedging transactions in the event of partial or total dissolution of a currency block such as the Euro, the imposition of currency controls, or similar currency market disruption to a hedged currency, and litigation between Clients and the hedging counterparty may result from such complications. Such a disruption to the currency markets may also cause Clients to be unable to implement hedging transactions in the affected markets for an indefinite period of time.

The successful utilization of hedging and risk management strategies requires different skills than used in selecting and monitoring investments and such transactions may entail greater than ordinary investment risks. Additionally, costs related to derivatives and other hedging arrangements (including legal expenses) will be borne by the relevant Clients. There can be no assurance that any derivatives and other hedging transactions will be effective in mitigating risk in all market conditions or against all types of risk, thereby resulting in losses to a Client. Engaging in derivatives and other hedging transactions may result in a poorer overall performance for a Client than if it had not engaged in any such transaction. Hudson and may not be able to effectively hedge against, or choose not to hedge or mitigate, certain risks that may adversely affect a Client's investment portfolio. In addition, a Client's investment portfolio will always be exposed to certain risks that cannot be fully or effectively hedged, such as credit risk relating both to particular securities and counterparties as well as interest rate and foreign exchange risks. Each Client will utilize derivatives and other hedging transactions only as determined by its general partner in its sole discretion, but is under no obligation to do so.

17. *Methods of Analysis* Hudson seeks to perform reasonable and proper underwriting/due diligence and analysis on each prospective investment, in an effort to identify, based on relevant facts and circumstances, investment opportunities and possible risks related to those opportunities. Underwriting / due diligence and analysis may entail evaluation of important and complex business, financial, tax, accounting, environmental, social, governance, compliance, and legal issues. In conducting underwriting / due diligence and analysis services, Hudson utilizes available resources, including information disclosed by the investment counterparty, and possibly other third parties involved in a potential investment transaction. Representations made by a counterparty could be inaccurate, and third-party investigations may not uncover risks. The due diligence investigation that Hudson carries out with respect to any investment opportunity may not reveal or highlight all relevant facts. The methods of analysis that Hudson employs to determine whether to recommend a particular investment may be subjective and cause Clients to lose money over short or long periods. As a result, as well as due to other risks inherent in investments generally, there can be no assurance that Hudson's recommendations will satisfy the investment objectives of any particular Client or that any Client will be able to carry out its investment strategy successfully.

The due diligence and analysis services performed by Hudson may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available at the time of an investment decision may be limited, and Hudson may not have access to detailed information regarding the investment opportunity, such as physical characteristics, structural or environmental matters, zoning regulations, or other local conditions affecting an investment. With respect to real estate-related investments, Hudson may not be able to undertake all appropriate inquiries into the previous ownership and uses of a property consistent with typical commercial or customary practice. Therefore, no assurance can be given that Hudson will have knowledge of all circumstances that may

adversely affect an investment. In addition, Hudson may rely upon independent consultants or other third parties in connection with its evaluation of proposed investments; however, no assurance can be given that such parties will accurately evaluate such investments, and Clients may incur liability as a result of their actions.

For certain investments, outside consultants, legal advisors, accounting firms, investment banks and other third parties may be involved in the underwriting/due diligence and analysis process to varying degrees depending on the type of investment, the costs of which will be borne by the applicable Client. Such involvement of third-party advisors or consultants may present a number of risks primarily relating to Hudson's reduced control of the functions that are outsourced. In addition, if Hudson, Lone Star, and/or their affiliates are unable to timely engage third-party providers, their ability to evaluate and acquire more complex targets could be adversely affected.

18. *Asset Management and Exit Strategies.* Hudson seeks to perform reasonable and proper asset management including exit strategies for each investment in accordance with its business plan. Due to risks inherent in investments generally, there can be no assurance that Hudson's asset management and exit strategies will satisfy the investment objectives of any particular Client or that any Client will be able to carry out its investment strategy successfully. The SFR Fund or other Client may be forced to liquidate assets on terms less favorable than anticipated and the proceeds from these investments and the remaining investments may be materially and adversely affected.
19. *Single Family Residential Mortgage-Backed Securities.* The material risks related to evaluating mortgage-backed securities and CDOs backed primarily by mortgage-backed securities, using a credit-based model, include: (1) changes affecting the model inputs used to project performance (such as prepayment speeds, delinquency rates, loss severities and interest rate assumptions); and (2) the potential for new variables (such as foreclosure moratoriums, new governmental programs, and legislative or regulatory changes) to impact actual performance. To address these risks, regular model validation tests are performed and the models are adjusted to account for changes in the market, including credit trends, servicing trends and legislative and regulatory developments. Other material risks related to evaluating mortgage-backed securities and CDOs include events that either diminish the total recovery amount on the underlying asset or significantly extend the timing of collection of such recovery amount from the sale of the underlying property. To assess these risks, multi-scenario valuations are performed (including stress-case valuations) in an attempt to determine potential downside risks of the investment. These securities also carry the risk of document ambiguities, errors or omissions. Additionally, investments in CDOs include the risk of potential conflicts of interest among the holders of various classes of notes of the CDO. To help mitigate these risks, internal counsel and, when appropriate, external counsel are engaged to review associated documents and evaluate these potential risks.
20. *Corporate Equity and Debt.* The material risks related to evaluating corporate equity and debt include: (1) changes affecting the model inputs used in the discounted cash flow method and the multiple methods (i.e. price to earnings, price-to-book, EBITDA, etc.); and (2) the potential for new variables to significantly impact the ability to realize a profit on the investment. To assess these risks, sensitivity analyses are run on a range of financial variables to evaluate the effects on returns, amongst others.
21. *Whole Loans.* The material risks related to evaluating loans include: (1) changes affecting the model inputs used to project loan performance; and (2) the potential for new variables to significantly impact the likelihood of loan repayment. To address these risks, periodic model validation tests are performed and the models are adjusted to account for changes in the market, including housing trends. Multi- scenario valuations are performed in an attempt to assess downside risk. Non-performing residential mortgage loans also have increased risk of litigation in connection with the foreclosure process. To help mitigate this risk, third-party due diligence vendors may be engaged to review a sample of loans.

22. *Commercial Real Estate Assets.* The material risks related to evaluating CMBS, commercial real estate loans and properties include: (1) changes affecting the model inputs used in the valuations; and (2) the potential for new variables to significantly impact the ability to realize a profit on the investment. To assess these risks, on-going surveillance of the market is used to adjust the model for a particular investment, and multi- scenario valuations are performed in an attempt to assess downside risk. Commercial real estate loans and CMBS also have increased risk of litigation in connection with the foreclosure process. To help mitigate this risk, third- party due diligence vendors may be engaged to review a sample of loans.
23. *Interest Rate Risks.* Changes in prevailing interest rates could negatively affect the value of Client investments and the operations of the SFR Fund and Lone Star Funds. Market interest rates are beyond Hudson's control, and they can fluctuate in response to general economic conditions and the policies of various governmental and regulatory agencies. Changes in monetary policy, including changes in interest rates, will influence market rates, financings and prices for purchases of loans. Rising or falling interest rate environments also entice customers to refinance. The SFR Fund and Lone Star Funds are expected to regularly seek to implement financing and refinance existing debt, and significant declines in pricing of debt securities or increases in interest rates, or other disruptions in the credit markets, would make it difficult to carry on normal financing activities, such as obtaining committed debt financing for acquisitions, bridge financings or permanent financings. Tightening of loan underwriting standards, which often occur during market disruptions, can have a negative impact including through reduction of permitted leverage levels and increased requirements for borrower quality. The SFR Fund's and the Lone Star Funds' ability to generate attractive investment returns will be adversely affected by any worsening of financing terms and availability.
24. *Litigation Risks.* In the course of doing business, Hudson, Lone Star, the SFR Fund, the SFR Fund General Partner, the Lone Star Funds, the LS General Partners, the principals of the Lone Star Funds, related parties, and their respective employees, officers and directors are, and may in the future become, a party to litigation, investigations, inquiries, disputes, or other potential claims material or otherwise and negative publicity related thereto. Such matters may arise as a result of investments, pursuits, vendor relationships, employee-related matters or otherwise. Responding to such matters may be expensive and time-consuming and may have material adverse effects on the respective business of each such entity and may continue without resolution for long periods of time. Any such matters may consume substantial amounts of time and resources and the time and resources deployed may be disproportionate to the amount at stake. Under the relevant Governing Documents, the SFR Fund and the Lone Star Funds will generally be responsible for indemnifying the relevant general partners and related parties and their respective employees, officers and directors for the costs they may incur with respect to such activities and related matters not covered by insurance.
25. *Pandemic Risks.* Disease outbreaks that affect local economies or the global economy may materially and adversely impact our business. For example, the global outbreak of COVID-19, together with resulting voluntary and U.S. federal and state and non-U.S. governmental actions, including, without limitation, mandatory business closures, office closures, public gathering limitations, and restrictions on travel and quarantines, have meaningfully disrupted the global economy and markets. Although the long-term economic fallout of COVID-19 is difficult to predict, it has and is expected to continue to have ongoing material adverse effects across many, if not all, aspects of the regional, national, and global economy. The impact of these events on the investment environment increases uncertainty for Clients and their investments. Furthermore, the ability of Hudson and Lone Star to operate effectively, including the ability of their respective personnel or service providers and other contractors to function, communicate and travel has been impaired and could be materially disrupted in the future. As a result, their ability to carry out their Clients' investment strategies and objectives and their respective businesses and to satisfy their respective obligations to Clients and their investors pursuant to applicable law, has been, and may continue to be, impaired. The COVID-19 pandemic could have a material adverse effect on Hudson and Lone Star's provision of services to Clients, and may ultimately cause a partial or complete loss of capital attributable

to one or more investments in a Client.

In response to COVID-19, governments, judicial systems, regulators and non-governmental organizations around the world have introduced and are actively considering a broad range of actions designed to reduce the infection rate of COVID-19 and reduce the associated economic impact. It is difficult to predict the impact that these actions might have on the economy going forward. In addition, as part of quarantine, social distancing and other measures designed to limit and manage the spread of COVID-19, many governments closed or significantly reduced the operations of governmental agencies, regulators and courts. It is currently unknown how long such closures will last in certain countries and whether, once lifted, further closures may be necessary in the future. Such closures may materially affect the ability or speed with which Hudson is able to take actions to enforce contractual claims, pursue bankruptcy or other proceedings against third parties and otherwise take steps designed to preserve and protect investments of the Funds. The effect of government measures designed to respond to the COVID-19 pandemic are not certain and may result in a range of market and economic effects, including reduced confidence in the integrity of contractual obligations, acute liquidity constraints, including associated contagion risks, financial system instability and acute crises within the financial and banking system.

26. *Environmental, Social and Governance Matters.* Environmental, social, and governance (“ESG”) risk factors are part of many considerations that Hudson takes into account when providing investment advisory and/or asset management services to certain Clients for certain assets and/or investments, and other considerations can be expected in certain circumstances to outweigh ESG risk considerations. ESG practices differ by region. Successful engagement efforts on the part of Hudson will depend on Hudson’s skill in properly identifying and analyzing material ESG and other factors. In addition, there is no assurance that any ESG policies and practices of Hudson will be successful or create a positive ESG impact. Certain investments may exhibit characteristics that are inconsistent with ESG principles. The metrics used to evaluate progress or achievement of a standard, objective, or a goal may be in development or subject to certain assumptions or change and may be beyond the control of Hudson. In addition, the reliability of ESG metrics and ESG policies and practices are qualitative and subjective by nature, and there is no guarantee that any criteria utilized or judgment exercised by Hudson will reflect the beliefs, values, policies, practices, or objectives of any one particular investor or that the ESG factors described herein will be applicable to each investment.

While Hudson primarily uses its own due diligence to identify ESG risks relevant to a potential investment, Hudson may also use third party ESG data when considering as part of a Client’s investment process ESG risks and their potential impact on the Client’s returns. Third party ESG data may be difficult to obtain and/or incomplete, estimated, out of date or otherwise inaccurate. In particular, data may be more readily available and/or reliable in certain countries, markets and/or industries where the Fund invests, making direct comparison of the ESG risks relevant to different investments difficult. In addition, Hudson’s own due diligence relies on the availability and accuracy of various sources, such as company disclosures and other third party information, or subjective judgments, which may include forward looking statements of intent and are not necessarily fact-based or objectively measurable. Each of the foregoing means that an ESG risk relevant to a particular investment may not be identified prior to the investment being made and losses may be suffered as a result.

27. *Other Risks.* Set forth below is a non-exhaustive list of additional risks applicable to one or more Clients (some of which may not apply to a particular Client):

- | | |
|-------------------------------------|-------------------------------------|
| • International Investing | • Use of SPVs |
| • Market Risks | • Currency Risks |
| • Taxation | • Tax Treatment of Profits Interest |
| • Risk of Environmental Liabilities | • Regulatory Risks |

- Employee Misconduct
- Risks Related to LIBOR

- Cyber Security, Identity Theft, Privacy Breaches, and Other Threats

Item 9: Disciplinary Information

Except as described below, Hudson does not have any legal, financial or other “disciplinary” event to report. As a registered investment adviser, Hudson is obligated to disclose any legal disciplinary event that would be material to a Client when evaluating Hudson’s advisory business or the integrity of its management.

Lone Star Fund IV (“LSF IV”) together with certain co-investors, purchased, through various non-U.S. entities, a controlling interest in Korea Exchange Bank (“KEB”), a South Korean commercial bank in 2003. Several persons affiliated with Lone Star were elected to the Board of Directors of KEB (together, the “Lone Star Directors”), including Paul Yoo, a senior officer of Lone Star’s subsidiary in Korea at the time, Lone Star Advisors Korea, L.L.C (“LSAK”). Shortly thereafter, KEB, with the unanimous authorization of its Board of Directors, rescued its failing credit card affiliate (“KEB Credit”), in order to avert the latter’s impending insolvency, by merging it into the bank.

In late 2006 and early 2007, the Korean Supreme Prosecutor’s Office (“SPO”) charged Paul Yoo, and, vicariously, KEB and its LSF IV-affiliated controlling shareholder with violations of the Korean Securities and Exchange Act in connection with KEB’s merger with KEB Credit, alleging essentially that Mr. Yoo and the other Lone Star Directors conspired to unlawfully drive down the share price of KEB Credit’s shares in advance of the merger, to enable KEB to merge with KEB Credit on more favorable terms. Ultimately (in late 2011 and early 2012), after several decisions and appeals, Paul Yoo and, vicariously, the LSF IV-affiliated controlling shareholder, were convicted of this charge. Paul Yoo was also found guilty of various other charges relating to (i) failure to appear before the Korean National Assembly, (ii) breach of fiduciary duty relating to manipulation of the reported rates of return for certain investments made in Korea by certain prior Lone Star Funds, and (iii) tax evasion relating to the transactions involved in clause (ii) above. Paul Yoo was sentenced to three years imprisonment and a fine of KRW 4.295 billion (approximately USD 3.6 million, which was suspended). The court also imposed a criminal fine of KRW 25 billion (approximately USD 21 million) on the LSF IV-affiliated controlling shareholder of KEB.

In addition, the SPO charged (i) Mr. H.C. Cheong, the President of Hudson Advisors Korea, Inc. (HAL’s affiliate in Korea at the time), with breach of fiduciary duty for manipulation of the reported rates of return for certain investments made in Korea by certain prior Lone Star Funds (similar to the charge above against Mr. Yoo), embezzlement and tax evasion, and (ii) an entity that was 50% owned by Lone Star Fund III (“LSF III”), vicariously for Mr. Cheong’s tax evasion charge. Although Mr. Cheong was acquitted on most of these charges, including the one for which the LSF III investment affiliate was vicariously charged, he has been convicted of certain of the breach of fiduciary duty charges and certain of the tax evasion charges.

On November 21, 2012, Lone Star initiated arbitration against the government of the Republic of Korea with the International Center for Settlement of Investment Disputes, claiming damages suffered as a result of the Korean government’s unlawful interference with Lone Star’s rights as the major shareholder of KEB and other Korean companies Lone Star acquired in the early 2000s. The claims arise out of the government’s failure to comply with its obligations under the investment treaty between Belgium and South Korea. On August 30, 2022, the arbitration tribunal issued its ruling, ordering the Republic of Korea to pay Lone Star \$216.5 million (plus interest until payment is made) on the basis that the South Korean regulators violated Korean and international law in relation to Lone Star’s multi-year effort to sell its controlling interest in KEB.

On September 12, 2022, without admitting or denying any wrongdoing, HAL and LSGA each consented to the entry of an order to cease and desist from committing or causing any violations and future violations of Sections 206(2) and 206(4) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), and Rules 206(4)-7

and 206(4)-8 thereunder. According to the SEC order, with respect to certain private equity funds, HAL and LSGA did not fully disclose the methodology used to calculate and charge HAL's ancillary and underwriting fees paid by such funds prior to 2018. The order also found that HAL and LSGA did not adopt and implement written compliance policies or procedures regarding the foregoing. HAL and LSGA agreed as part of the settlement to pay a civil monetary penalty of \$11.2 million. No disgorgement was paid as part of the resolution in light of the fact that HAL and LSGA identified the disclosure deficiency and the relevant funds were fully reimbursed prior to contact by the SEC in the relevant matter.

Item 10: Other Financial Industry Activities and Affiliations

A. CFTC

HAL is registered with the Commodity Futures Trading Commission (the "CFTC") as a commodity trading adviser and is a member of the National Futures Association (the "NFA").

B. Relying Advisers

Hudson Advisors L.P. is registered with the SEC in reliance on the investment adviser registration of HAM:

The filing adviser and the relying adviser share a common compliance program, including a Code of Ethics and other compliance policies and procedures.

C. Participating Affiliates

The below direct or indirect subsidiaries of HAL established outside of the North America assist HAL in rendering investment advice (the "Participating Affiliates"). As noted, certain Participating Affiliates are registered with regulatory authorities as required under local law. The Participating Affiliates and their employees are subject to HAL's oversight, its Code of Ethics and other compliance policies and procedures adopted pursuant to the requirements of the Advisers Act, as applicable (in addition to applicable local laws and regulations).

- Hudson Advisors Asia-Pacific, Limited
- Hudson Advisors Asia-Pacific, Limited (Singapore Branch)
- Hudson Assessoria Brazil Limitada
- Hudson Advisors Europe Designated Activity Company
- Hudson Advisors France S.a r.l.
- Hudson Advisors Germany GmbH
- Hudson Advisors (India) Private Limited
- Hudson Advisors Ireland Designated Activity Company
- Hudson Japan KK (registered as an investment adviser and investment manager with the Japan Financial Services Agency)
- Hudson Advisors Luxembourg S.a r.l.
- Hudson Advisors Netherlands B.V.
- Hudson Advisors Portugal, Unipessoal Lda
- Hudson Advisors (Shanghai) Co., Ltd.
- Hudson Advisors (Shanghai) Co., Ltd. (Beijing Branch)
- Hudson Advisors Spain, S.L.U.
- Hudson Advisors UK Limited (registered as a corporate finance advisory firm with the U.K. Financial Conduct Authority)

D. General Partners

As noted in Item 4 above, the SFR Fund General Partner is a related person of Hudson. The SFR Fund General Partner has, on behalf of the SFR Fund, granted to HAL the authority to provide advisory and other services to the SFR Fund.

E. Lone Star

As noted above, Hudson has been engaged to provide advisory, including asset management and underwriting, services and administrative and support or ancillary services to the Lone Star Funds. LSGA is registered with the CFTC as a commodity pool operator and is also a member of the NFA. LSGA and the following affiliates of LSGA that provide investment advice with respect to the Lone Star Funds are related persons of Hudson:

- Lone Star Americas Acquisitions, Inc.
- Acquisitions Lone Star Canada S.R.L.
- Lone Star Americas Acquisitions, LLC
- Lone Star Global Acquisitions, LLC
- Lone Star Asia-Pacific Acquisitions (Hong Kong) Limited (registered as an asset manager with the Hong Kong Securities and Futures Commission)
- Lone Star Asia-Pacific Acquisitions (Singapore) Pte. Ltd. (licensed for Fund management with the Monetary Authority of Singapore)
- Lone Star Europe Acquisitions Limited (registered as a corporate finance advisory firm with the U.K. Financial Conduct Authority)
- Lone Star France Acquisitions SARL
- Lone Star Germany Acquisitions GmbH
- Lone Star Japan Acquisitions Ltd. (registered as an investment adviser with the Kanto Financial Bureau, which operates under the authority of the Japan Financial Services Agency)
- Lone Star Spain Acquisitions S.L.U.
- Lone Star Asia Consulting Co., Ltd.

Please see Item 11 below for a discussion of certain conflicts of interest created by our relationship with Lone Star.

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

A. Code of Ethics

Hudson has adopted a Global Regulatory Compliance Manual that sets forth certain standards for its officers, employees, and other designated personnel (collectively “Designated Hudson Personnel”), including a Code of Ethics. The Code of Ethics, which is designed to comply with Rule 204A-1 under the Advisers Act, emphasizes Hudson’s fiduciary duty, including professional conduct, and personal trading procedures.

Under the Code of Ethics, Designated Hudson Personnel also are required to file certain periodic reports with the Chief Compliance Officer or his/her designee as required by Rule 204A-1 under the Advisers Act. These records will not be open to inspection by investors. Our management may from time to time implement additional internal policies or restrictions on trading by Designated Hudson Personnel and their immediate family and/or household, which are in addition to the requirements of our Code of Ethics.

Hudson will provide a copy of the Code of Ethics to any Client, prospective Client, or investor or prospective investor of a Client upon written request to the Chief Compliance Officer, Hudson Advisors L.P., 2711 N. Haskell Avenue, Suite 1800, Dallas, Texas 75204.

B. Participation or Interest in Client Transactions

None of Hudson's employees or its related persons invest in opportunities recommended to Clients, except for:

- Interests held directly by the SFR Fund General Partner in the SFR Fund;
- Investments in the Employee Investment Vehicles;
- Interests held directly by LS General Partners in the corresponding Lone Star Funds;
- Interests in the SFR Fund General Partner held by certain associated persons of Hudson;
- Interests held by related persons of Hudson in affiliates of the SFR Fund
- Limited partnership and other ownership interests in the LS General Partners held by certain associated persons of Lone Star and Hudson;
- Limited partnership interests in certain Lone Star Funds held by certain associated persons of Lone Star and Hudson; and
- Limited partnership interests in the SFR Fund held by related persons of Hudson.

HAL may engage in non-securities hedging transactions to help mitigate foreign currency risk on its compensation earned in currencies other than the U.S. dollar. HAL conducts these hedging transactions, in what are traditionally liquid currency markets, for HAL's own accounts. As a result of this hedging activity, HAL will likely, from time to time, hold the same or different positions than Clients in a given currency.

HAL or an affiliated entity may, from time to time and in limited circumstances, advance funds to a Lone Star Fund or the SFR Fund as necessary for the relevant Fund to pay its operating expenses and to satisfy margin calls or other financing needs. HAL does not make advances for investment purchases. Additionally, any such advances by HAL or an affiliated entity are not included in assets under management for purposes of calculating fees for asset management services.

HAL and its affiliates do not receive any interest with respect to such advances, but are generally entitled to seek reimbursement. The right of HAL and its affiliates to be repaid any outstanding advances will be senior in priority to investors' distribution rights from the applicable Fund. Such advances are at HAL's or its affiliates' sole discretion, and there can be no assurance that HAL or its affiliates will continue to provide such advances in the future. If HAL and its affiliates are unwilling or unable to make such advances to a Fund in the future, such Fund may be required to seek other sources of funds in order to meet its financing needs, and may be required to pay interest on such funds.

C. Principal Transactions

Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the Clients thereof, on the other hand. Very generally, if Hudson and/or its affiliates propose to purchase a security from, or sell a security to, a Client (a "Principal Transaction"), Hudson must disclose the material terms of the proposed transaction to the Client and obtain the Client's consent to the proposed transaction. In connection with Hudson's services for Clients, Hudson may engage in Principal Transactions. Hudson maintains certain policies and procedures to provide notice of the material terms to the Client(s), obtain consent, and document Principal Transactions.

D. Conflicts of Interest

Hudson has conflicts of interest, or conflicting loyalties, as a result of the numerous activities and relationships of Hudson, Lone Star, the SFR Fund General Partner, the LS General Partners, its Clients, and affiliates, partners, members, shareholders, officers, directors, and employees of the foregoing, some of which are described herein. Not

all potential, apparent and actual conflicts of interest are included herein and additional conflicts of interest could arise as a result of new activities, transactions, or relationships commenced in the future.

Hudson will take such actions as may be required by the Governing Documents of the applicable Clients to fully or partially mitigate potential conflicts.

1. Services Provided to Clients

As noted in Items 4 and 5 above, the general partner of each Lone Star Fund expects to engage Hudson or service providers owned by Hudson or its affiliates to provide advisory, including asset management and underwriting, services and administrative and support or ancillary services to the Lone Star Funds and affiliated entities as set forth in the relevant Governing Documents. While Lone Star does not have an ownership interest in Hudson or affiliated service providers and does not share in the fees they receive, conflicts may arise in determining whether Hudson or any affiliated service providers have performed their obligations to the Lone Star Funds and/or any SPV, and/or whether Hudson or any affiliated service provider (or any related parties) is entitled to be indemnified pursuant to the provisions contained in a Lone Star Fund's Governing Documents and any other agreement between such entities and a Fund. As Hudson is an affiliate of Lone Star, such fees will not be negotiated with third-parties. There can be no assurance that an unaffiliated third party would not charge a lesser rate to the applicable Lone Star Fund. In addition, while Lone Star may obtain certain data regarding third party rates for similar services, relevant comparisons may not be available for a variety of reasons, including as a result of lack of a substantial market of providers or users for such services, confidentiality reasons and the bespoke nature of such services. As a result, market comparisons may not (and often do not) result in precise comparable data for certain services.

Hudson will receive fees from each Lone Star Fund and the SFR Fund as set forth in the Governing Documents of the relevant Fund. By virtue of their or their associated entities' ownership interest in Hudson, certain of the senior management of Hudson or their associated entities will benefit from Hudson's relationship with and its receipt of fees from the Lone Star Funds and the SFR Fund. Such fees and relationship will enhance the value of Hudson, and the limited partners of the Lone Star Funds and the SFR Fund (other than those limited partners holding direct or indirect interests in Hudson) will not participate in any increase in the value of Hudson by virtue of their ownership of an interest in a Lone Star Fund.

Because of their interests in the LS General Partners (and in some cases, the Employee Investment Vehicles) of the Lone Star Funds, members of management of LSGA are incentivized to monitor the cost incurred and quality of services received by the Lone Star Funds, including from Hudson. LSGA and Hudson periodically review cost and efficiency metrics regarding the services provided by Hudson to Clients.

2. Employee Investment Vehicles

Hudson and/or Lone Star have established and are expected to continue to establish co-investment programs to allow Key Employees to indirectly co-invest in investments of the Lone Star Funds. To the extent Key Employees co-invest in investments of the Lone Star Funds, the amount of the employees' investment will reduce the Lone Star Fund's investment, as well as any excess interest that would otherwise be available for other co-investors. The terms of the corresponding Employee Investment Vehicles are disclosed in the Lone Star Fund's Governing Documents. Although the purpose of the employee co-investment program is to align the interests of the Key Employees with those of the Lone Star Funds, the program will also present conflicts of interest. For example, one or more of the Employee Investment Vehicles may be structured as an incentive program, and in connection therewith, Hudson, LSGA, or one or more of their affiliates may own interests in such vehicles and/or provide all of the funding related to the interests held by the Key Employees participating in such vehicles. Because Hudson, Lone Star, and/or the Key Employees participating in the Employee Investment Vehicles will typically decide whether to participate and the extent of the participation following the final closing of an Lone Star Fund (subject to the minimum required participation set forth in the relevant Lone Star Fund's offering documents), Hudson, LSGA, and the Key Employees

may, at the time such decisions are made, have information regarding potential investments and the projected profitability of current investments that may be more comprehensive than information known by the Lone Star Funds' investors at the time they made their investments. Key Employees may also be given or offered the opportunity to initiate or increase their participation in future investments during the investment period of an Lone Star Fund, and may, at such time, have information regarding potential investments that is more comprehensive than information known by the Lone Star Funds' investors at the time they made their investments; provided, however, ownership by the Employee Investment Vehicles in existing investments will not be subject to further adjustment. Prior to an Lone Star Fund's final closing and until commitments are received from the Employee Investment Vehicles, Hudson, LSGA, and/or one or more of their affiliates will initially fund the minimum co-investment amount. Following a Fund's final closing, Key Employees will be given the opportunity to participate through one or more Employee Investment Vehicle(s) in existing investments as well as future investments to be made by the Lone Star Fund. Participation in the Employee Investment Vehicles will be determined by Hudson and/or LSGA by investment, region, investment type, or otherwise in an effort to incentivize Key Employees and align their interests with the interests of the relevant Lone Star Fund. Hudson and/or LSGA (and not the individual Key Employees) will determine the aggregate co-investment percentage for investments by Employee Investment Vehicles based on the foregoing and will adjust the ownership of the Employee Investment Vehicles in the existing investments. Accordingly, the maximum contribution the Employee Investment Vehicles can make to an investment is immaterial in relation to the total investment made by the relevant Lone Star Fund. At the time that Hudson and/or LSGA determines the initial co-investment percentage, Hudson and/or LSGA will adjust the ownership of the Employee Investment Vehicles in the existing investments. Such adjustments will be made using the cost basis to the Lone Star Fund, which may be lower than the fair market value of the investments at the time the adjustments are made.

The Key Employees participating in the Employee Investment Vehicles may have an incentive to recommend the acquisition or disposition of assets based on their personal interests rather than the best interests of the Lone Star Fund. If Hudson and/or LSGA structure one or more Employee Investment Vehicles as an incentive program, the Key Employees participating in such Employee Investment Vehicles will not have their own assets at risk, which could exacerbate the likelihood that the recommendations they make entail a higher level of risk. In addition, Key Employees who are not participating in the incentive program and have their own assets at risk may not be financially able to meet capital calls. Financing or other funding arrangements may be made available to the Employee Investment Vehicle, the Key Employees, or their affiliates to fund all or a portion of a Key Employees' investment. The financing provided to Key Employees, the Employee Investment Vehicle or their affiliates on their behalf may be extensive, and to the extent such financing is recourse, may have a significant effect on the net worth of the Key Employees, and whether recourse or non-recourse may influence the Key Employees responsible for the provision of investment advice to recommend higher risk investments than they otherwise would. Financing may be provided by Hudson, LSGA, any of their affiliates, and/or a third party. Any such third party will not consider the interests of the Lone Star Funds when instituting default remedies, or when otherwise dealing with the Employee Investment Vehicles' or Key Employees' debt obligations. Such remedies (which could include foreclosing on the Employee Investment Vehicles' or Key Employees' interest or seizing the related distributions, among other things) could impact a Key Employee's alignment with the Lone Star Funds, which could negatively impact the Lone Star Funds. The interest held by any Employee Investment Vehicle, the Key Employee, and/or their affiliates may be transferred pursuant to or as a result of any enforcement of such pledge and/or security interest or pursuant to a transfer in lieu of enforcement. Hudson and LSGA have implemented policies and procedures that are designed to help mitigate these conflicts.

Also, consistent with an applicable Lone Star Fund's offering documents, an Lone Star Fund typically temporarily funds the entire cost of the acquisition of investments, subject to the relevant Employee Investment Vehicle's obligation to reimburse the Lone Star Fund, including Unconsummated Transaction Expenses. Amounts temporarily funded by a Lone Star Fund accrue interest that is paid to the Lone Star Fund, together with the reimbursement of capital. The Employee Investment Vehicle shares in the risks and benefits of any hedging and financing transactions that occur prior to reimbursement of the Lone Star Fund, although the Lone Star Fund is directly exposed to the Key Employees' share of these risks, as well as investment-related risks, prior to reimbursement. The Employee Investment Vehicles are not responsible for any portion of the management fees

payable to LSGA and other general Lone Star Fund costs (including accounting and audit costs).

3. Investment Opportunity Allocations

Hudson provides and will continue to provide various services to the Lone Star Funds advised by Lone Star, a related party of Hudson. Certain of the Lone Star Funds have an investment scope that overlaps with the SFR Fund and such Lone Star Funds may pursue investment opportunities that are the same or similar to investment opportunities targeted by the SFR Fund. Hudson has no control over what opportunities are pursued by the Lone Star Funds. Further, Hudson and the SFR Fund General Partner are expected to refrain from pursuing investment opportunities for the SFR Fund that in their belief would compete with a Lone Star Fund.

To the extent that certain other investment Funds, managed accounts and/or similar arrangements sponsored by Hudson have investment objectives or guidelines that overlap with those of the SFR Fund, in whole or in part, investment opportunities that fall within such common objective or guidelines will be generally be allocated among the SFR Fund and such other accounts or arrangements on a basis that Hudson determines in its discretion to be fair and reasonable over time.

4. Expense Allocations

Hudson and its affiliates, including Hudson Homes Management LLC and/or its subsidiaries (together, “Hudson Homes”), a subsidiary of HAL that provides property management and related services for U.S. residential assets held by certain of Hudson’s clients, may from time to time incur expenses on behalf of the SFR Fund, other Clients (including the Lone Star Funds) or its and their affiliates. Although the Hudson will attempt to allocate such expenses on a basis that it considers equitable, there can be no assurance that such expenses will in all cases be allocated appropriately. Hudson, in conjunction with its Clients, allocates such expenses in good faith and consistent with its Clients’ policies. Hudson has implemented policies and procedures designed to ensure that expense allocations are equitable and consistent with the requirements of the applicable Governing Documents. Certain expenses shared by one or more Clients may be initially paid by a single Client, which is reimbursed by other Clients for their appropriate share of the relevant expenses.

For certain Lone Star Fund structures with vehicles investing on a side-by-side basis, certain expenses of an investment transaction may be paid by one Lone Star Fund vehicle and subject to reimbursement by the other Lone Star Fund vehicle(s). In such circumstances, the Lone Star Fund vehicle that has paid these expenses bears the risk that the other Lone Star Fund vehicle(s) will not have sufficient capital to reimburse the expenses in a timely fashion, or at all.

Employee Investment Vehicles invest on a side-by-side basis with the applicable Lone Star Fund pursuant to co-investment agreements. The expenses of an investment transaction may be paid by a Lone Star Fund or a fund vehicle and subject to reimbursement from any associated Employee Investment Vehicle. The Lone Star Fund or fund vehicle that has paid these expenses bears the risk that the Employee Investment Vehicle will not have sufficient capital to reimburse the expenses in a timely fashion, or at all.

5. Allocation of Unconsummated Transaction Expenses

Clients, including the Lone Star Funds and the SFR Fund, will also pay or reimburse Lone Star, Hudson, their general partners, and their affiliates, as applicable, for all expenses incurred in pursuit of an investment that upon initial review appeared to meet a Client’s investment guidelines and that the Client undertook efforts in furtherance of investing in, but which did not become an investment of the Client (“Unconsummated Transaction Expenses”). Examples of Unconsummated Transaction Expenses related to the Lone Star Funds include, but are not limited to, commitment fees that become payable in connection with a proposed investment that is not ultimately made; legal, tax, accounting, financing, advisory, and consulting fees and expenses; travel, accommodation and related

expenses; transaction fees; brokerage commissions; litigation expenses; printing expenses; any liquidated damages; reverse termination fees and similar payments. Examples of Unconsummated Transaction Expenses related to the SFR Fund include, but are not limited to, expenses in connection with the identification of investment opportunities and the investigation of other potential investments that are ultimately not consummated, including expenses relating to due diligence, travel and legal, accounting and other professional services as well as the fees of other third-party advisers. As with our other allocation decisions, our allocation procedures and principles are designed to help mitigate the risk that financial incentives implicitly influence the allocation of Unconsummated Transaction Expenses.

6. Rates of Third-Party Advisors and Other Conflicts Relating to Service Providers

As described above, Clients will retain or pay for advisers and service providers, including accountants, administrators, lenders, bankers, brokers, attorneys, sourcing persons and consultants. Some of these advisers and service providers also provide services to or have other relationships with Hudson and/or LSGA. While Hudson will generally seek to engage advisers and service providers on behalf of Clients on the basis of the quality of the advice and other services provided, these relationships may influence Hudson's decision to select or recommend an adviser or service provider to perform services for Clients (the cost of which will generally be borne directly or indirectly by Clients).

Hudson, Lone Star, their personnel, the Lone Star Funds and the SFR Fund will from time to time engage common service providers. In certain circumstances, advisers and other service providers may charge rates or establish other terms for advice and services provided to Hudson, LSGA, , their personnel, or any of their respective affiliates that are different from and more favorable than those charged in respect of advice and services provided to the Lone Star Funds or the SFR Fund. Moreover, whereas Hudson often negotiates on a matter-specific basis the rates or amounts payable for such services, the Clients from time to time pay higher rates or amounts than Hudson would for such services.

This creates a conflict of interest between Hudson and its personnel and affiliates, on the one hand, and the Lone Star Funds and/or the SFR Fund, on the other hand, in determining whether to engage such service providers, including the possibility that Hudson will favor the engagement or continued engagement of such persons if it, or its personnel, receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by the Lone Star Funds and/or the SFR Fund. Neither the Funds nor investors in the Funds will receive the benefit of any such favorable rate or discount provided to Hudson, its personnel or its affiliates, and the management fee paid by the SFR Fund will not be reduced in connection with such favorable rate or discount.

Additionally, employees of Hudson or its affiliates, and/or their family members or relatives may have ownership, employment, or other economic or other interests in certain service providers. These relationships can influence Hudson in determining whether to select, or recommend such service provider to perform services for a Fund. Although Hudson selects service providers that it believes will enhance the performance of the relevant Fund(s), there is a possibility that Hudson, because of financial, business interest, or other reasons, may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person.

Hudson or its affiliates engage certain service providers (including law firms) on behalf of the Lone Star Funds and/or the SFR Fund and personnel of such service provider have in the past and may in the future be seconded to Hudson or its affiliates on a temporary basis, pursuant to various arrangements including at cost or at no cost. Hudson is, from time to time, a beneficiary of these arrangements as well. Such personnel may provide services in respect of multiple matters, including in respect of matters related to Hudson and its affiliates and in any such circumstance the benefits or costs of any such personnel will be allocated in Hudson's discretion taking into consideration the usage of such personnel. In such circumstances, a conflict of interest exists because Hudson or its affiliates have an incentive to select one service provider over another on the basis that Hudson or its affiliates may

receive the benefit of seconded employees from such service provider, particularly where the compensation and expenses for such personnel during the secondment is borne by the service provider and not Hudson or its affiliates.

Hudson and the Lone Star Funds and SFR Fund will generally engage common legal counsel and other service providers in a particular transaction, including a transaction in which there may be conflicts of interest. Members of the law firms engaged to represent a Fund may be an investor in the Fund, and may also represent investors in a Fund. In the event of a significant dispute or divergence of interest between an Lone Star Fund, the SFR Fund, Hudson and/or its affiliates, the parties may engage separate counsel in the sole discretion of Hudson and its affiliates, and in litigation and other circumstances separate representation may be required.

7. Transactions with Investors

The Funds or SPVs occasionally enter into transactions with investors or potential investors in the Funds. For example, a Fund investor may be permitted to bid on an asset being sold by a Fund. Such transactions create potential conflicts of interest for Hudson, which may be motivated to confer a benefit on an investor in order to encourage investment in future Funds or gain support on matters requiring investor approval. Hudson has implemented policies and procedures designed to ensure that any such transactions are in the best interests of the applicable Funds and are carried out on an arm's-length basis.

8. Possession of Material Non-Public Information

Hudson periodically comes into possession of material, nonpublic information with respect to investment targets and other public companies in connection with advising Clients. Hudson maintains policies and procedures designed to protect such information in accordance with applicable regulations, including maintenance of internal watch and restricted lists. Hudson also maintains policies and procedures designed to ensure the confidentiality of Client information generally. However, Hudson generally does not maintain formal "information barriers" between different groups. Further, Hudson and Lone Star generally do not maintain formal information barriers between their operations. As a result, possession of material, nonpublic information by Hudson will often limit the ability of a Lone Star Fund to buy or sell the applicable company's securities even if such information was not obtained on behalf of the Lone Star Fund.

9. Valuation

The Lone Star Funds' investments are anticipated to include numerous illiquid, subordinate, non-traded, or lightly traded investments held in a variety of countries for which market values are not readily available and fair values may be difficult to estimate and rely heavily on management judgement and estimates of unobservable inputs.

The fair value of all investments or of any asset received in exchange for any investment will ultimately be determined by Lone Star's Fair Value Committee, in conjunction with and using information provided by Hudson. It may be the case that the carrying value of an investment may not reflect the price at which the investment is ultimately sold in the market, and the difference between carrying value and the ultimate sales price could be material. The valuation methodologies used to value any investment will involve subjective judgments and projections and may not be accurate. Valuation methodologies will also involve assumptions and opinions about future events, which may or may not turn out to be correct. Ultimate realization of the value of an asset depends to a great extent on economic, market and other conditions beyond Hudson or its affiliates' control. There will be no retroactive adjustment in the valuation of any investment or the profits interest or management fees paid to LSGA or its affiliates to the extent any valuation proves to not accurately reflect the realizable value of an asset in a Lone Star Fund.

There may be circumstances where Hudson or LSGA is incentivized to determine valuations that are higher than the actual fair value of investments in the Lone Star Fund's accounting records or on investor reports in order to

improve the performance presented to the Lone Star Funds' partners or prospective investors, or to minimize write-downs impacting allocations of the LS General Partner's profits interest and LSGA's management fee payments. Although Hudson has supported Lone Star in implementing valuation policies and procedures designed to mitigate these risks, there can be no assurances such valuations, or their underlying assumptions, will prove to be accurate. The valuation of investments will in certain circumstances affect the amount and timing of a LS General Partner's profits interest or the amount of compensation paid to Hudson for asset management. Similarly, the valuation of investments of a Lone Star Fund may affect the ability of Lone Star to form and attract capital to its Funds and investment vehicles. As a result, the valuation of investments of the Funds, which generally remains in the sole discretion of LSGA, as supported by Hudson, involves conflicts.

The fair value of all investments held by the SFR Fund will be determined by Hudson and the SFR Fund valuation committee on behalf of the SFR Fund General Partner in accordance with the SFR Fund's valuation policy and the Governing Documents. Accordingly, the carrying value of an investment may not reflect the price at which the investment could be sold in the market, and the difference between carrying value and the ultimate sales price could be material. The valuation of investments will affect the amount and timing of the SFR Fund General Partner's incentive allocation and the amount of the SFR Fund Asset Management Fees received by Hudson. The valuation of investments may also affect the ability of the Asset Manager to raise future Funds. As a result, there may be circumstances where the SFR Fund General Partner is incentivized to determine valuations that may be higher than the actual fair value of the investments.

The SFR Fund may rely on valuations it receives from third parties in determining the price paid for such asset or the value of such asset. Such valuations may turn out to be inaccurate and therefore affect the SFR Fund's returns with respect to such assets. There can be no certainty that the price paid for an asset by the SFR Fund will be equal to or less than the determined fair value, and as such, this may have an impact on the fair value as it is calculated and may have an impact on the performance reported to investors with respect to individual assets and the SFR Fund's entire portfolio. The valuation methodologies used to value any investment will involve subjective judgments and projections and may not be accurate. Valuation methodologies will also involve assumptions and opinions about future events, which may or may not turn out to be correct. For example, the SFR Fund General Partner, Hudson and their affiliates could believe that capitalization rates will be lower upon sale of an asset than they ultimately are, or that interest rates will decline during the hold period of an investment thereby creating attractive value even though rates do not decline. Valuation methodologies may permit reliance on a prior period valuation of particular assets. Ultimate realization of the value of an asset depends to a great extent on economic, market and other conditions beyond the SFR Fund General Partner's, Hudson's or their affiliates' control.

10. Incentive Allocation; SFR Fund Asset Management Fee

The SFR Fund General Partner is entitled to receive an incentive allocation with respect to each limited partner for each pre-defined period, so long as such limited partner has recovered any losses from prior periods that have not been previously recouped and earned a return in excess of a pre-defined hurdle amount per annum during such pre-defined period on its aggregate capital contributions. Nonetheless, in certain circumstances, the SFR Fund General Partner may be entitled to receive an incentive allocation with respect to a limited partner even if such limited partner has not received a return, over the life of its investment in the SFR Fund, sufficient to exceed a pre-defined hurdle amount per annum on its aggregate capital contributions. The existence of the SFR Fund General Partner's incentive allocation and the SFR Fund Asset Management Fee payable to Hudson, in each case, based on the SFR Fund's Net Asset Value may create an incentive for the SFR Fund General Partner to make riskier or more speculative investments on behalf of the SFR Fund than it would otherwise make. The SFR Fund General Partner may also be motivated to accelerate acquisitions in order to increase Net Asset Value or, similarly, delay or curtail redemptions to maintain a higher Net Asset Value, which would in each case, increase the SFR Fund Asset Management Fee distribution payable to Hudson. The SFR Fund General Partner may receive an incentive allocation in respect of unrealized appreciation of the SFR Fund's assets, and the SFR Fund Asset Management Fee payable to Hudson will take into account the unrealized value of the SFR Fund's assets and any cash and cash equivalents.

11. Personnel-Related Conflicts

Hudson, Lone Star, and affiliates from time to time hire short-term or long-term personnel (or interns) who are relatives of or are otherwise associated with an investor, operating company, service provider, or other Lone Star or Hudson personnel. Although reasonable efforts are made to mitigate any potential conflicts of interest with respect to each particular situation, there is no guarantee that Hudson will mitigate all such potential conflicts of interest, and there may continue to be an ongoing appearance of a conflict of interest.

Certain of Hudson's and Lone Star's existing and former employees have in the past and may in the future transition, fully or partially, to new roles with Hudson, Lone Star, operating companies or investments / investment platforms owned by Lone Star Funds or with affiliated service providers. Such personnel moves are typically made to account for changes in job roles, changing resource / expertise requirements at Hudson, Lone Star or the applicable entity, or licensing / regulatory or other compliance reasons. For continuity and other reasons, Hudson and Lone Star manage personnel transitions, in some cases, by entering into secondment arrangements between Hudson, Lone Star, and/or the applicable entity. The above-referenced personnel transitions will impact, directly or indirectly, fees borne by the SFR Fund (*e.g.*, Hudson personnel moving to Lone Star or the applicable entity) and, while Hudson and Lone Star have put in place certain controls relating to such transitions, including review by Hudson compliance to ensure that applicable personnel are serving in roles that are distinguishable from their former role(s) and otherwise consistent with the nature of the services provided by Hudson, Lone Star, the operating company, or affiliated service providers, there is no assurance that the potential conflicts associated with such moves will be fully mitigated..

12. Outside Activities of Personnel and their Related Parties.

Senior employees of Lone Star or Hudson may be subject to a variety of conflicts of interest relating to their responsibilities to Clients' (including the Lone Star Funds and the SFR Fund) respective investments, and their outside business activities as members of investment or advisory committees or boards of directors or advisors to investment funds, corporations, foundations or other organizations (including certain private and/or public companies in which a Client has an interest) with or without compensation. In addition, any such person who so serves will devote a portion of their time in the future to their duties associated with such positions. Employees may be also investors in certain other investments and have the right to make certain investments for their own benefit. Also, subject to the relevant Governing Documents of the Lone Star Funds or the SFR Fund and Hudson's policies and procedures, Hudson personnel may be permitted to invest in alternative investment funds, real estate funds, hedge funds and other investment vehicles, as well as securities of other companies, some of which may be competitors of one or more Clients. Clients will not receive any benefit from any such investments, and the financial incentives of Hudson personnel in such other investments could be greater than their financial incentives in relation to said Client.

Such positions create a conflict if such other entities have interests that are adverse to those of Clients, including if such other entities compete with Clients for investment opportunities or other resources. The Hudson personnel in question may have a greater financial interest in the performance of the other entities than the performance of a Client. This involvement may create conflicts of interest in making investments on behalf of Clients and such other Funds, accounts and other entities. Although Hudson will generally seek to minimize the impact of any such conflicts, there can be no assurance they will be resolved favorably for any Client.

Additionally, certain personnel and other professionals of Hudson have family members or relatives that are actively involved in industries and sectors in which the Clients invest or have business, personal, financial or other relationships with companies in such industries and sectors, which gives rise to potential or actual conflicts of interest. For example, such family members or relatives might be officers, directors, personnel or owners of companies or assets which are actual or potential investments of a Clients or other counterparties of Clients and

their investments. Moreover, in certain instances, Clients – including Lone Star Funds, the SFR Fund or their SPVs – may purchase or sell companies or assets from or to, or otherwise transact with, companies that are owned by such family members or relatives or in respect of which such family members or relatives have other involvement. To the extent Hudson and Lone Star determines appropriate, conflict mitigation strategies may be put in place with respect to a particular circumstance, such as recusal, disclosure or other steps determined appropriate by Hudson.

13. Providers of Operations Support

Hudson, Lone Star, their affiliates, the SFR Fund, and the Lone Star Funds and/or the Lone Star Funds' Portfolio Companies may from time to time, directly or indirectly, retain other companies and individuals including former employees of Lone Star, Hudson, their affiliates, employees of such affiliates, Portfolio Companies of the relevant Funds, third party consultants (including specialized consultants, advisers, industry specialists, external executives, industry advisory roundtable members, and similar professionals) ("Operating Partners").

The Operating Partners are engaged to provide operational support, due diligence, research, specialized operations and consulting services and similar or related services to the relevant Funds, or in connection with, one or more Portfolio Companies or prospective Portfolio Companies in relation to the diligence, structuring, valuation, acquisition, holding, improvement and disposition of such Portfolio Companies (such services collectively, "Operating Partner Services"). These services may include support regarding, among other things, the company's management (including serving in management positions or participating in determining corporate strategy), serving on a portfolio company board of directors, the company's supply chain, revenue and margin management (including determining sales/marketing strategy and retail strategy), data intelligence, finance (including generating metrics and reporting and business restructuring), human capital management (including recruiting personnel and determining executive/incentive compensation), information technology, corporate communications, customer service, sustainability (including, strategy, policy and reporting development), real estate matters and similar operational matters.

The nature of the relationship with each such Operating Partner and the time devotion requirements of each such Operating Partner may vary significantly. Certain Operating Partner may be subject to contractual obligations to exclusively provide certain services to the relevant Funds and/or the Portfolio Companies. These arrangements may be memorialized in a formal written agreement or may be informal and are negotiated individually, depending upon the anticipated Operating Partner Services to be provided. Operating Partners may under certain circumstances be offered the ability (or may under certain circumstances have a preferred right) to co-invest alongside the relevant Funds or may under certain circumstances be offered the opportunity directly by the Portfolio Company to invest in the company, including in investments in which such Operating Partner is involved or participates in the management thereof.

Pursuant to the Governing Documents of the relevant Funds, fees, compensation, expenses and any attributable overhead associated with Operating Partner Services (collectively, "Operations Expenses") are paid and/or reimbursed by Hudson, Lone Star, Portfolio Companies and/or the relevant Funds. Operations Expenses (including Operations Expenses incurred in connection with an Operating Partner that is an affiliate or employee of Lone Star or its affiliates) will be determined at the discretion of the general partner of the relevant Fund taking into account the particular Operating Partner Services, may include reimbursement of an allocable portion of an affiliated Operating Partner's compensation (including, without limitation, salary, bonus, payroll taxes and benefits) and overhead (including, without limitation, rent, property taxes and utilities allocable to the workspaces), an annual fee or retainer, a discretionary bonus, a success fee (in the form of cash or equity) based on pre-determined targets or milestones, a profits or equity interest in the relevant Fund and/or Portfolio Company or other incentive-based compensation to the Operating Partner, and will generally be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the Operating Partner, a percentage of the value of the Portfolio Company, the invested capital exposed to such Portfolio Company, amounts charged by other providers for comparable services and/or a percentage of cash flows

from such companies. The determination of whether a service is an Operations Support Service will be made by the general partner of the relevant Fund, in its good faith discretion. Operations Expenses will, from time to time also be incurred in respect of Portfolio Companies prior to the closing of the investment. To the extent services are provided for the benefit of the relevant Fund, without reference to a particular Portfolio Company, Operations Expenses incurred in connection with such services are borne by the relevant Fund and, indirectly, the investors in such Fund. Otherwise, Operations Expenses will be allocated by Lone Star or Hudson consistent with the Governing Documents of the applicable Fund. To the extent any such Operations Expenses are payable to any unaffiliated or disaffiliated Operating Partner, as determined by the general partner of the relevant Fund in its sole discretion, by the relevant Fund or a Portfolio Company, such Operations Expenses will be retained by such Operating Partner and will not offset the management fee payable by investors in the relevant Funds and will not benefit the Fund or its investors, even if the Operations Expenses paid by the relevant Fund or a Portfolio Company have the effect of reducing any retainers or minimum amounts otherwise payable by Lone Star or Hudson. In certain cases, Operations Support Providers have attributes of Hudson employees (for instance, they may have dedicated office space, receive Hudson administrative support services, participate in general meetings or events for Hudson personnel, have Hudson e-mail address or business cards), even though they are not employees, affiliates or personnel of Hudson. Lone Star and/or Hudson will be responsible for allocating Operations Expenses depending on the relevant Fund, including determining whether an Operations Expense is paid by a Portfolio Company, the relevant Fund, Hudson, or Lone Star. Over time, certain former employees of Hudson or Lone Star or (including senior personnel) may transition to an Operating Partner role, which may shift the burden of compensating such persons from Hudson or Lone Star or to the applicable Fund and/or its Portfolio Companies and any fees received by such persons will not reduce the management fee payable by investors in the relevant Fund.

14. Conflicts Related to Withholding of Certain Information

The Governing Documents of the SFR Fund and certain Lone Star Funds permit the SFR Fund General Partner or the relevant general partner of the Lone Star Fund, under certain circumstances, to withhold information from certain limited partners if the SFR Fund General Partner or the relevant general partner of the Lone Star Fund determine in good faith that the U.S. Freedom of Information Act or similar requirements may require the limited partner to disclose certain information related to the relevant Fund.

15. Conflicts Related to the Interpretation of Governing Documents and Other Legal Requirements

The Governing Documents of the SFR Fund and related documents are detailed agreements that establish complex arrangements among the limited partners, the SFR Fund, the SFR Fund General Partner and other entities and individuals. Questions arise under these agreements regarding the parties' rights and obligations in certain situations, some of which will not have been contemplated at the time of the agreements' drafting and execution. In these instances, the operative provisions of the agreements, if any, may be broad, general, ambiguous or conflicting, and may permit more than one reasonable interpretation. At times there will not be a provision directly applicable to the situation. While Hudson will construe the relevant agreements in good faith and in a manner consistent with Hudson's legal obligations (and, when appropriate, in consultation with external legal counsel), the interpretations Hudson adopts will not necessarily be, and need not be, the interpretations that are the most favorable to the SFR Fund or its investors.

16. Management of the SFR Fund

The ultimate success of the SFR Fund is dependent on the officers and employees of Hudson. Such persons will devote such time as Hudson, in its sole discretion, deems necessary to carry out the operations of the SFR Fund effectively. However, the officers and employees have an obligation to devote a significant amount of their time working on matters related to more than one Client. Hudson personnel may also work on other projects, serve on other committees and source potential investments for and otherwise assist the investment programs of other

investment vehicles and their investments. Time spent on these other initiatives diverts attention from the activities of the SFR Fund, which could negatively impact the SFR Fund and its limited partners. In addition, should any of the officers and employees become incapacitated or in some way cease to participate in the SFR Fund, its performance could be adversely affected. Furthermore, Hudson and certain Hudson personnel derive financial benefit from these other activities, including fees and performance-based compensation. These and other factors create conflicts of interest in the allocation of time by Hudson personnel. Subject to the Governing Documents of the SFR Fund, Hudson's determination of the amount of time necessary to conduct the SFR Fund's activities will be conclusive, and limited partners of the SFR Fund will rely on Hudson's judgment in this regard. Hudson may modify its investment process and procedures from time to time, and the investment committee and other committees with respect to the SFR Fund and identify new persons for such committees from time to time.

17. Positions with Portfolio Companies

Certain personnel of Hudson or its affiliates are from time to time temporarily seconded to or otherwise engaged by certain Portfolio Companies on either a full-time or a part-time basis to provide services to such Portfolio Companies. In such instances, the Portfolio Companies will reimburse such person's directors' fees, salaries, consultant fees, other cash compensation, stock options, other equity grants or other compensation and incentives and may reimburse Hudson or its affiliates for any travel costs or other out-of-pocket expenses incurred in connection with the provision of their services. Any compensation customarily paid directly by Hudson or its affiliates to such persons will typically be reduced to reflect amounts paid directly or indirectly by the Portfolio Company even though the fees paid to Hudson will not be reduced. All or a portion of any such compensation and incentives will be borne by the Lone Star Fund, directly or indirectly, via its ownership interest in such Portfolio Company. In certain instances, whether an individual who provides services to a Portfolio Company should be characterized as an industry specialist, an employee or former employee of Hudson, or a seconded employee may be unclear. In such cases, Hudson and Lone Star will make a determination in good faith based on its evaluation of the relevant facts and circumstances.

Employees of Hudson may from time to time serve as directors of, or observers on boards with respect to certain Portfolio Companies of Lone Star Funds, including in connection with a co-investment opportunity in the Lone Star Funds. While conflicts of interest may arise in the event that such employee's fiduciary duties as a director conflicts with those of the relevant Lone Star Fund, it is expected that the interests will be aligned. In addition, to the extent an employee serves as a director on the board of more than one Portfolio Company, such employees' fiduciary duties among the two Portfolio Companies may create a conflict of interest. In addition, employees of Hudson have in the past, and may in the future, on occasion leave the employment of Hudson or its affiliates and become an officer, director, or employee of a Portfolio Company or related entity. In such case, upon becoming an officer or employee of a Portfolio Company, any compensation or fees received by such former employee from the Portfolio Company will not offset the management fee to be paid by investors in the Lone Star Funds.

Decisions made by a director may subject Hudson, its affiliate or an Lone Star Fund to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director-related claims. In general, the Lone Star Funds and the SFR Fund will indemnify Hudson, its affiliates, and their partners, principals and employees from such claims. In addition, the employees of Hudson serving as directors may make decisions for a Portfolio Company that negatively impacts returns received by a Lone Star Fund investing in the Portfolio Company.

18. Side Letter Agreements

The SFR Fund General Partner has entered into side letters with certain limited partners in connection with their admission to the SFR Fund without the approval of any other limited partner, which has the effect of establishing rights (other than as set forth in the SFR Fund Governing Documents as a general matter) under or altering or supplementing the terms of the Governing Documents with respect to such limited partners in a manner that is generally more favorable to such limited partners than those applicable to other limited partners. In particular, the

SFR Fund General Partner may enter into side letters with respect to (i) additional or different reporting or notice obligations of the SFR Fund, (ii) transfers to affiliates and other parties, (iii) waivers of lock-up periods or other redemption rights under certain limited circumstances, (iv) consent rights to certain Governing Document amendments, (v) limits on indemnification obligations, (vi) special economic terms, (vii) commitments to monitor or restrict the amount of income and gain of the SFR Fund that is (A) subject to the tax on “unrelated business taxable income” within the meaning of U.S. Code Section 512 or (B) treated as income effectively connected to a U.S. trade or business or derived from the conduct of a commercial activity for U.S. federal income tax purposes or (viii) any other matters described therein. Such side letters may permit such limited partners to take actions on the basis of information not available to other limited partners that do not have the benefit of such agreements. Any rights or terms established in a side letter with a limited partner will govern solely with respect to such limited partner (and any of such limited partner’s assignees or transferees if so specified in the side letter) and will not require the approval of any other limited partner notwithstanding any other provision of the Governing Documents.

19. Other Benefits

Hudson, Lone Star, their affiliates and their personnel and related parties will receive intangible and other benefits, discounts and perquisites arising or resulting from their activities on behalf of the SFR Fund or Lone Star Funds, which will not offset or reduce management fees (including SFR Fund Management Fees) or otherwise be shared with the SFR Fund or the Lone Star Funds, their SPVs, or their investors. Further, Hudson may receive the same benefits on behalf of other Clients. For example, airline travel or hotel stays will result in “miles” or “points” or credit in loyalty or status programs, and such benefits will, whether or not de minimis or difficult to value, inure exclusively to the benefit of Hudson, Lone Star, their affiliates or their personnel or related parties receiving them, even though the cost of the underlying service is borne by the SFR Fund or an Lone Star Fund as partnership expenses or by its SPVs, or another Client. For certain Lone Star Funds, limited partners consent to the existence of these arrangements and benefits.

20. Insurance

The SFR Fund will purchase or bear premiums, fees, costs and expenses (including any expenses or fees of insurance brokers) with respect to General Partnership Liability insurance insuring the SFR Fund, as well as the SFR Fund General Partner and persons entitled to indemnification from the SFR Fund, against liability in connection with the activities of the SFR Fund. The General Partnership Liability insurance policies may cover one or more of the SFR Fund and the Lone Star Funds, Lone Star, the SFR Fund General Partner, Hudson, Hudson Homes and their affiliates (including their respective directors, officers, employees, agents and representatives, and persons entitled to indemnification) (collectively, the “Insured Parties”). The SFR Fund General Partner, in conjunction with Lone Star, will make judgments about the allocation of premiums, fees, costs and expenses for said policies among one or more of the Insured Parties on a fair and reasonable basis, in its discretion. Additionally, insurance coverage limits may be exhausted in paying claims that are unrelated to the SFR Fund and therefore insurance proceeds may not be available to pay claims related to the SFR Fund.

21. Provision of Services to Multiple Clients

Hudson is in the business of providing a variety of services to multiple Clients and, as a result, has existing and potential relationships with a significant number of sponsors, investment managers, operating partners and companies, including those that may be sources of potential investments for the SFR Fund, including Lone Star and the Lone Star Funds. Hudson also has relationships with numerous investors, including institutional investors and senior management. Hudson has continued to provide services to such Clients after the establishment of the SFR Fund. In providing services to such parties and the SFR Fund, Hudson may face conflicts of interest with respect to activities it recommends to, or performs for, such other parties, on the one hand, and the SFR Fund or its direct or indirect investors on the other hand. The existence and development of these relationships may influence whether or not Hudson or the SFR Fund General Partner undertakes a particular investment on behalf

of the SFR Fund and, if so, the form and level of such investment. Similarly, the SFR Fund General Partner and Hudson may take into consideration these relationships in the management of the SFR Fund. Accordingly, there may be certain investments or strategies involving the management or realization of particular investments that the SFR Fund General Partner or Hudson will not undertake on behalf of the SFR Fund in view of such relationships that could have been profitable for the SFR Fund.

As part of Hudson's compliance program, Hudson maintains policies and procedures designed to identify and manage these conflicts of interest. To the extent a conflict of interest arises with respect to Hudson's engagement to provide services to one or more Clients, Hudson will either (i) provide services with respect to the Client who initially requested such services, or (ii) to the extent Hudson determines that it can provide those services to each applicable Client consistent with its policies and procedures to each such Client, provide services to each such Client. Potential mitigation could include, among other things, obtaining waivers from Clients, establishing ethical walls between teams, or other mitigating steps.

Transactions executed on behalf of proprietary accounts, or Client accounts managed by Hudson will be executed independently of the SFR Fund's transactions, and thus at prices or rates that may be more or less favorable than those achieved by Hudson for comparable transactions of the SFR Fund. The results of the SFR Fund's investment activities may differ significantly from the results achieved by other accounts managed by Hudson.

22. Property Management and REO Servicing

Hudson provides services for U.S. residential REO assets held by certain of its Clients through Hudson Homes. Hudson Homes' services include property preservation, oversight of renovation and repair, leasing, property disposition and other related services. Hudson Homes is a subsidiary of HAL. Hudson Homes receives fees for REO servicing with respect to certain U.S. residential REO assets owned by the Lone Star Funds or affiliates thereof. The REO servicing fees are generally based on the unpaid principal balance of the loan at the time of foreclosure, plus certain incentive fees. The advisory committees of certain of the Lone Star Funds have approved certain limitations on the fees that Hudson Homes can charge the applicable Lone Star Funds on the unpaid principal balance of the loan at the time of foreclosure and on the incentive fees that Hudson Homes can charge the applicable Lone Star Funds.

Hudson Homes also provides services to the SFR Fund related to property management, leasing, lease management, acquisitions, marketing, and dispositions (the "Property Management Services") of SFR and other assets. In addition, Hudson Homes, directly and indirectly through affiliates and third-party vendors will provide services related to repairs, turns, maintenance, construction, modifications and property inspections ("RTM Services") for both acquired vacant and occupied SFR assets. Hudson Homes is also permitted to provide certain additional services that would otherwise be provided by third parties related to the investments of the SFR Fund, including, any property management, lending, construction, leasing development, design, operational, legal, financial, back-office, the provision of insurance, advisory and other services, and other similar operational matters, including brokerage services.

Northsight Management, LLC and Northsight Management Solutions, LLC (collectively, "Northsight"), indirect subsidiaries of Hudson Homes, provide property preservation, management, maintenance, renovation and repair, and related services ("SFR Property Services") to Clients, either directly or through Hudson Homes. The fees charged by Northsight for SFR Property Services are set forth in Client fee agreements. With respect to the Lone Star Funds, the fees are an arm's length fee based on the type of SFR Property Service being provided and the geographic location of the property. The advisory committees of certain of the Lone Star Funds have approved certain limitations on the fees that Northsight can charge the applicable Lone Star Funds for SFR Property Services.

Similarly, Hudson Homes will receive property management fees from the SFR Fund or affiliates. Property management fees will generally consist of a monthly management fee computed and payable monthly in arrears based on a percentage of the rent collected in a given month, acquisition fees, disposition fees, and other fees and

commissions for new and renewed leases. Hudson Homes will also charge fees for RTM Services provided to the Fund or SFR Fund SPVs equal to out-of-pocket costs plus a set margin, which will be subject to a pre-determined annual inflation increase. In addition, to the extent that Hudson Homes provides certain additional services that would otherwise be provided by third parties as described above, the fees charged by Hudson Homes must be either contemplated in the relevant asset management and/or property management agreements entered into between HAL (and/or its subsidiaries) and the SFR Fund (and/or its subsidiaries) or are on arm's length terms and at market-based rates.

By virtue of its ownership interest in Hudson Homes, Hudson, certain of its senior personnel, and their associated entities will benefit from Hudson Home's relationship with and its receipt of fees from Clients, including the Lone Star Funds and the SFR Fund. Such fees will enhance the value of Hudson, and the limited partners of the SFR Fund and the Lone Star Funds (other than those limited partners holding direct or indirect interests in Hudson) will not participate in any increase in the value of Hudson by virtue of their ownership of an interest in a Fund. Because Hudson is a related person of Hudson Homes, Hudson may have an incentive to increase the fees received by Hudson Homes from Clients, particularly as the property management and REO servicing fees received by Hudson Homes do not reduce or offset any other compensation payable to Hudson. Conflicts may also arise in determining whether Hudson Homes has performed its obligations to Clients. Hudson believes that these conflicts are mitigated through Hudson's continuing oversight, as well as (in certain circumstances) periodic benchmarking against fees charged by third-party service providers.

23. Cross Transactions

Generally, Hudson does not cause one Client to sell assets to another Client; however, these cross transactions may be effected in rare instances as set forth in the relevant Fund's Governing Documents. Such transactions involving the SFR Fund are subject to the approval of the SFR Fund's advisory committee and applicable law. Hudson considers such transactions because they may benefit the Clients involved, meeting the objectives of both Clients while potentially reducing certain transaction costs. Cross transactions also create conflicts of interest for Hudson, which may have incentives to give one Client the benefit of a non-market price or to dispose of underperforming assets, for example to increase fees earned or improve the performance of a preferred Client.

In order to address this conflict of interest, Hudson has implemented policies and procedures that address cross transactions, requiring that such transactions be on arms-length terms and that all Clients be treated fairly and equitably over time. Hudson and/or a third party (or Lone Star, with respect to the Lone Star Funds) would determine the fair value of the assets involved. In addition to an internal review process, material cross transactions are typically subject to review by applicable Clients (including any applicable advisory committee), in accordance with the applicable services agreements or offering documents.

24. Portfolio Company Services

In certain cases, an operating company owned by a Portfolio Company may be engaged to provide services to one or more other Clients, Hudson, or Lone Star. As an example, Portfolio Companies that provide loan servicing or property management have been engaged to provide services with respect to assets owned by Clients that do not own the Portfolio Companies. Such arrangements pose conflicts of interest similar to cross or principal transactions. In order to address this conflict of interest, Hudson has implemented policies and procedures that address Portfolio Company engagements, requiring that such arrangements be on arms-length terms and that all Clients be treated fairly and equitably. The offering documents of certain Lone Star Funds approve such arrangements provided these arrangements do not exceed certain dollar amounts and are on terms that are commensurate with those that would be negotiated on an arm's-length terms by third parties. Otherwise, such arrangements may be required to be approved by the advisory committee(s) of the relevant Lone Star Fund(s). In some cases, such arrangements are disclosed to prospective investors or Clients during the offering of a Lone Star Fund or advisory service.

Item 12: Brokerage Practices

A. Counterparty Selection

Hudson seeks to trade assets on behalf of its Clients in a manner that is fair and equitable to all Clients, and to exercise diligence and care throughout the transaction process. The majority of Client assets are not market-traded instruments and even in the limited circumstances where a Client invests in market-traded instruments, often these are unique assets that are only available from one or a limited number of counterparties (i.e., there is no meaningful market). The investment counterparty for Lone Star Funds is typically chosen as part of the investment committee's approval of the investment, and Hudson then assists in implementing the investment decision. For other Clients, this will be negotiated on a case by case basis. Therefore, the traditional best execution concepts that apply to market-traded instruments do not easily apply to the majority of the assets that Hudson trades on behalf of its Clients.

In those cases where Hudson selects broker-dealers or other counterparties for transactions in market-traded instruments on behalf of its Clients, Hudson will do so consistent with its duty of best execution. Hudson defines "best execution" as seeking to obtain the best terms for its Clients under the particular circumstances occurring at the time of a transaction and taking into account the overall objective for the investment to which the transaction relates. It is the policy of Hudson to seek to achieve the best qualitative execution under the circumstances. Best execution does not require Hudson to obtain the lowest possible price, commission or transaction cost. Transactions may involve specialized services or considerations (such as the type of assets the Client is seeking to purchase or sell, or the availability of financing opportunities to the applicable Client) that must be considered when selecting a counterparty, and thereby entail higher markups or commissions than would be the case with transactions that do not involve any specialized services or considerations. Furthermore, because Hudson's Clients typically invest in assets that may be purchased from only one or a small number of counterparties, Hudson may not be able to obtain terms that are as favorable as those that may be available in a market with more potential counterparties.

In seeking best execution, Hudson may consider the full range and quality of a counterparty's services, including, among other things, one or more of the following factors, as applicable:

- the counterparty's ability to present Hudson with a transaction that meets the investment objectives of the relevant Client for whom the transaction is executed, including a counterparty's ability to source unique assets that may be held by a limited number of entities or by a single entity;
- the best price possible under the particular circumstances of the transaction (for example, for a sale transaction, Hudson may determine that the best price may be obtained through a competitive auction process open to a number of counterparties or, alternatively, Hudson may determine that the best price may be achieved through price negotiations with a limited number of counterparties);
- the ability of the counterparty to provide financing on the assets purchased, including either bridge financing until permanent financing can be obtained or long-term financing at inception on terms which Hudson believes are in the best interests of the relevant Client (which considerations may include, amongst others, rate, term, recourse and asset management flexibility) (for a sale transaction, Hudson may take any breakage costs related to a financing and the willingness of a counterparty to waive such breakage costs into consideration);
- the counterparty's credit terms prior to requiring the posting of margin;
- the counterparty's ability to commit capital needed to execute the transaction;
- the ability and history of the counterparty to maintain confidentiality of a transaction (or prior transactions);
- the ability of the counterparty to execute quickly and the ability to commit capital and/or financing quickly in light of the size of the transaction;
- the reliability, integrity, reputation and execution capability of the counterparty for effecting

- transactions in light of the size and difficulty of executing the order;
- the financial strength and creditworthiness of the counterparty; and
 - the counterparty's specialized knowledge or experience in a particular market.

B. Research, Other Soft Dollar Arrangements, Client Referrals and Directed Brokerage

Hudson receives proprietary research and other services from certain broker-dealers, which Hudson may use to service one or more Clients. Hudson does not, however, cause Clients to pay increased commissions in order to obtain the research and services provided by broker-dealers, and Hudson does not consider the provision of such research and services in the recommendation or selection of broker-dealers. Hudson does not enter into commission sharing agreements with broker-dealers relating to transactions executed for the benefit of Clients, or participate in directed brokerage arrangements. Hudson will only permit Clients to direct brokerage to the extent that it believes such direction will not impact its ability to seek best execution for Client transactions.

During fundraising periods, the LS General Partners may use the services of a placement agent. All fees and expenses paid to the placement agent are governed by the provisions of the applicable Lone Star Fund's limited partnership agreement.

C. Other Third Parties

In addition to transactions with banks and broker-dealers, Hudson may engage other service providers on behalf of Clients with respect to the execution of transactions, such as lenders and real estate brokers and agents. These service providers are subject to similar selection criteria as described above for counterparties, but may also be selected based on the geographic location of the assets and the service provider's experience with the type of assets involved.

D. Aggregation of Client Transactions

Hudson will generally aggregate Client trades in the same instrument as part of the same strategy if it believes doing so is consistent with its obligation to seek best execution for all Clients. If Client trades are aggregated, each Client shares pro rata in the average cost and expenses of the applicable transaction(s). There may be situations in which aggregation of Client trades is not possible or practical because of Client restrictions or trade logistics, which may increase transaction costs and/or result in different pricing.

E. Trade Errors

Although Hudson seeks to exercise diligence and care when trading assets on behalf of Clients, errors may occur during the trading process. Hudson attempts to minimize trade errors by promptly reconciling confirmations with trade tickets or similar transaction documentation. To the extent that a trade error occurs, Hudson works to correct the error as soon as practicable and in such a manner that any resulting loss is minimized. If a trade error results in a gain, the affected Client(s) will retain the gain. As described in the applicable Client's offering documents and/or services agreements, any loss caused by a trade error will be borne by the affected Client(s) unless the error is the result of bad faith, gross negligence or willful misconduct by Hudson. Hudson does not use commitments of future brokerage business to compensate any broker-dealer for absorbing the cost of a trade error. However, to the extent Hudson can demonstrate that a counterparty was partly or entirely responsible for a trade error, Hudson may ask that counterparty to bear part or all of the cost of the error.

Item 13: Review of Accounts

The Clients' investment portfolios are generally private, illiquid and long- or medium-term in nature; accordingly, Hudson's review of them is not directed toward a short-term decision to dispose of securities. However, Hudson maintains ongoing oversight with regard to Client investments. The Lone Star originations and Hudson asset management teams meet periodically with Lone Star's executive leadership and others to update them on investment performance and related matters. With regard to the SFR Fund, Hudson regularly reviews and reports

to the SFR Fund Investment Committee on the performance of its: (i) target and actual invested markets and (ii) the SFR Fund's assets. The SFR Investment Committee will meet regularly to discuss the performance of the SFR Fund's assets, including by individual market.

Hudson generally does not provide formal written reports to the SFR Fund unless specifically requested by the SFR Fund General Partner. Hudson reports to investors in the SFR Fund in accordance with the applicable Governing Documents.

Item 14: Client Referrals and Other Compensation

Hudson does not receive economic benefits from a non-Client for providing investment advice or other advisory services to its Clients. Hudson, or its affiliates may on occasion receive certain fees from third parties with respect to the business of Clients, including financial advisory, director, or transaction-related fees ("Additional Fees"). Any such Additional Fees will be offset against fees or expenses payable by the affected Clients to Hudson or its affiliates.

Neither Hudson nor its related persons directly or indirectly compensate any third party for advisory Client referrals. Hudson or Lone Star may enter into placement agent arrangements with unaffiliated third parties regarding the solicitation of investors for compensation. All fees and expenses paid to the placement agent are ultimately the responsibility of the applicable LS General Partner, as governed by the provisions of the applicable Lone Star Fund's offering documents. The placement agent is paid a fee based on the amount of capital committed by each investor solicited by the placement agent and accepted by the LS General Partner of the applicable Lone Star Fund.

Item 15: Custody

Not applicable.

Item 16: Investment Discretion

Hudson provides discretionary investment advisory services to the SFR Fund and certain of its Clients involving a significant amount of investment discretion. With regard to the Lone Star Funds, Clients typically communicate guidelines through Client review of business plans or inclusion of Client guidelines in the applicable services agreement.

Item 17: Voting Client Securities

Hudson has been delegated the authority to vote proxies on behalf of the Lone Star Funds. Lone Star Funds may not direct such proxy voting. Hudson will also generally accept responsibility for proxy voting at the request of other Clients. Hudson has adopted a Proxy Voting Policy and related procedures that require Hudson to vote Client proxies with diligence, care and loyalty and in accordance with Hudson's fiduciary duty to its Clients, which generally means voting proxies in a way that maximizes the value of Client assets. But Hudson reserves the right to abstain on any particular vote or otherwise withhold its consent on any matter if Hudson determines that the costs associated with the vote outweigh the benefits to the relevant Clients or if the circumstances make such an abstention or withholding otherwise advisable and in the best interests of the relevant Clients.

As applicable, the Hudson authorized officer voting a proxy will consider whether Hudson is subject to any material conflict of interest in connection with that proxy vote. The authorized officer must notify Hudson's Chief Compliance Officer if the authorized officer is aware of any material conflict of interest (or potential material conflict of interest) associated with a proxy vote. The authorized officer and the Chief Compliance Officer will consult with internal and/or outside legal counsel, as appropriate, regarding an appropriate course of action, and

will document their basis for the resulting voting decision. All potential proxy vote conflicts of interest related to the Lone Star Funds shall be escalated to the Lone Star Chief Compliance Officer.

Hudson will provide a Client or investor with information about how a proxy was voted, or with a copy of the Proxy Voting Policy and related procedures, upon written request to the Chief Compliance Officer, Hudson Advisors L.P., 2711 N. Haskell Avenue, Suite 1800, Dallas, Texas 75204.

Item 18: Financial Information

Hudson does not require or solicit prepayment of fees six months or more in advance.

Hudson has never filed for bankruptcy and is not aware of any financial condition that is expected to affect or is reasonably likely to impair its ability to meet its contractual obligations to its Clients.