

## **LISC FUND MANAGEMENT, LLC**

**28 Liberty Street, 34<sup>th</sup> Floor  
New York, NY 10005-1444**

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This “**Brochure**” provides information about the qualifications and business practices of LISC Fund Management, LLC. If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer, Theodore Shen, by email at [TShen@lisc.org](mailto:TShen@lisc.org). Information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

LFM is an investment adviser registered with the SEC under the Investment Advisers Act of 1940 (the “**Advisers Act**”). Registration as an investment adviser does not imply that LFM or any of its principals or employees possess a particular level of skill or training in the investment advisory business or any other business.

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

**Item 2: Material Changes**

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There have been no material changes to report since the last Brochure update. In the future, if the Brochure contains material changes from our last update, we will identify and discuss those changes in this section.

### Item 3: Table of Contents

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#### Item 4: Advisory Business

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LISC Fund Management, LLC (hereinafter “**LFM**”, “**we**”, “**us**”, “**our**” or the “**Manager**”) was organized in March 2019 as a Delaware limited liability company with a principal place of business in New York, NY. Local Initiatives Support Corporation, a New York non-profit corporation (“**LISC**”) is the sole member of the Manager.

We serve as the investment adviser, with discretionary trading authority, to private, pooled investment vehicles, the securities of which are offered through a private placement memorandum to accredited investors, as defined under the Securities Act of 1933, as amended, and qualified purchasers, as defined under the Investment Company Act of 1940, as amended. We do not tailor our advisory services to the individual needs of any particular investor.

LFM provides discretionary investment management services to qualified investors through its private, pooled investment vehicles:

- The Bay’s Future Fund LLC, a Delaware limited liability company;
- Black Economic Development Fund LLC, a Delaware limited liability company;
- BFF Preservation Side Car LLC, a Delaware limited liability company;
- Charlotte Housing Opportunity Investment Fund LLC, a Delaware limited liability company;
- Community Housing Fund LLC, a Delaware limited liability company;
- Detroit AHLF-CDFI Fund LLC, a Delaware limited liability company;
- NY Forward Loan Fund Trust, a Delaware statutory trust;
- Southern Opportunity and Resilience Fund LLC, Delaware limited liability company; and
- Entrepreneurs of Color Loan Fund LLC, Delaware limited liability company.

Each of the above listed pooled investment vehicles are herein referred to as a “**Fund**” or “**Client**”, and collectively referred to as the “**Funds**” or the “**Clients**”.

The Funds’ “**Limited Partners**” and “**Members**” are hereafter collectively referred to as the “**Investors**” where appropriate.

Our investment decisions and advice with respect to the Funds are subject to each Fund’s investment objectives and guidelines, as set forth in its respective “**Offering Documents**”, as applicable.

We do not currently participate in any Wrap Fee Programs.

As of December 31, 2021, LFM managed approximately \$ 748,909,480 regulatory assets under management on a discretionary basis.

## Item 5: Fees and Compensation

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The fees applicable to each of the Funds are set forth in detail in the corresponding Offering Documents. A brief summary of such fees is provided below.

### ***Management Fee and Incentive Fee***

LFM is paid an investment management fee (“**Management Fee**”) per annum. Pursuant to the applicable Fund’s Offering Documents, the Manager may be entitled to an annual incentive fee (the “**Incentive Fee**”).

The Management Fee ranges from 0.25% to 2.00%, on an annualized basis, of the gross asset value of the capital account balances of each Investor, determined as of the beginning of each monthly period.

The Management Fee and Incentive Fee (if any) are subject to additional terms as outlined in the Funds’ Offering Documents. The Management Fee is deducted from an account on a monthly basis and the Incentive Fee is deducted from an account on an annual basis.

The Manager, in its sole discretion, may waive or modify the Management Fee or Incentive Fee (if any) for any Investor.

### ***Other Types of Fees or Expenses***

LFM is authorized to incur and pay in the name and on behalf of the Funds all expenses which it deems necessary or advisable.

The Manager is responsible for and shall pay, or cause to be paid, all of its own ordinary administrative and overhead expenses, including, without limitation, all costs and expenses related to rent, furniture, fixtures, equipment, office supplies, clerical expenses and all salaries, bonuses and benefits paid to, or on behalf of, personnel of the Manager.

Each Fund bears all of its respective expenses (“**Fund Expenses**”), as set forth in the applicable Offering Documents.

The Funds and each related investment entity (including, without limitation, any parallel fund or alternative investment vehicle), as applicable, shall share all Fund Expenses pro rata based on aggregate commitments (or in the case of investments, pro rata based on aggregate commitments or proposed commitments to each such investment), except to the extent that the Manager reasonably considers that a specific cost or expense should be allocated solely to one or more of the Fund or applicable related investment entity.

In general, each Investor will bear its share of the Fund Expenses on a pro rata basis, calculated based on relative gross asset value as of the beginning of each month. The Manager may, however, allocate expenses on another basis, including by allocating certain expenses to certain (but not all) Investors or capital accounts, if the Manager determines that such an allocation is more equitable.

To the extent that Fund expenses are attributable to multiple Funds, such amounts will be allocated in accordance with the Manager’s expense allocation policy.

From time to time, the Manager and/or its affiliates may elect to bear certain expenses on behalf of the Funds that would otherwise be Fund expenses. The Manager and/or its affiliates will not have any obligation to bear such expenses and may elect at any time (in whole or in part) to no longer bear such expenses on behalf of the Fund.

The Manager may advance funds on behalf of the Funds, and the Manager may be reimbursed by the Funds for such advanced amounts.

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

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Upon meeting specific performance thresholds, and as further detailed in the Offering Documents, LFM may be entitled to receive an Incentive Fee with respect to certain Funds. As a result, we and our affiliates do not currently face certain conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients, other than those that have been previously disclosed to certain Investors with respect to certain Funds.

Performance-based allocation arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which we would recommend under a different arrangement.

#### **Item 7: Types of Clients**

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Our clients are the Funds, as described in Item 4 above, and the Funds are generally open to, among others, institutions, pension plans, endowments, high net-worth individuals, financially sophisticated individuals, and other sophisticated investors. Limited Partners and Members of the Funds are not clients of the Manager, unless they have separately entered into an adviser-client relationship with the Manager. Accordingly, the Manager does not owe Limited Partners or Members any fiduciary duty under the Advisers Act.

Currently, the minimum investment in the Funds ranges from \$0 to \$25,000,000. Specific investment requirements are set forth in each Fund's Offering Documents. Such minimum investment may be waived on a case-by-case basis subject to our discretion.

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

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*Defined terms in this section have the same meaning as those found in the Fund Offering Documents. In all cases, the descriptions herein are qualified in their entirety by the information found in the applicable Fund's Offering Documents. To the extent there is any inconsistency between this Brochure and a Fund's Offering Documents, the Offering Documents shall control.*

The descriptions in this Brochure set forth specific advisory services that we offer to the Funds, and investment strategies pursued and investments made by us on behalf of the Funds, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each Client's investment objectives and guidelines as set forth in the Offering Documents. The investment strategies we pursue are speculative and entail substantial risks. Investors should be prepared to bear a

substantial loss of capital. There can be no assurance that the investment objectives of any Fund will be achieved.

### ***Investment Objective and Strategy***

LFM manages and deploys impact capital into businesses and real estate investments in underinvested communities across the country. We work with impact-focused investors from corporations to philanthropies to governmental entities, helping them to maximize their impact while achieving financial returns. We are an “Impact First” mission-driven organization with passionate people from the private and public sector. Our investment experts create and deploy innovative products that attempt to maximize impact outcomes, minimize risk, and optimize double bottom line returns. The details of each Fund’s investment objectives and strategies and related investment methodologies employed by the Manager in furtherance thereof are set forth in the applicable Fund’s Offering Documents.

### ***Risk of Loss Factors***

#### **No Assurance of Investment Return**

The success of a Fund will largely depend on the ability of the Manager to identify suitable investments. The Manager may not be able to execute a Fund’s investment objectives or generate returns to investors commensurate with the risks of investing in the types of transactions described in the Fund’s Offering Documents.

A subscription to a Fund should only be considered by persons who can afford a loss of their entire investment. The past investment experience of the Manager and/or its affiliates, boards or employees is not necessarily indicative of future results, and there can be no assurance that a Fund will be successful in attaining the sought after social impact or financial return or be able to avoid losses.

#### **Risks Relating to Due Diligence of Investments**

Before making investments, the Manager will typically conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. The due diligence investigation that the Manager carries out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful.

#### **Projections**

A Fund may rely upon projections developed by the Manager or third parties. Projections are inherently subject to uncertainty and factors beyond the control of the Manager. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of other unforeseen events could impair the ability of an entity in which the Fund invests to realize projected social impact, monetary values and cash flow.

#### **Need for Significant Capital**

A Fund’s investments may require significant amounts of additional capital. There can be no assurance that such capital will be available to the Fund. Failure to raise the necessary capital to fund an investment’s operations, capital expenditures or other activities may require, among other things, the sale or liquidation of Fund assets at a loss or reduced valuation from the price paid by the Fund.

**Lack of Diversification; Dependence on Performance of Certain Investments**

A Fund intends to participate in a limited number of investments and likely will be concentrated in a limited number of geographical locations. As a consequence, the aggregate return of the Fund may be materially and adversely affected by the unfavorable performance of a single project or geographical location.

**Lack of Liquidity of Investments and Long-Term Investments**

Although Fund investments may generate current income, the return on investment and realization of gains, if any, from any Fund investment generally will occur only upon the partial or complete disposition of an investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating the Fund may exceed its income, thereby requiring that the difference be paid from the Fund's capital, including, without limitation, unfunded capital commitments of the Fund.

**Early Termination**

In the event of the early termination of a Fund, the Fund would have to distribute to investors their pro rata interests in the assets of the Fund. Certain assets held directly or indirectly by the Fund may be highly illiquid and might have little or no marketable value. It is possible that at the time of such sale or distribution, certain assets held by the Fund would be worth less than the initial cost of such assets, resulting in a loss to the investors.

**Unspecified Investments**

A Fund will begin operations following its initial closing and may not have identified any particular investments prior to such date. An Investor must rely upon the ability of the Manager to identify, structure and implement investments consistent with the Fund's investment objectives and policies. The Manager may be unable to find a sufficient number of attractive opportunities to meet the Fund's objectives. The success of the Fund will depend on the ability of the Manager to identify suitable investments, to negotiate and arrange the closing of appropriate transactions and to arrange the timely disposition of investments.

**Risks upon Disposition of Investments**

In connection with the disposition of a Fund's investments, the Fund may be required to make certain representations and disclosures about such investment and indemnify the purchasers of such investment if such representation or disclosure document turns out to be incorrect, inaccurate or misleading or with respect to certain potential liabilities. These may result in the incurrence of contingent liabilities for which the Manager may establish reserves or escrow accounts. In that regard, Members may be required to return amounts distributed to them to fund such obligations of the Fund, including indemnity obligations.

**Impact of Economic Conditions**

The United States has recently experienced economic recessions. As the result of another such recession, the business, operating results, financial condition and prospects of many of a Fund's investments, loans and assets could be materially and adversely affected. Additionally, a period of deteriorating general economic conditions could negatively impact a Fund's ability to dispose of its investments.

**Joint Venture Partners; Joint Venture Risks**

A Fund may co-invest in projects with affiliated and unaffiliated third parties through partnerships, joint ventures or other entities. A Fund also may make investments in or loans to projects or operating companies related thereto that are controlled by persons other than



the Manager. A Fund may share control or have limited control over these investments and, therefore, may have only a limited ability to protect its interests in such investments.

#### **Risks of Multi-Step Acquisitions**

In the event a Fund chooses to effect a transaction by means of a multi-step acquisition, there can be no assurance that the remainder (i.e., follow-on steps in such acquisitions) can be successfully acquired. This could result in the applicable Fund having only partial control over the investment or partial access to its cash flow to service debt incurred in connection with the acquisition.

#### **Expedited Transactions**

Investment analyses and decisions by the Manager may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the Manager at the time of making an investment decision may be limited, and the Manager may not have access to detailed information regarding the investments. Therefore, no assurance can be given that the Manager will have knowledge of all circumstances that may adversely affect an investment, and a Fund may make investments that it would not have otherwise made if more extensive due diligence had been undertaken. In addition, the Manager expects to rely upon independent consultants, and no assurance can be given as to the accuracy or completeness of the information provided by such independent consultants or to a Fund's right of recourse against them in the event errors or omissions do occur.

#### **Cyber Security Breaches and Identity Theft**

A Fund, the Manager, and each of their respective affiliates and investments' information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. If these systems are compromised, become inoperable for extended periods of time or cease to function properly, a Fund, the Manager, their respective affiliates and/or an investment may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in a Fund, the Manager or an investment's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm the applicable Fund, the Manager or an investment's reputation, subject the any such entity and their respective affiliates to legal claims and otherwise affect their business and financial performance.

#### ***Risks Related to Real Estate Loans & Debt Investments***

##### **Loans to Housing Developments**

Some Funds may invest in entities that may make real estate loans to housing developments. The value of the real estate that underlies mortgage loans is subject to market conditions. Changes in the real estate market may adversely affect the value of the collateral and thereby lower the value to be derived from liquidation. In addition, adverse changes in the real estate market can act as a disincentive for the project borrower to retain equity in the project, leading to an increase the probability of default. Furthermore, the properties securing purchased loans may be suffering varying degrees of financial distress or may be located in economically distressed areas. Loans may become non-performing for a wide variety of

reasons and may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate, capitalization of interest payments and/or a substantial write-down of the principal of the loan. Moreover, even if such restructuring is successfully accomplished, a risk exists that upon maturity of such mortgage loan, replacement “take-out” financing will not be available.

It is possible that a Fund or the entity through which it invests may find it necessary or desirable to foreclose on certain real estate loans. The real estate foreclosure process is often lengthy and expensive. Borrowers may resist mortgage foreclosure actions by asserting numerous claims, counterclaims and defenses, including, without limitation, numerous lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action and force the lender into a modification of the loan or a favorable buy-out of the borrower’s position. In some states, foreclosure actions can sometimes take several years or more to litigate. At any time prior to or during the foreclosure proceedings the borrower may file for bankruptcy, which can have the effect of staying the foreclosure actions and further delaying the foreclosure process. Foreclosure litigation, moreover, tends to create a negative public image of the mortgaged property and may result in disrupting the ongoing leasing, management and operation of the property.

#### **Nature of Debt Investments**

The performance of a Fund’s debt Investments will be impacted by those risks that apply to real property investments on the basis that the Fund will make debt investments in respect of real estate assets and therefore the Fund will be exposed to the risks associated with real estate investments, as further described in the applicable Fund’s Offering Documents.

#### **Credit Risks of Investments in Debt Instruments**

Credit portfolios are subject to credit risk, which is the likelihood that a company will default in the payment of principal and/or interest on its obligations, or that it will fail to comply with other covenants and requirements. Financial strength and solvency of a company are key factors influencing credit risk. Businesses may face intense competition, changing business and economic conditions or other developments that may adversely affect their performance and increase credit risk. In addition, subordination, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an investment. In addition, companies may contest enforcement of foreclosure or other remedies, seek bankruptcy protection against such enforcement and/or bring claims for lender liability in response to actions to enforce mortgage obligations. If any of the above occurred, a Fund’s ability to make anticipated distributions to its Investors could be delayed or otherwise adversely affected.

#### **Bank Loans and Participations Generally**

Bank loans are frequently traded on the basis of standardized documentation, which is used in order to facilitate loan trading. Although this may improve market liquidity, there can be no assurance that future levels of supply and demand in bank loan trading will provide an adequate degree of liquidity, that the current level of liquidity will continue or that the same documentation will be used in the future. The settlement of trading in bank loans often requires the consent of the borrower or the involvement of third parties, such as administrative or syndication agents, and there presently is no central clearinghouse or authority that monitors or facilitates the trading or settlement of all bank loan trades. Often, settlement may be delayed due to the actions of a third-party or counterparty, and adverse price movements may occur in the time between trade and settlement, which could result in adverse consequences for the Fund. The failure to satisfy certain contractually imposed

settlement requirements results in the forfeiture of delayed compensation, as provided for under The Loan Syndications and Trading Association (“LSTA”) Standard Terms and Conditions for Par/Near Par Trade Confirmations.

#### **Nature of Investment in Senior Loans**

Some of the senior secured loans acquired by a Fund may be rated below investment grade or may not be rated by a credit rating agency. In terms of liquidity with respect to such investments, there can be no assurance that levels of supply and demand in senior secured loan trading will provide an adequate degree of liquidity for the investments therein.

#### **Mezzanine and other High Yield Debt, Subordinated Debt, Unsecured Debt, Low/Unrated Debt Risks**

A portion of a Fund’s investments may be made in certain high yield securities known as mezzanine investments, which are subordinated debt securities that may be issued together with an equity security (e.g., with attached warrants). Mezzanine investments may be lower rated, unsecured, and generally subordinate to other obligations of the issuer.

Mezzanine investments share all of the risks of other high yield securities and are subject to greater risk of loss of principal and interest than higher-rated securities, especially in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with lower-rated securities, the yields and prices of those securities may tend to fluctuate more than those for higher-rated securities.

#### **Loans to Private Companies**

A portion of a Fund’s portfolio may consist of loans to medium-sized, privately owned businesses. Compared to larger, publicly owned firms, such companies generally have limited financial resources and access to capital, as well as higher funding costs. They may be in a weaker financial position and may need more capital to expand or compete. These companies frequently have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which render them more vulnerable to competitors’ actions and market conditions, as well as general economic downturns. There may not be as much information publicly available about these companies as would be available for public companies and such information may not be of the same quality. These companies are also more likely to depend on the management talents and efforts of a small group of persons and, as a result, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on these companies’ ability to meet their obligations. The above challenges increase the risk of these companies defaulting on their obligations.

#### **Bankruptcy and Other Proceedings**

When a company seeks relief under the U.S. Bankruptcy Code (or has a petition filed against it), an automatic stay prevents all entities, including creditors, from foreclosing or taking other actions to enforce claims, perfect liens or reach collateral securing such claims. Creditors who have claims against the company prior to the date of the bankruptcy filing must petition the court to permit them to take any action to protect or enforce their claims or their rights in any collateral. Such creditors may be prohibited from doing so if the court concludes that the value of the property in which the creditor has an interest will be “adequately protected” during the proceedings. If the bankruptcy court’s assessment of adequate protection is inaccurate, a creditor’s collateral may be wasted without the creditor being afforded the opportunity to preserve it. Thus, even if a Fund holds a secured claim, it may be prevented from collecting the liquidation value of the collateral securing its debt, unless relief from the automatic stay is granted by the court. If relief from stay is not granted, a Fund may not realize a distribution

on account of its secured claim until a plan of reorganization or liquidation for the debtor is confirmed. Bankruptcy proceedings can involve substantial legal, professional and administrative costs to the company and the Fund, and during the process the investee company's competitive position may erode, key management personnel may depart and the company may not be able to invest adequately. The debt of companies in financial reorganization will, in most cases, not pay current interest, may not accrue interest during reorganization and may be adversely affected by an erosion of the issuer's fundamental value. Such investments can result in a total loss of principal. Bankruptcy proceedings are inherently litigious, time consuming, highly complex and driven extensively by facts and circumstances, which can result in challenges in predicting outcomes. The equitable power of bankruptcy judges also can result in uncertainty as to the ultimate resolution of claims. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that bankruptcy courts would decide favorably toward, or consistent with the interests of, the Fund. Furthermore, there are instances where creditors and equity holders lose their ranking and priority as such if they are considered to have taken over management and/or functional operating control of a debtor. Additional details related to the risks of bankruptcy and other proceedings are set forth in the applicable Fund's Offering Documents.

**Disposition of Loan Origination Investments**

If a Fund desires to sell or assign a loan that it originates, but is unable to sell, assign or successfully close transactions for assignments or participations in such loan, the Fund will be forced to hold such loan until such time as it can be disposed, during which time the Fund may be "overweighted" with respect to a particular borrower.

**Time Required for Maturity of Investments**

Certain investments may have maturities longer than the maturity of the applicable Fund. Furthermore, a Fund may, in connection with collateral held by it, acquire non-marketable common or preferred equity securities and other illiquid assets with equity participation features, which, to the extent that they have value at all, will likely not have realizable value for a significant period of time.

**Non-Payment of Principal and Interest; Adequacy of Collateral**

Investments are subject to the risk of non-payment of scheduled interest or principal by the issuers with respect to such investments. Such non-payment would likely result in a reduction of income to the applicable Fund and a reduction in the value of the investments (as collateral) experiencing non-payment.

**Prepayment Risk**

The value of a Fund's assets may be affected by prepayment rates on loans or securities. Generally, voluntary prepayments are permitted and the timing of prepayments cannot be predicted with any accuracy. Prepayment rates are influenced by changes in interest rates, the issuer's financial condition, competitive market conditions among lenders and a variety of economic, geographic and other factors beyond the Funds' control.

**Financial Market and Interest Rate Fluctuations; Tightened Loan Underwriting Standards**

Credit portfolios are subject to interest rate risks. General fluctuations in the market prices of securities and interest rates are likely to adversely affect the value of a Fund's investments and/or increase the risks associated with one or more particular Investment. In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner, although generally to a lesser degree. Interest rate

sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

#### **New Investments and Acquisitions May Fail to Perform as Expected**

In deciding whether to acquire, lend capital to, or invest in a particular organization, the Manager will make certain assumptions regarding the expected future performance of such assets. If anticipated acquisitions do not occur as expected, or anticipated partners in such projects do not ultimately co-invest, the financial performance of the applicable Fund may be adversely affected.

#### ***Risks Related to Real Estate Investments***

##### **General Risks of Real Estate Ownership; Real Estate Industry Considerations**

Because a Fund may invest directly or indirectly in real estate, a subscription to a Fund is subject, directly and/or indirectly, to certain risks associated with the real estate industry in general and the ownership of real property, as further described in each Fund's Offering Documents.

##### **Risks Associated with Property Acquisitions**

Acquisitions of real property are subject to many risks. A Fund may support the acquisition of properties that are subject to liabilities or that have problems relating to environmental condition, state of title, physical condition or compliance with zoning laws, building codes or other legal requirements. In each case, such acquisition of a real estate property may be without any recourse, or with only limited recourse, with respect to unknown liabilities or conditions. As a result, if any liability were asserted against the Fund relating to those properties, or if any adverse condition existed with respect to the properties, the Fund might have to pay substantial sums to help settle the claim or cure the deficiency, which could adversely affect the cash flow and operating results of the Fund.

##### **Interest Rates**

A Fund's investment strategies may involve the extensive use of leverage (i.e., borrowings to increase investment positions and exposure). Interest costs of borrowings will be an expense of the applicable Fund employing leverage and therefore both borrowing levels and fluctuations in interest rates may affect the operating results of the Fund. In addition, rising interest rates could cause the value of the Fund's investments in real estate assets to decline.

##### **Construction Risks**

A Fund may support the acquisition of properties that require development or redevelopment. Real estate development involves the risk that construction may not be completed within budget or on schedule because of cost overruns, work stoppages, shortages of building materials, the inability of contractors to perform their obligations under construction contracts, defects in plans and specifications or in construction or other factors. Any delay in completing a project may result in increased interest and construction costs, the potential loss of purchasers or tenants and the possibility of defaults under project financings. Newly developed projects may be disproportionately affected by fluctuations in demand and supply as they have no existing tenancies and need to be leased in their entirety or otherwise disposed of.

##### **Risks Associated with Investment in Specific Real Estate Asset Classes**

A Fund may invest in a wide variety of real estate classes, such as land, lodging, multifamily and urban mixed use. The performance of each of these types of properties is subject to many

of the risks associated with owning and operating other types of real estate; however, each unique class of property may be subject to unique risks.

#### **Special Risks Relating to Investments in Multifamily Real Estate Properties**

A Fund may support the development of multifamily real estate properties. Investment in apartments involves certain special risks. Apartment complexes have individual residential tenants with limited net worth and with lease terms that are typically shorter than those of a commercial lease. As a result, apartments are particularly vulnerable to, among other things, competition from new development and to changes in economic conditions or employment conditions in the surrounding geographic area. In addition, tenant turnover at apartment complexes causes the property owner to incur significant fix-up costs in order to prepare units for new tenants.

#### **Risks Associated with Commercial Mortgage Loans Specifically**

A Fund may invest in a development that also utilizes commercial mortgage loans. The value of such commercial mortgage loans will be influenced by the historical rate of delinquencies, defaults experienced on the commercial mortgage loans and the severity of loss incurred as a result of such defaults, as well as market conditions. Commercial loans generally expose a lender to a greater risk of loss through delinquency and foreclosure since the ability of the borrower to repay a loan secured by income-producing property typically is dependent primarily upon the successful operation and operating income of such property, 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 guaranties. Commercial mortgage loans generally do not fully amortize, which can necessitate a sale of the property or refinancing of the remaining debt amount at or prior to maturity of the mortgage loan. Accordingly, investors in commercial mortgage loans bear the risk that the borrower will be unable to refinance or otherwise repay the mortgage at maturity, thereby increasing the likelihood of a default on the borrower's obligations. Exercise of foreclosure and other remedies may involve lengthy delays and additional legal and other related expenses on top of potentially declining property values.

#### **Risks Associated with Investment in Real Estate Acquired from Distressed or Bankrupt Organizations**

Certain investment opportunities may originate from owners that are insolvent or in serious financial difficulty. As a result, the recourse to the sellers and/or the standards by which such properties are being, or have been, serviced or operated may be adversely affected.

#### **Losses Not Covered by Insurance**

A Fund's direct real estate investments are likely to be covered by comprehensive liability, fire, extended coverage and rental loss insurance, with policy specifications and insured limits that the Manager believes are adequate and appropriate under the circumstances. Some types of losses may be uninsurable or not economically insurable. In addition, many insurance carriers are excluding certain claims from standard policies. If an uninsured loss or a loss in excess of insured limits occurs on a Fund's investment, the Fund could lose its capital in such investment, as well as the anticipated future revenues from such investment and, in the case of debt that is recourse to the Fund, the Fund would remain obligated for such debt. In addition, all of the assets of such Fund may be at risk in the event of an uninsured liability to third parties. Any loss of this nature would adversely affect the Fund.

#### **Possible Environmental Liabilities**

Under various laws, ordinances and regulations, an owner or operator of real property may become liable for the costs of removal or remediation of certain hazardous substances released on, about, under or in its property. Environmental laws often impose this liability without regard to whether the owner or operator knew of or was responsible for, placing the hazardous substances on the property and/or the release of hazardous substances and even where the property was contaminated prior to the time the owner took title. The presence of hazardous substances, or the failure to remediate hazardous substances properly, may adversely affect a Fund's ability to sell, use or finance real estate. In addition to clean-up actions brought by governmental agencies and private parties, the presence of hazardous substances on a property may lead to claims of personal injury, property damage or other claims by private plaintiffs.

#### **Moisture Infiltration**

In addition to the other environmental risks described above, litigation and concern about indoor exposure to certain types of toxic molds has been increasing as the public becomes aware that exposure to mold can cause a variety of health effects and symptoms, including allergic reactions. Although a Fund will attempt to support the acquisition of properties that do not contain mold, there can be no assurance that it will be successful in this regard. The difficulty in discovering indoor toxic mold growth, which is often latent, could lead to an increased risk of lawsuits by affected persons and the risk that the cost to remediate toxic mold will exceed the value of the property. The acquisition of properties containing mold may negatively affect the performance of a Fund.

#### **Investments in Regulated Industries**

An investment could be materially and adversely affected as a result of statutory or regulatory changes or judicial or administrative interpretations of existing laws and regulations that impose more comprehensive or stringent requirements on such investment.

#### **Reliance on the Management Team**

Although the Manager will be responsible for monitoring the performance of each Fund investment and each Fund seeks to invest in developments operated by strong management, there can be no assurance that the existing management team, or any successor, will be able to complete and maintain the development and its operations in accordance with a Fund's plans. The success of each development depends in substantial part upon the skill and expertise of each developer and contractor's management team. There can be no assurance that developers or contractors will be able to attract, develop, integrate and retain suitable members of its management team and, as a result, the Fund may be adversely affected thereby. Instances of fraud and other deceptive practices committed by the management team of developments in which the Fund has an investment may undermine the Manager's due diligence efforts with respect to such developments. If such fraud is discovered, it could adversely affect the valuation of the Fund's assets and the social impact of such investments and it may also contribute to overall market volatility that can negatively impact the Fund's portfolio.

#### **New Developments and Acquisitions May Fail to Perform as Expected**

In deciding whether to acquire, lend capital to, or invest in a particular development, the Manager will make certain assumptions regarding the expected future performance of such assets. If anticipated acquisitions do not occur as expected, or anticipated partners in such projects do not ultimately co-invest, the financial performance of the Fund may be adversely affected.

**Tenancies-in-Common**

A Fund may invest in or lend capital to development properties that are jointly owned with third parties as tenants-in-common. The bankruptcy, dissolution or action for partition by one or more of a Fund's co-tenants-in-common could require the early repayment of a mortgage loan associated with the related property, or result in a material impairment in property management, and could require the Fund to dispose of the property at a disadvantageous time, resulting in a loss to the Fund. In some cases, the related mortgage loan documents may provide for full recourse to the Fund as a co-tenant-in-common borrower or as the guarantor of the related mortgage loan. Thus, properties that are owned as tenants-in-common generally will increase the risk of loss to the Fund and the Fund's Investors.

**Property Taxes and Risk of Property Reassessments**

Real property owned by a Fund or real property that secures (directly or indirectly) an investment of a Fund will likely be subject to real property taxes and, in some instances, personal property taxes.

**Litigation at the Property Level**

The acquisition, ownership and disposition of real property carries certain specific litigation risks, which could result in losses to the applicable Fund.

**Public Health Outbreak; COVID-19**

The World Health Organization declared COVID-19 a pandemic on March 11, 2020, and on March 13, 2020, the United States declared a national emergency with respect to COVID-19. The current outbreak of COVID-19 has materially adversely impacted and disrupted the business and operations of the U.S. and global economy, including the institutions and borrowers that are the intended recipients of a Fund's capital. Some industries and sectors have been more adversely affected than others. Economic downturns or volatility related to the pandemic could affect the value, and probability of repayment, of a Fund's investments.

Any public health emergency such as any outbreak of coronavirus, SARS, H1N1/09 flu, avian flu, Ebola or other existing or new epidemic diseases or the threat thereof, may materially and adversely impact the value and performance of a Fund's investments and the Manager's ability to manage and divest of the investments and to achieve a Fund's investment objectives and charitable purposes, all of which could result in significant losses to the applicable Fund.

**Additional Risk Factors****Allocation of Investment Opportunities; Overlapping Accounts.**

In addition to the Funds, the Manager also manages, advises or sub-advises, and in the future may manage, advise or sub-advise other clients that may invest in or hold assets eligible for purchase by a Fund ("Overlapping Accounts"). Overlapping Accounts may include co-investment vehicles formed to co-invest with the Fund on the same or different terms in one or multiple investments. The investment policies, fee arrangements and other circumstances of the Fund may vary from those of Overlapping Accounts. Investment opportunities will be allocated on a basis determined by the Manager in good faith and in accordance with the Manager's then current allocation policies (which may include allocating the entire investment opportunity to an Overlapping Account and not to the Fund, or sharing an opportunity between an Overlapping Account and the Fund in proportions determined by the Manager in its sole discretion), taking into account relevant factors such as, where applicable, the sourcing of the transaction, the nature of the investment focus of each client, the relative amounts of capital available for investment, the nature and extent of involvement in the



transaction of the respective teams of investment professionals, any requirements set forth in the applicable client's governing agreements, the status of the overall portfolios of such clients and their respective diversification, industry exposure, and other factors deemed relevant by the Manager. In view of the foregoing, there can be no assurance that the Fund will share, pro rata or otherwise, in any given investment opportunity or that the Fund will receive a priority allocation. In addition, the method of allocating investment opportunities may change over time. Decisions as to the allocation of investment opportunities present numerous conflicts of interest, which may not be resolved in a manner that is favorable to the Fund's interests. Similar conflicts of interest will apply in connection with the disposition of an investment held by the Fund and one or more Overlapping Accounts.

All of the foregoing procedures could in certain circumstances adversely affect the price paid or received by the Fund or the size of the position purchased or sold by the Fund (including prohibiting the Fund from purchasing a position or effecting a disposition) or may limit the rights that the Fund may exercise with respect to an investment. In addition, the Fund may make investments in which Overlapping Accounts also invest, either concurrently with the Fund or subsequent or prior to the investment by the Fund. The Manager may from time to time incur expenses in connection with investments to be made on behalf of the Fund and Overlapping Accounts. The Manager will attempt to allocate such expenses on a basis it considers to be equitable, but such allocation may not accurately reflect the relative benefits ultimately enjoyed by each client.

#### **Affiliate Purchases and Sales.**

Any origination companies used by a Fund may transfer loans they have originated or acquired to one or more securitization vehicles, a successor fund, LISC or other clients in exchange for cash and/or debt or equity securities issued by such affiliated counterparty. Similarly, a Fund or its related entities may acquire loans originated or acquired by such affiliated counterparty in exchange for cash and/or debt or equity securities issued by the Fund or its related entities; however, such affiliated counterparties may, in such circumstances, retain any closing fees or payments for their own account and as compensation for the additional risk they accept at the inception of the transaction. A Fund may also sell other assets to, or buy other assets from, affiliated counterparties at fair value. Such purchase or sale arrangements may allow the applicable Fund to acquire assets it may otherwise be unable to acquire or allow the Fund to reduce its exposure to assets while continuing to be able to participate in additional transactions in the future. There is a risk, however, that the value of the assets in question may drop, with the result that a Fund will have a greater exposure to the assets than it may otherwise desire. There is also the risk of undervaluing or overvaluing an asset, with the potential that a Fund may pay too much for an asset it purchases or receive too little for an asset it sells. If an asset is undervalued or overvalued, an affiliated counterparty may benefit at the expense of the Fund. Limited Partners or Members, by acquiring Interests in a Fund, are, to the extent permitted by applicable law, consenting to these purchases, sales and loan arrangements which, absent such consent, may violate the provisions of the Advisers Act that address dealings between commonly managed funds and investment clients.

It is anticipated that there may be circumstances in which LISC may make loans from its own account to borrowers who could also be borrowers of a Fund and/or to entities in which a Fund will hold an equity interest. In these circumstances, the Manager, acting on behalf of a Fund, will abide by its asset allocation policy, which would allocate to the Fund any and all loans that (1) the Fund has adequate liquidity in which to invest and (2) meet the Fund's investment strategies, including without limitation exposure limits. Loans allocated to LISC are

typically those that a Fund does not have adequate liquidity in which to invest and/or do not meet the Fund's investment strategies.

It is also anticipated that LISC and a Fund could make loans to the same borrower or otherwise invest in loans of the same borrower ("Side-by-Side Investments"). For any such Side-by-Side Investments, a Fund will always receive terms that are equivalent to or preferential to those received by LISC except in limited circumstances where the terms received by the Fund will vary from those received by LISC if the Manager determines in good faith that it is commercially reasonable to do so. Further, for any such Side-by-Side Investments, there may be circumstances where LISC would be senior to a Fund with respect to the Fund's primary collateral securing its loans if the Manager determines the potential investment by the Fund fits within the Fund's strategy and that the risk return of the potential investment is acceptable.

LISC may sell certain assets to a Fund in the form of loans or notes similar to those that the Fund will otherwise originate and hold. A Fund will only purchase an asset from LISC upon obtaining any Member consents to such purchase required by law. Member consent to such purchases may be obtained on a negative consent basis where a Member has failed to object to a transaction within thirty (30) days of having received a written summary of the transaction from the Manager or LISC. Certain assets that LISC may sell to a Fund will be loans or notes that are unrated because credit rating agencies do not have evaluation methods in place to rate such loans or notes. Because the credit rating that LISC receives from certain credit rating agencies may be impaired when it holds these unrated loans or notes, LISC has an incentive to sell these assets to the Fund to seek to increase LISC's credit rating. A Fund and LISC typically will use the same valuation processes with respect to investments. There could be circumstances where LISC has significant exposure to a borrower that a Fund also has exposure to and, because of LISC's exposure, there may be an incentive to not reduce the value of an asset.

Except to the extent limited by applicable law, the Manager may effect client cross-transactions in which the Manager causes a transaction to be effected between a Fund and an Overlapping Account or a Fund and an affiliated counterparty. A Fund may purchase an investment from or sell an investment to an Overlapping Account or an affiliated counterparty. Although the Funds intend to comply with applicable law as well as the Manager's internal policies with respect to cross-transactions, there can be no assurance that a conflict will not arise with respect to the interests of the Manager, a Fund, another client or another counterparty to such a cross-transaction.

#### **Co-Investment Opportunities.**

LISC and the Manager may provide co-investment opportunities to any person, including Limited Partners or Members, other clients, Overlapping Accounts, strategic investors, lenders, other third-parties or each other. In connection therewith, in various circumstances, the Manager may determine that a co-investment opportunity should be offered to one or more co-investors, which may include one or more strategic investors, lenders, Members (or affiliated thereof) and/or other third-parties (the "Co-Investors") and will maintain discretion with respect to which Co-Investors are offered any such opportunity and in what amounts. There is no minimum allocation for a Fund before co-investment can be offered, and there is no maximum co-investment allocation. Each co-investment opportunity (should any exist) is likely to be different, and allocation of each such opportunity will depend on the facts and circumstances specific to that unique situation (e.g., timing, industry, size, geography, asset class, projected holding period, exit strategy and counterparty) and the other allocation

considerations described above. Different situations will require that the various facts and circumstances of each opportunity be weighted differently, as the Manager deems relevant to such opportunity. Such factors are likely to include, among others, a Fund's desired exposure to the investment; whether a Co-Investor adds strategic value, industry expertise or other similar synergies; whether a potential Co-Investor has expressed an interest in evaluating co-investment opportunities; whether a potential Co-Investor has demonstrated a long-term and/or continuing commitment to the potential success of the Manager, its clients or other co-investments; the ability of a potential Co-Investor to process and execute on a co-investment decision within the required timeframe of the particular transaction; the Manager's assessment of a potential Co-Investor's ability to invest an amount of capital that fits the needs of the investment (taking into account the amount of capital needed as well as the maximum number of investors that can realistically participate in the transaction); willingness to compensate the Manager's services in connection with the co-investment; and various other factors. The factors listed in the foregoing sentence are neither presented in order of importance nor weighted. Co-Investors generally will not share in broken-deal expenses with a Fund (such amounts instead being borne by the Fund), and such expenses may be significant.

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**Item 9: Disciplinary Information**

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To the best of our knowledge, there are no legal or disciplinary events that are material to an Investor's or prospective investor's evaluation of our advisory business or the integrity of our management.

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**Item 10: Other Financial Industry Activities and Affiliations**

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Neither we nor our management persons are registered as broker-dealers, and neither of us has any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer, respectively.

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

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***Code of Ethics***

For purposes of this section, employees shall include employees of LISC performing certain work for LFM. LFM has adopted a "Code of Ethics" that establishes the high standard of conduct that we expect of our employees and procedures regarding the personal trading of securities by designated employees. Such employees are required to certify their adherence to the terms set forth in the Code of Ethics upon commencement of employment and annually thereafter. Such employees also are required to provide quarterly certifications of compliance with certain Code of Ethics provisions.

The foundation of our Code of Ethics is based upon the following underlying fiduciary principles:

- Employees must at all times place the interests of the Funds and Investors first;
- Employees must ensure that all personal securities transactions are conducted consistent with the Code of Ethics' Employee Personal Investment Policy (described below); and

- Employees should not take inappropriate advantage of their position at the Manager.
- Independence in the investment decision-making process must be maintained at all times.

The Code of Ethics places restrictions on personal trades by designated employees and mandates that such employees disclose their personal securities holdings and transactions to the Manager on a periodic basis. The Code of Ethics permits personal accounts, but prohibits trading in single name equity securities, other than legacy positions, which are subject to pre-approval, and requires pre-approval and/or minimum holding periods for certain types of transactions.

Employees are not required, however, to obtain pre-clearance for personal investments in certain other asset classes and goods, including certain investments in residential real estate and mutual funds, whether or not our clients have invested in the same or similar assets. We have the ability to permit certain employees to maintain various personal investments that were acquired prior to their association with the Manager, including investments in private issuers that may subsequently conduct public offerings of securities, and may grant similar permissions in the future and/or permit personnel to sell such previously acquired securities.

Employees are also prohibited from personally, or on behalf of a Client, purchasing or selling securities that appear on the Manager's Restricted List.

Employees must obtain pre-approval from the Chief Compliance Officer before: (i) Initial Public Offerings (ii) engaging in any outside business activities; or (iii) making any private investments.

We will provide a copy of our Code of Ethics to our Investors, or any prospective investor, upon request, to be viewed on the premises.

#### **Item 12: Brokerage Practices**

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The Manager does not select or recommend broker-dealers for client transactions.

#### **Item 13: Review of Accounts**

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We continuously monitor and analyze the transactions, positions, and investment levels of each Fund to ensure that they conform with the investment objectives and guidelines that are stated in the Fund's Offering Documents. In these reviews, the Manager pays particular attention to any changes in the investment's fundamentals, overall risk management and changes in the markets that may affect price levels.

##### ***Account Reporting***

We perform various periodic reviews of each Fund's portfolio. Such reviews are conducted by our officers.

We will distribute an audited financial report with respect to the previous fiscal year to all Investors within 120 days of fiscal year end. We may also distribute unaudited net asset value

statements on at least a quarterly basis, quarter-end performance reports, and a quarterly investor letter to all Investors.

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**Item 14: Client Referrals and Other Compensation**

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We do not receive economic benefits from non-clients for providing investment advice and other advisory services. Neither we nor any of our related persons, directly or indirectly, compensate any person who is not a supervised person for client referrals.

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**Item 15: Custody**

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We are deemed to have custody of Client funds and securities because we have the authority to obtain Client funds or securities, for example, by deducting advisory fees from a Client's account or otherwise withdrawing funds from a Client's account. Account statements related to the Clients are sent by qualified custodians to LFM.

We comply with Rule 206(4)-2 under the Advisers Act (i.e., the "custody rule") by meeting the conditions of the pooled vehicle annual audit approach. Upon completion of the relevant Fund's annual audit by an independent auditor that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board (PCAOB), we will distribute the Fund's audited financials to Investors within 120 days of such Fund's fiscal year end.

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**Item 16: Investment Discretion**

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We have full discretionary investment authority with respect to the Funds, including the authority to make decisions with respect to which securities to be bought and sold, as well as the amount and price of those securities. Our investment discretion and authority is subject to the limitations set forth in the Client's investment management agreement or the particular Fund's Offering Documents, as applicable.

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**Item 17: Voting Client Securities**

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In compliance with Rule 206(4)-6 under the Advisers Act (i.e., the "proxy voting rule"), we have adopted proxy voting policies and procedures. The general policy is to vote all proxy proposals, amendments, consents or resolutions (collectively, "**Proxies**") in a prudent and diligent manner that will serve the applicable Client's best interests and is in line with the Client's investment objectives. However, although the Manager has proxy voting policies and procedures in place, the Manager does not invest in any publicly traded securities that require the voting of proxy proposals, amendments, consents or resolutions.

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**Item 18: Financial Information**

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We are not required to include a balance sheet for our most recent fiscal year, are not aware of any financial condition reasonably likely to impair our ability to meet contractual commitments to Clients and have not been the subject of a bankruptcy petition at any time during the past ten years.