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**ITEM 1: COVER PAGE**

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**Part 2A of Form ADV: Firm Brochure**

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March 20, 2023

**This brochure (the “Brochure”) provides information about the qualifications and business practices of CRG Fund Manager, LLC (“CRG FM”, “Adviser”, or the “Firm”). If you have any questions about the contents of this brochure, please contact Daniel R. Gilman, the Firm’s Chief Compliance Officer, at 914-420-5323 or [gilmand@realcrg.com](mailto:gilmand@realcrg.com). Additional information about Part 2A Form ADV is available on the SEC’s website at <https://www.sec.gov/about/forms/formadv-part2.pdf>. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

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

**Additional information about CRG FM is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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**ITEM 2: MATERIAL CHANGES**

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This is the Advisers' Annual Amendment to Form ADV for the fiscal year ending December 31, 2022. Since the Adviser's initial Form ADV filed on June 28, 2022, there are no material changes to disclose.

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**ITEM 3: TABLE OF CONTENTS**

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## ITEM 4: ADVISORY BUSINESS

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### **Item 4.A. General Description of Advisory Firm**

CRG FM, a Delaware limited liability company, commenced operations in June 2020 and has been registered with the SEC since July 2022. CRG FM is principally owned by the Robert G. Clark Revocable Living Trust, Shawn H. Clark Revocable Trust, and Christopher P. McKee Revocable Trust. Robert Clark, Shawn Clark and Christopher McKee act as trustees to the aforementioned trusts.

### **Item 4.B. Description of Advisory Services**

CRG FM is an investment management firm that provides advisory services on a discretionary basis to privately offered pooled investment vehicles (each, a “Fund” and collectively, the “Funds” or “Clients”). Each Fund is intended for investment by certain investors (collectively the “Investors” or “Limited Partners” and each an “Investor” or “Limited Partner”) that meet the definition of “accredited investor” as defined under Regulation D of the securities Act of 1933, as amended, “qualified clients” as defined under Section 205-3 of the Investment Company Act of 1940, as amended (the “Company Act”) and/or “qualified purchasers” under Section 2(a)(51) of the Company Act so as to comply with the exemptions under Section 3(c)(1) or Section 3(c)(7) of the Company Act, as applicable to each Fund.

CRG FM’s Funds are:

- CRG GP Fund I, LP, a Delaware limited partnership (“**CRG GP Fund I**”). CRG GP Investment LLC, a Delaware limited liability company, is the general partner to CRG GP Fund.
- CRG GP Fund II, LP, a Delaware limited partnership (“**CRG GP Fund II**”, collectively with the CRG GP Fund, the “**CRG GP Funds**”). CRG GP Investments II, LLC, a Delaware limited liability company, is the general partner to CRG GP Fund II.
- USLF II Partners, LP, a Delaware limited partnership (“**AI Fund**”), and USLF II QP Partners, LP, a Delaware limited partnership (“**QP Fund**”, collectively with the Main Fund, the “**USLF Funds**”). USLF II GP Investors, LLC, a Delaware limited liability company, is the general partner to both the Main Fund and QP Fund.

CRG FM, and their affiliates, represent the real estate services division (“**CRG Real Estate**”) of Clayco, Inc. (“**Clayco**”), a fully integrated real estate development, architecture, design-build construction firm. Utilizing CRG Real Estate’s national platform and proprietary relationships, CRG Real Estate originates institutional quality investment opportunities for industrial, multi-family, student housing and build-to-suit projects. The Funds enter into joint ventures utilizing CRG Real Estate’s established relationships with third-party equity partners (“**Joint Ventures**”). The Funds will make investments through these Joint Ventures.

CRG FM, through an investment management agreement with the Funds, and their affiliates, are responsible for originating, negotiating, structuring and managing the investments for the Funds. CRG FM pursues investments on behalf of the Fund in the following asset classes: (i) speculative and build-to-suit industrial development opportunities in core markets, key logistics corridors, as well as inland ports and seaports ; (ii) multifamily apartment development projects in urban, first ring suburban and transit-oriented development locations with population growth and job growth in the healthcare and education sectors in markets; (iii) student housing development projects in pedestrian oriented sites at first tier state flagship universities in Power Five Conferences; and (iv) build-to-suit office investment and development opportunities for high credit tenants such as larger for Fortune 500 clients.

In addition to the advisory activities for the Funds, CRG FM has, and may again in the future, performed ad hoc advisory services to certain co-investment or special purpose vehicles (“SPVs”). These SPVs are typically created to offer an investor an opportunity that is not otherwise allowed per the restrictions and limitations set for in the governing documents of the Funds. For avoidance of doubt, these SPVs are not considered regulatory assets under management as CRG FM does not perform continuous investment advisory services.

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

The Firm’s investment management and advisory services to each Client are provided pursuant to the terms of their respective private placement memorandum and/or other offering documents, investment advisory agreement, limited partnership agreement, limited liability company agreement, or other governing documents (collectively, the “**Governing Documents**”). The Firm may enter into side letters with investors to the Funds to provide them with special terms related to their investment in a Fund, which are not offered to other investors in the Fund.

#### ***Item 4.D. Wrap Fee Programs***

CRG FM does not participate in a wrap fee program.

#### ***Item 4.E. Regulatory Assets Under Management***

As of December 31, 2022, CRG FM had approximately \$302,800,000 in regulatory assets under management on a discretionary basis. Currently, CRG FM does not manage any Advisory Client assets on a non-discretionary basis, but it may choose to do so in the future.

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### **ITEM 5: FEES AND COMPENSATION**

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#### ***Item 5.A. Description of Compensation Arrangements***

##### USLF Funds

##### **Investment Management Fees:**

CRG FM is entitled to receive from the USLF Funds, an investment management fee (the “**Investment Management Fee**”), payable quarterly in arrears, equal to one and one-half percent (1.5%) of all invested and unreturned capital. CRG FM will make all securities-related investment decisions on behalf of the Fund.

##### **Carried Interest:**

Distributions of cash flow of the USLF Funds to the Partners will be apportioned pro rata in accordance with their respective percentage interests (based on the Partners’ respective capital contributions). The amounts apportioned to the general partner and the affiliated Limited Partners will be distributed to each of them. The amount apportioned to each other Limited Partner, generally, shall be made in the following order of priority:

- First, to such Limited Partner, in proportion to and to the extent of the accrued and unpaid Preferred Return (defined below) of such Limited Partner;
- Second, to such Limited Partner, to the extent of its unreturned capital contributions; and
- Thereafter, (a) eighty percent (80%) to such Limited Partner and (b) twenty percent (20%) to the general partner (the general partner’s “**Carried Interest**”).

#### Acquisition Fee:

Upon the closing of each Investment, the USLF Funds will pay CRG FM (or its designee) a real estate acquisition fee in the amount of one-quarter of one percent (0.25%) of the capital to be invested in such Investment (determined as of the closing of the Investment) (the “**Acquisition Fee**”).

#### Administration Fee:

Upon accepting each Limited Partner’s Commitment, such Limited Partner shall pay CRG FM (or its designee) a one-time administration fee in the amount determined in accordance with the following schedule (the “**Administration Fee**”). CRG FM, or the Fund’s general partner, may waive this fee at their discretion.

Commitment Amount	Administration Fee (as a percentage of Commitment)
Less than \$1,000,000	1.0%
\$1,000,000 and below \$5,000,000	0.5%
\$5,000,000 or more	Fee waived

#### Fund Development Fee:

In connection with the development of each Investment, the USLF Fund will cause the entity that owns the Investment to pay CRG FM (or its designee) a development fee in the amount of one-quarter of one percent (0.25%) of the hard and managed soft costs of such Investment (determined as of the closing of the Investment) (the “**Fund Development Fee**”).

#### CRG GP Funds:

##### Investment Management Fees:

CRG FM is entitled to receive from the CRG GP Funds, as compensation for its services, an investment management fee, payable quarterly in arrears, equal to one and one-half percent (1.5%) per annum based on (A) Commitments through the expiration or termination of the Investment Period, and (B) thereafter on each Limited Partner’s Capital Contributions allocable to Investments or Fund reserves and decreased from time to time (computed on an Investment by Investment basis) to reflect returns of capital relating to Investments that have been disposed of or and write-offs of capital relating to Investments that have been permanently written off.

##### Carried Interest:

Distributable cash representing a return of capital contributions allocable to any investment received by the CRG GP Funds from any Joint Venture will be distributed by the Fund to the Partners quarterly, subject to typical discretionary operating reserves and required liquidity covenants. Distributable cash is generally defined as cash revenues received by the Fund less costs, expenses, capital set aside for follow-on investments, and working capital.

There will be a negotiated hurdle rate with third-party Joint Venture partners of the CRG GP Funds. Any promote or Carried Interest payable by the third-party Joint Venture partners will be distributed twenty-five

percent (25%) to the non-Affiliated Limited Partners and seventy-five percent (75%) to the general partner, the affiliated Limited Partners and their designees.

CRG GP Fund II may also make initial acquisitions for one hundred percent (100%) ownership of a property with the intent to sell partial ownership to a joint venture partner post-closing as a Joint Venture Investment. Such acquisitions may include real property that, at the time of acquisition (i) requires appropriate approvals, permitting, zoning and other entitlements prior to commencing the General Partner's proposed development (each an "**Unentitled Land Investment**"), which the General Partner may elect to sell prior to vertical development, or (ii) is entitled and otherwise has requisite approvals needed for vertical development (each an "**Entitled Land Investment**"), which the General Partner may elect to sell prior to vertical development.

In the event an Unentitled Land Investment is either (i) recapitalized as a Joint Venture Investment, or (ii) following a determination that the Investment is not suitable as a Joint Venture Investment (a) sold or otherwise conveyed to a third-party purchaser prior to vertical development thereof, or (b) sold or otherwise conveyed to an affiliate of the General Partner at fair market value (supported by third-party appraisal or broker opinion of value), distributable cash allocable to such Unentitled Land Investment will be distributed by the Funds to the Investors, subject to funding discretionary operating reserves and satisfying any required liquidity covenants, in the following order of priority:

- First, to the Partners, pro rata and pari passu, until the Limited Partners have earned a 1.2x equity multiple on their Capital Contributions allocable to the Unentitled Land Investment; and
- Thereafter, (a) fifty percent (50%) to the Limited Partners and (b) fifty percent (50%) to the General Partner and Affiliated Limited Partners.

In the event an Entitled Land Investment is either (i) recapitalized as a Joint Venture Investment, or (ii) following a determination that the Investment is not suitable as a Joint Venture Investment (a) sold or otherwise conveyed to a third-party purchaser prior to vertical development thereof, or (b) sold or otherwise conveyed to an affiliate of the General Partner at fair market value (supported by third-party appraisal or broker opinion of value), distributable cash allocable to such Entitled Land Investment will be distributed by the Funds to the Investor, subject to funding discretionary operating reserves and satisfying any required liquidity covenants, in the following order of priority:

- First, to the Partners, pro rata and pari passu, until the Limited Partners have earned a 1.2x equity multiple on their Capital Contributions allocable to the Entitled Land Investment; and
- Thereafter, (a) twenty-five percent (25%) to the Limited Partners and (b) seventy-five percent (75%) to the General Partner and Affiliated Limited Partners.

#### Acquisition, Financing and Disposition Fees:

Any acquisition, financing, or disposition fees paid by third-party Joint Venture partners of the CRG GP Fund will also be shared twenty-five percent (25%) to the non-affiliated Limited Partners and seventy-five percent (75%) to the general partner, the Affiliated Limited Partners and their designee

#### **Item 5.B. Manner of Fee Payment**

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

#### **Item 5.C. Other Fees Clients May be Charged**

Generally, the Funds will pay for all organizational and offering expenses of the Fund and any placement agents fees of placement agents engaged by the general partner. Additionally, the Funds shall be responsible

for all fees and expenses incurred with respect to the business of the Fund (including all costs related to the subscription line facility and the Fund's investment activities whether or not investment transactions are consummated) and shall reimburse the general partner or CRG FM, as applicable, for the reasonable expenses, obligations and other liabilities incurred or paid by the general partner or CRG FM and their affiliates in performing the obligations of the general partner and the CRG FM to the Funds or otherwise providing services to or for the benefit of the Funds.

Third-party expenses attributable to unconsummated transactions and broken deal costs incurred by the general partner, CRG FM and/or their affiliates, and third-party expenses attributable to an investment, including fees, costs, and expenses incurred in the purchase and sale of such Investment will be funded out of the Funds' available cash or from drawdowns from the Limited Partners.

Any capital contributions not deployed in a specific investment (e.g., used for broken deal costs, to pay expenses of the Funds), together with any income or expenses not attributable to a specific investment or otherwise allocated to any investment, will be apportioned among the investments according to any reasonable method selected by the general partner.

#### Property Level Fees:

The Funds and any Joint Venture may engage affiliates of CRG FM and unaffiliated third parties to provide property management, leasing, asset management, construction management, and development services and pay such affiliated and unaffiliated parties market rate fees and expenses for such services.

#### **Item 5.D. *Timing of Fee Payments***

Each Fund will typically pay an investment management fee to CRG FM, which will be accrued in arrears and paid as set forth in Item 5.A. above. Incentive distributions or 'carried interests,' if any, will be paid as set forth in Item 5.A. above. The timing of payments relating to Acquisition, Development, Administration and Disposition Fees will be in accordance with the Fund's Governing Documents.

#### **Item 5.E. *Receipt of Compensation for Sales***

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

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

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

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### **ITEM 7: TYPES OF CLIENTS**

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

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

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

#### USLF Funds

The USLF Funds seek to generate superior risk-adjusted returns by investing as the limited partner in Joint Ventures in opportunistic developments of modern industrial assets in key logistics markets throughout the United States. Each investment is independently underwritten. The USLF Fund target equity investments expected to deliver returns in excess of a net 18% IRR over a projected two to three-year holding period. The USLF Fund, together with co-investors of the Fund and other third-party equity partners, contribute a majority of the total equity required by each Joint Venture. The Fund's investment in each Joint Venture is anticipated to range in size from \$10 million to \$40 million of equity.

CRG FM pursues real estate investments on behalf of the Fund in opportunistic industrial development opportunities in core markets, key logistics corridors, as well as inland ports and seaports throughout the United States with a focus on Seattle, Portland, San Francisco, Los Angeles/Inland Empire, Phoenix, Dallas/Fort Worth, Houston, Tampa. Southern Florida, Atlanta, Chicago, Columbus, Southern New Jersey, Eastern Pennsylvania, Central Pennsylvania and Boston.

The Fund exclusively invests as the equity partner in CRG FM's industrial projects located in the target Markets that meet the following investment criteria (each of which may be waived by a majority of the members of the Fund's Limited Partner Advisory Committee (defined below)):

- Developments larger than 200,000 square feet in building size,
- Not less than \$20,000,000 in total development cost; and
- At least 75% of the Fund's total equity shall be invested in the target markets.

#### CRG GP Funds

The CRG GP Funds seeks to generate superior risk-adjusted returns by investing as the general partner in Joint Ventures with third party equity partners. Each investment is independently underwritten. The CRG GP Funds target equity investments expected to deliver returns in excess of a net 20% IRR over a projected two to five-year holding period. The CRG GP Funds, together with co-investors of the Fund, makes contributions to individual investments between five percent (5%) and a twenty percent (20%) of the total equity required by the Joint Venture, the dollar amounts of which are anticipated to range in size from \$250,000 to \$10 million.

CRG FM pursues investments on behalf of the Fund in the following asset classes:

- Speculative and build-to-suit industrial development opportunities in core markets, key logistics corridors, as well as inland ports and seaports throughout the United States with a focus on Atlanta, Chicago, Central and Eastern Pennsylvania, Columbus, Ohio, Denver, Greenville, South Carolina, New Jersey, Orlando, Phoenix, Portland, Oregon, Salt Lake City, Savannah, Seattle, Southern California, and Tampa.
- Multifamily apartment development projects in urban, first ring suburban and transit-oriented development locations with population growth and job growth in the healthcare and education

sectors in markets such as Atlanta, Austin, Boise, Boston, Charlotte, Chicago, Columbus, Ohio, Dallas, Denver, Houston, Los Angeles, Miami, Minneapolis, Nashville, Oakland, Orlando, Philadelphia, Phoenix, Portland, Oregon, Raleigh-Durham, Richmond, Salt Lake City, San Jose, San Diego, and Washington D.C.

- Student housing development projects in pedestrian oriented sites at first tier state flagship universities in Power Five Conferences such as University of Michigan, University of Washington, Ohio State University, Penn State University, University of Virginia, University of Minnesota, Arizona State University, Virginia Tech University, University of California, Berkeley, University of Texas, Austin, University of Colorado, Boulder, University of Utah, Auburn University, Texas A&M University, University of Central Florida, University of Wisconsin, University of Alabama, Purdue University, UC Davis, UNC, University of Arizona, UCLA, Indiana University, University of Florida, University of Maryland, University of Georgia, University of Nevada, Reno, University of Kansas, University of Iowa, San Diego State University, San Jose State University, Pittsburgh University, Michigan State University, Georgia Tech University, University of Oregon, Boise State University, Iowa State University, University of Cincinnati, University of South Florida, and University of Southern California; and
- Build-to-suit office investment and development opportunities for high credit tenants such as larger for Fortune 500 clients in markets such as Chicago, Kansas City, Pittsburgh, Richmond, Sacramento, San Jose, and St. Louis.

#### **Item 8.B and Item 8.C. *Material Risks Involved for CRG FM's Strategies***

An investment in the Funds is highly speculative and involves a high degree of risk, including the risk of loss of a Limited Partner's entire investment. An investment in the Funds is suitable only for sophisticated investors who fully understand and are capable of evaluating and bearing the risks of an investment in the Funds as a Limited Partner. No guarantee or representation is made that the Funds will achieve its investment objectives or that Limited Partners will receive a return of their capital. Investors in the Funds should read and review the Funds' Governing Documents before making an investment into the Funds.

#### **General Risks**

##### *Force Majeure Events:*

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

##### *Novel Coronavirus Outbreak:*

The outbreak of novel coronavirus in December 2019 will have significant adverse effects on the global and U.S. economy, including (1) closures or cancellations of, or reductions in, productions or operations in affected countries, regions, states and cities, (2) mandatory quarantines and other restrictions on movement, transportation, or travel, (3) decrease in demand for certain products or services, and (4) disruptions to supply chain and other logistical networks. As such, investments in areas affected with the virus may experience significant disruptions to its operations. The extent to which coronavirus will affect the general partner's and the Funds' operations and results will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the coronavirus and the actions taken to contain the coronavirus, among others.

### *Disruptions in the Financial Markets and Changing Economic Conditions:*

The capital and credit markets are subject to volatility and disruption. Turmoil in the capital markets may constrain equity and debt capital available for investment in the real estate market, resulting in fewer buyers seeking to acquire properties, increases in cap rates and lower property values. Furthermore, volatile economic conditions negatively impact real estate fundamentals. Disruptions in the financial markets and deteriorating economic conditions may also impact the market for the Funds' Investments and the volatility of its Investments. The returns available to investors in the Funds' targeted Investments are determined, in part, by: (i) the supply and demand for such Investments and (ii) the existence of a market for such Investments, which includes the ability to sell or finance such Investments. During periods of volatility, the number of investors participating in the market may change at an accelerated pace. As liquidity or "demand" increases, the returns available to investors may increase. Conversely, a lack of liquidity may cause the returns available to investors to decrease. The Funds expect to use leverage to acquire the Investments. If the debt markets deteriorate, the Funds may not be able to obtain debt financing on attractive terms. As such, the general partner may be forced to use a greater proportion of the Funds' offering proceeds as equity to finance acquisitions, reducing the number of investments. The general partner, with the consent of the Limited Partner Advisory Committee, has the right to modify the Fund investment strategies in an effort to optimize its portfolio performance. In addition, if the Funds use leverage to acquire Investments and the value of the Investments declines, the Funds could be forced to dispose of investments at inopportune times to repay debt or use Capital Contributions to repay debt. All of the factors described above could adversely impact the general partner's ability to implement the Fund business strategies and make distributions to investors and could decrease the value of an investment in the Funds.

### *Failure of Counterparties to Perform Obligations:*

In its ordinary course of business, the Firm relies on various counterparties, which include, but is not limited to banks, custodians, and administrators ("Counterparties"). These Counterparties, with which the Firm does business and on behalf of a Fund, may, from time to time, default on their obligations with or without notice. Such defaults include, but are not limited to, a Counterparty's bankruptcy, insolvency, or other failure. A Counterparty's default on their obligations may impact the Firm's or the Fund's ability to conduct its business in the ordinary course. There is a risk of loss of assets on deposit at the Counterparty. Although government agencies or other organizations provide insurance coverage to depositors in the event of a Counterparty failure, coverage is limited to a specified amount and subject to rules and regulations. Prior events where a government agency or other organization stepped in to make depositors whole over their excess deposits at select Counterparties, which may or may not have a current or prior relationship with the Firm or the Fund, should not be construed as a guarantee that such action will be taken in the future. There is no guarantee that any excess deposits are recoverable. In the event of a Counterparty's default, the Firm will work diligently to access its capital and take actions it deems appropriate while acting in the best interest of the Fund. However, the Firm's access to capital is subject to a variety of external factors that are outside of the Firm's control, including the timing of default, a government agency's or other organization's actions, including the timing of the Counterparty's closure, ability to liquidate the Counterparty's assets, or to effect the Counterparty's sale or dissolution, unforeseeable economic factors or market conditions, and the Counterparty's technology infrastructure operating as intended to facilitate access. Furthermore, the Firm's ability to access capital may have an impact on the Firm's and the Fund's ability to conduct operations in the normal course including, but not limited to paying expenses, funding investment opportunities resulting in delayed or missed opportunities, and calling capital from or making distributions to limited partners. Deposits concentrated at one or a limited number of Counterparties may amplify these risks.

### *Changes in Law Regulation of Private Investment Funds*

Legal, tax, and regulatory changes could occur that may adversely affect the Funds at any time during the term of the Funds. The legal, tax, and regulatory environment for private investment ventures is evolving,

and changes in the regulation of such ventures, including changes to existing laws and regulations, may adversely affect the ability of the Funds to pursue their investment strategy, its ability to obtain financing, and the value of Investments held by the Funds. As a result of the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act in the United States Area (the “Dodd-Frank Act”), there have been and will continue to be extensive rulemaking and regulatory changes that will affect private fund managers, the funds that they manage and the financial services industry as a whole. Additionally, under the Dodd-Frank Act, the SEC has mandated new recordkeeping and reporting requirements for investment advisers, which may add costs to the legal, operational and compliance obligations of the Funds and Pine Tree and increase the amount of time, attention, and resources that the Funds and Pine Tree spend on non-investment related activities. The Dodd-Frank Act affects a broad range of market participants with whom may the Funds interact or may interact, including, but not limited to banks, non-bank financial institutions, mortgage brokers, credit unions, insurance companies and broker-dealers. Regulatory changes that will affect other market participants are likely to change the way in which the Funds conduct business with their counterparties.

Parts of the Dodd-Frank Act, including the “Volcker Rule,” may change the landscape of the financial industry. Until the implementation of all such regulatory changes, it is difficult to anticipate the impact on the Funds. It may take years to understand the impact of the Dodd-Frank Act on the financial industry as a whole. For example, the Dodd-Frank Act created an entirely new insolvency regime (“Orderly Liquidation Authority”) for large, interconnected financial companies whose failure poses a systemic risk to the financial stability of the United States (“SIFIs”). The Orderly Liquidation Authority provides for federal receivership proceedings of SIFIs, with extremely broad input and control by federal authorities. When applicable, the Orderly Liquidation Authority will preempt the bankruptcy process under the U.S. Bankruptcy Code and permit the Federal Deposit Insurance Corporation to seize control of the SIFI and proceed to liquidate it. As a result, the rights of creditors, equity holders and counterparties of SIFIs may vary significantly from those afforded under the U.S. Bankruptcy Code. Since many of the rules and regulations necessary for implementing the Orderly Liquidation Authority have yet to be promulgated, the effect on creditors and other stakeholders is subject to some uncertainty. To the extent counterparties of the Funds are SIFIs, the rights of the Funds are subject to and may be impaired by ongoing regulatory developments and may not have the same protections afforded creditors under the U.S. Bankruptcy Code in the case of a counterparty insolvency.

### *Political Environment*

The current U.S. administration’s legislative agenda may include certain regulatory measures for the U.S. financial services industry. Whether any particular legislative or regulatory proposals will be enacted or adopted remains unclear. In addition, it is not possible to determine the full extent of any impact on the Funds of any such potential financial reform legislation, or whether any such proposal will become law. Any changes in the regulatory framework applicable to the Funds may impose additional costs, require the attention of senior management or result in limitations on the manner in which business is conducted, or may ultimately have an adverse impact on the Funds. Additionally, the Funds may accumulate substantial assets that may become involved in or affected by regulatory action or litigation. These risks are often difficult or impossible to predict, avoid or mitigate in advance. Any such legal risk, regulatory action or litigation could have a material adverse effect on the Funds.

### *The United Kingdom and “Brexit”*

The European Union (the “EU”) currently faces potential issues involving its membership and other structural and geo-political matters, including that one or more countries may abandon the Euro and/or withdraw from the EU. The impact of these actions, especially if they occur in a disorderly fashion, is not clear but could be significant and far-reaching. Following the June 2016 referendum vote in the United Kingdom (the “UK”), the UK has, with effect from December 31, 2020, withdrawn from the EU. The UK

and the EU agreed a new trade deal (effective from January 1, 2021) however the full extent of the legal, political and economic impacts resulting from such new trade deal are uncertain. In addition, it is possible that portions of the UK could seek to separate and remain a part of the EU. As a result of the political divisions within the UK, within the EU and between the UK and the EU, and the uncertain consequences of the UK's withdrawal from, and new trade deal with, the EU, the UK and European economies and the broader global economy could be significantly impacted, and may result in increased volatility and illiquidity, and potentially lower economic growth on markets in the UK, Europe and globally, any of which could potentially have an adverse effect on the value of the Funds' investments. The International/Global Funds often invest in UK and European issuers. However, whether or not the Funds invest in securities of issuers located in the UK or Europe or with significant exposure to UK or European issuers or countries, these events could negatively affect the value and liquidity of a Fund investment due to the interconnected nature of the global economy and capital markets.

#### *Direction of Real Estate Market is Unknown*

The U.S. real estate market, along with the broader economy (both in the U.S. and globally), is uncertain (see also "Disruptions in the Financial Markets and Changing Economic Conditions" above). The general partner anticipates that the current environment provides the Funds with opportunities to acquire Investments on favorable terms and prices. However, there can be no guarantee that the elements that determine real estate values, such as tenant creditworthiness and the demand for real estate, will not soften, and the real estate market may suffer declines. Such a scenario could result in the Funds acquiring properties that lose value.

#### *Long-Term Commitment and Consequences of Default*

A Limited Partner's commitment to the Funds are long-term, binding commitments. Limited Partners will be required to bear the financial risks of their investment, including their unconditional obligation to make Capital Contributions to the Funds, for an extended period of time. Capital may be called from Limited Partners on short notice. The failure of a Limited Partner to meet a capital call when due may result in material adverse consequences to the Limited Partner. If the Funds are not otherwise able to obtain sufficient funds to meet its obligations, such default would have material adverse consequences on all Limited Partners, even those that have made all required Capital Contributions to the Funds. These consequences could include the Funds' defaulting on their obligations and the results thereof, including foreclosure or having to sell Investments at reduced values, all of which would adversely affect an investor's returns.

#### *Limited Participation and Communication by Limited Partners*

With the exception of the approval rights granted to the Limited Partner Advisory Committee in the Partnership Agreement, the Limited Partners will have no right or power to participate directly in the management or control of the business of the Funds and thus must depend solely on the ability of the general partner with respect to making Investments. In addition, the Limited Partners will not have an opportunity to evaluate the specific Investments, or the terms of any Investment, made by the Funds.

#### *Restrictions on Transferability and Withdrawal*

The Interests will not be registered under the Securities Act or any state securities laws and may not be transferred unless an exemption from registration under applicable federal and state securities laws is available and the consent of the general partner has been obtained. There is no public market for the Interests and one is not expected to develop. As a result, Limited Partners may be required to hold their Interests for the entire term of the Funds. Consequently, the purchase of Interests should be considered only as a long-term and illiquid investment and Interests should only be acquired by Limited Partners who are able to commit their funds for an indefinite period of time. Each Limited Partner will be required to represent that

it is (a) an “accredited investor” as such term is defined in Regulation D promulgated by the SEC under the Securities Act and that it is acquiring its Interest for investment purposes only and not with a view to resale or distribution, and that it will only sell and transfer its Interests to another investor pursuant to registration or an exemption under applicable federal and state securities laws, and in a manner permitted by the Partnership Agreement, (b) a “qualified client” as defined in Rule 205-3 under the Investment Advisers Act, and (c) for investors in the QP Fund, a “qualified purchaser” as such term is defined in Section 2(a)(51) of the Investment Company Act.

### *Single Closing*

After the Funds have their Initial Closing, there is no assurance that the Funds will have a subsequent closing. If the Funds raise less capital than anticipated, they will likely be less diversified than the general partner intends, which would increase the risk of an investment in the Funds.

### *Third-Party Involvement*

The Funds will co-invest with third parties, through joint ventures or other entities. Such investments involve risks not present in investments where a third-party is not involved, including the possibility that the Funds’ co-venturers in any such investment might suffer financial difficulties or become bankrupt, that any coventurer or partner of the Funds may, at any time, have economic or business interests or goals that are inconsistent with those of the Funds, or may be in a position to take action contrary to the Funds’ investment objectives. The general partner and the Funds may have limited rights with respect to the properties in which the Funds invest with third parties. The Funds’ abilities to protect their position and make decisions with respect to their investments may be limited by the rights of such third parties. For example, if the Funds invest in properties as a partner or a co-venturer with a third-party, the general partner expects such third-party to have approval or consultation rights over certain major decisions recommended by the Funds, and such third-party may be in a position to take action contrary to the instructions or requests of the general partner or contrary to the Funds’ policies or objectives. Further, in the event the Funds invest alongside any third-party limited or equity partners in joint ventures, such third-parties may have customary control and voting rights as well as the ability to remove the CRG FM affiliate from day-to-day management of a joint venture for cause. Such investments may also have the potential risk of an impasse on decisions because neither the general partner nor the applicable third-party would have full control over the applicable venture. The general partner will, however, seek to maintain sufficient control of such ventures to permit the Funds’ objectives to be achieved. Actions by a co-venturer might have the result of subjecting any property owned by or through a joint venture to liabilities in excess of those contemplated by the terms of the joint venture or might have other adverse consequences for the Funds. In addition, the Funds may be liable for actions of the third parties. In certain circumstances, actions of the Funds, the general partner and affiliates of CRG FM may be subject to consent rights or removal right held by third parties, the exercise of which could adversely affect the Funds’ interests, including, without limitation, losses to and claims against the Funds, the forfeiture of some or all management rights, and/or the forfeiture of some or all distributions.

### *Investment Strategy*

The Funds’ current strategies are to make equity investments in a diversified portfolio of real estate assets. Accordingly, the general partner will be required to maintain expertise, relationships and market knowledge across various geographic regions, and will be subject to the market conditions affecting each asset in various markets, including such factors as the local economic climate, business layoffs, industry slowdowns, changing demographics, and local supply and demand issues affecting each such market. The general partner may not be able to develop and maintain the level of expertise, relationships and market knowledge required for the Funds to succeed with this strategy.

### *Unregistered Offering*

In a registered public offering of securities, the SEC or state regulatory authority may review the disclosures, including advertising materials, provided by the issuer and comment upon its compliance with the disclosure requirements of applicable securities laws. Because of the nature of this offering, there are no specific required disclosures (although the anti-fraud provisions of securities laws are still applicable). In addition, in an underwritten public offering, the underwriter will retain separate counsel, and the underwriter and its counsel will perform due diligence on the issuer. While the general partner will perform due diligence on Investments, no party has performed or has been or will be retained to perform due diligence on the Funds, the general partner, or any of its affiliates. Limited Partners must rely on their own knowledge of the market and due diligence in making an informed investment decision.

#### *Investment Company Act and Securities Laws*

The Funds are not registered and do not intend to register as investment companies under the Investment Company Act. Consequently, investors in the Funds will not have certain regulatory protections provided to investors in registered investment companies. Among other things, the Investment Company Act generally requires investment companies to have a minimum of 40% independent directors and regulates the relationship between the investment adviser and the investment company. It is anticipated that the Main Fund will be exempt from such registration in reliance on the exemption from registration contained in Section 3(c)(1) of the Investment Company Act available for issuers that are not making or proposing to make a public offering of securities and whose outstanding securities are beneficially owned by not more than 100 persons, and that the QP Fund will be exempt from such registration in reliance on the exemption from registration contained in Section 3(c)(7) of the Investment Company Act available for issuers that are not making or proposing to make a public offering of securities and whose outstanding securities are owned exclusively by persons who, at the time of acquisition, are believed by the general partner to be “qualified purchasers” as such term is defined and interpreted under Section 2(a)(51)(A) of the Investment Company Act and the Rules associated therewith. The Fund reserves the right to sell its securities to “knowledgeable employees” (as defined in Rule 3c-5 under the Investment Company Act). The Fund may also rely on any other applicable exemption from registration under the Investment Company Act in addition to or in lieu of the Section 3(c)(1) and Section 3(c)(7) exemptions. The Fund intends to obtain appropriate representations and undertakings in order to assure that the conditions of the relevant exemption(s) are met. As discussed below, if the Funds fail to qualify for an exemption or exception or to maintain the Funds’ intended exemptions from the Investment Company Act, the Funds would be required to comply with numerous additional regulatory requirements and operational restrictions that could adversely restrict operations.

#### *Affiliates of the General Partner Could Incur Significant Losses*

The Funds will be dependent on the resources made available to the general partner by its affiliates (including CRG FM) to select Investments and conduct its operations. Adverse developments in the financial health of Clayco and such affiliates could hinder the general partner’s ability to successfully manage the Funds’ operations and Investments. Some of these affiliates may serve as the general partners and/or managing members of other Clayco-sponsored programs and may have contingent liability for the obligations of such programs or may face claims from investors. If such liabilities affected the level of services that the general Partner could obtain from Clayco and its affiliates, the Funds’ operations and financial performance could suffer as well, which would limit the Funds’ ability to make distributions and decrease the value of an investment in the Funds.

#### *Investments Longer Than Term; Inability to Timely Sell Investments*

The Funds may make Investments that may not be advantageously disposed of prior to the date that the Funds will be dissolved. Although the general partner expects that Investments will be disposed of or repaid prior to dissolution, the general partner has a limited ability to extend the term of the Funds. Such

Investments, as a result of dissolution of the Funds, may have to be sold, distributed or otherwise disposed of at a disadvantageous time. In addition, general economic conditions, availability of financing, liquidity in capital markets, interest rates and other factors, including supply and demand, all of which are beyond the general partner's control and which have recently trended in directions that could adversely affect the Funds' operations, affect the real estate market. The general partner may be unable to sell an Investment for the price, on the terms or within the time frame it desires. Such inability to dispose of Investments could reduce the Funds' cash flow and cause the Funds' results of operations to suffer, limiting the Funds' ability to pay distributions to its Limited Partners.

#### *Exemptions under the Federal Securities and State Securities Laws*

The Interests have not been and will not be registered under the Securities Act, or under the securities laws of any state or foreign jurisdiction, but will be offered and sold pursuant to an exemption from such securities registration. Specifically, the offer and sale of Interests is expected to be exempt pursuant to Section 4(a)(2) of the Securities Act, and in particular under the safe harbor provided by Rule 506(c) adopted thereunder, which permits the sale of Interests pursuant to a general solicitation as long as certain conditions are met. One such condition is that the general partner will be required to verify the "accredited investor" status of each prospective purchaser of Interests prior to the acceptance of a subscription therefor, and each prospective purchaser will be required to provide the general partner with such information as, in the general partner's sole discretion, will allow the general partner to do so. The Funds do not intend to register as an investment company under the Investment Company Act, and none of the general partner, CRG FM or any of their affiliates is currently registered as an investment adviser under the Investment Advisers Act. Consequently, investors in the Funds will not have certain regulatory protections provided to investors in registered investment companies or to investors in an investment managed by a registered investment adviser. If the Funds fail to qualify for an exemption or exception from securities registration, or to maintain the Funds' intended exemption from the Securities Act, the Investment Company Act, or applicable state securities or "blue sky" laws, the Funds would be required to comply with numerous additional regulatory requirements and operational restrictions that could adversely restrict operations and reduce distributions to Limited Partners, including registration of the Interests both federally and in each state in which there is a proposed investor in the Funds. If the Funds were obligated to register as investment companies, the Funds would have to comply with a variety of substantive requirements under the Investment Company Act that impose, among other things: (i) limitations on capital structure; (ii) restrictions on specified Investments; (iii) prohibitions on transactions with affiliates; and (iv) compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations that would significantly increase the Fund's operating expenses and potentially limit the Funds' investment opportunities and portfolio. If the Funds were required to register as an investment company but failed to do so, the Funds would be prohibited from engaging in its business, and criminal and civil actions could be brought against the Funds. In addition, the Fund's contracts would be unenforceable unless a court required enforcement, and a court could appoint a receiver to take control of the Fund and liquidate its business.

#### *Compliance with the USA PATRIOT Act of 2001 and the Office of Foreign Assets Control*

The Funds may be subject to the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA PATRIOT Act"), which amends the Bank Secrecy Act and was designed to detect and deter money laundering and terrorist financing activity. The USA PATRIOT Act requires subject businesses to establish anti-money laundering compliance programs that must include policies and procedures to verify investor identity at account opening and to detect and report suspicious transactions to the government. Institutions subject to the USA PATRIOT Act must also implement specialized employee training programs, designate an anti-money laundering compliance officer and submit to independent audits of the effectiveness of the compliance program. Compliance with the USA PATRIOT Act may result in additional financial expenses for the Funds and may subject the Funds to additional liability. The failure of the Funds to comply with regulations of the



Treasury Department's Office of Foreign Assets Control applicable to it could have similar or additional negative consequences to those under the USA PATRIOT Act.

### *U.S. Economic Sanctions Regulation*

Each prospective Limited Partner will be required to represent, among other things, that: (i) it has taken, and shall continue to take until the closing of such prospective Limited Partner's subscription, such measures as are required by law to assure that the funds used to subscribe for Interests in the Funds are derived: (a) from transactions that do not violate U.S. law nor, to the extent such funds originate outside the U.S., do not violate the laws of the jurisdiction in which they originated and (b) from permissible sources under U.S. law and to the extent such funds originate outside the U.S., under the laws of the jurisdiction in which they originated; and (ii) that it is not subject to sanctions under any law, regulation or order administered by the Office of Foreign Assets Control ("OFAC") of the U.S. Department of Treasury, including without limitation Subtitle B, Chapter V of Title 31 of the U.S. Code of Federal Regulations. Should a prospective investor or Limited Partner refuse to provide any information requested for verification purposes, the Funds in their sole discretion may refuse to accept a subscription or may cause the redemption of the Interests held by any such holder. The Funds and their general partner may request such additional information from potential investors or Limited Partners as is necessary or appropriate in order to comply with any law, regulation or order, including those administered by OFAC.

### *Cybersecurity Risk*

With the increased use of technologies such as the Internet to conduct business, Clayco, the Funds and their affiliates are susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyberattacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users).

### Real Estate Investment Risks

#### *General Real Estate Risks*

The Investments will be subject to the risks incident to the ownership and operation of real estate, including risks associated with the general economic climate, local real estate conditions (including the availability of excess supply of properties relative to demand), changes in the availability of debt financing, credit risk arising from the financial condition of tenants, buyers, and sellers of properties, geographic or market concentration, competition from other space, the ability of the general partner or CRG FM to manage the investments, government regulations (such as changes in regulations governing land usage, improvements, zoning, and environmental issues), liability arising out of the presence of certain construction materials, uninsurable losses, and fluctuations in interest rates. The Funds or their subsidiary entities could incur the burdens of ownership of real property, which include paying expenses and taxes, maintaining the Investments, and ultimately disposing of the Investments. The possibility of partial or total loss of capital will exist, and prospective Limited Partners should not subscribe unless they can readily bear the consequences of such loss.

Real estate historically has experienced fluctuations and cycles in value, and local market conditions may result in reductions in the value of real property. The marketability and value of real property will depend on many factors beyond the control of the general partner, including changes in general or local economic conditions in various markets; changes in supply of, or demand for, competing properties in an area; changes in interest rates; the promulgation and enforcement of governmental regulations relating to land

use and zoning restrictions; issues relating to environmental protection and occupational safety; condemnation or other taking of property by the government; unavailability of mortgage funds, that may render the sale of an Investment difficult; the financial condition of tenants, buyers, and sellers of Investments; changes in real estate tax rates and operating expenses; the imposition of rent controls; energy and supply shortages; the availability and cost of property insurance, including insurance covering earthquake and acts of terrorism; and various uninsured or uninsurable risks and acts of God, natural disasters and other uninsurable losses. In addition, general economic conditions, as well as conditions of domestic and international financial markets, may adversely affect the operations of the Funds. Furthermore, should the value of the Funds' Investments decline, the general partner may need to consider disposing of Investments at inopportune times or using Capital Contributions to repay indebtedness in order to maintain compliance with debt covenants. There can be no assurance that there will be a ready market for the resale of Investments, because Investments generally may not be liquid. Illiquidity may result from the temporary interruption, deterioration or abolishment of an established market for the Investments, as well as legal or contractual restrictions on their resale by the Funds. Additionally, partial or complete sales, transfers, or other dispositions of Investments that may result in a return of capital or the realization of gains, if any, are generally not expected to occur for a number of years after an Investment is made. Accordingly, an Investment in the Funds requires a long-term commitment, with no certainty of return.

#### *Risk Associated with Property Acquisitions*

The Funds' acquisition of interests in real property involves many risks including acquiring interests in 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, the Funds' acquisition of interests in a 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 Funds relating to those properties, or if any adverse condition existed with respect to the properties, the Funds might have to pay substantial sums to settle or cure it, which could adversely affect the cash flow and operating results of the Funds.

#### *Real Estate is Illiquid and Value is Dependent on Conditions Beyond the Fund's Control*

The Funds expect to invest in assets that may be subject to varying degrees of risk generally incident to the ownership of real property. Real estate investments are relatively illiquid. Consequently, the ability of the Funds to vary their investments in response to changes in economic and other conditions will be limited. No assurances can be given that the fair market value of any assets acquired by the Funds will not decrease in the future. The underlying value of assets and the Funds' income are dependent upon the ability of it to operate the assets in a manner sufficient to maintain or increase revenues in excess of operating expenses and debt service, and the ability of the lessees to make rent payments. Revenues may be adversely affected by adverse changes in national or local economic conditions, competition from other properties offering the same or similar services, changes in interest rates and in the availability, cost and terms of mortgage funds, the impact of present or future environmental legislation and compliance with environmental laws, the ongoing need for capital improvements (particularly in older structures), changes in real estate tax rates and other operating expenses, adverse changes in governmental rules and fiscal policies, civil unrest, acts of God, including, without limitation, earthquakes, hurricanes and other natural disasters (which may result in uninsured losses), acts of war, adverse changes in zoning laws, and other factors which are beyond the control of the Funds in whole or in part.

#### *Real Estate Investments are Speculative by Nature*

No assurance can be given that the Funds will be able to generate returns for their Limited Partners or that the returns, if any, will be commensurate with the risks of investing in the type of investments made by the Funds. The investments made by the Funds are subject to a wide range of significant risks that could cause such investments to lose value. The investments made by the Funds are speculative in nature and the

possibility of partial or total loss of Limited Partner Capital Contributions exists. Accordingly, an investment in the Funds should only be considered by prospective Limited Partners who are able to withstand a total loss of their investment in the Fund. Furthermore, the Funds' investment return objectives are targets only and there can be no assurance that the Fund will achieve these objectives.

#### *Development and Construction Delays and Increased Costs*

Fund investments will be subject to uncertainties associated with authority approvals required for development, environmental concerns of governmental entities and/or community groups, and the contractor's ability to build or redevelop in conformity with plans, specifications, budgeted costs and timetables. If a contractor fails to perform, the Funds could resort to legal action to rescind the purchase or the construction contract or to compel performance. A builder's performance may also be affected or delayed by conditions beyond the builder's control. Delays in completing construction could also give tenants the right to terminate preconstruction leases that could impair the investments. The Funds may incur additional risks when it makes periodic advances to builders before they complete construction. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could have an adverse effect on the investment and on the amount of funds available for distribution to the Partners or loss of the Funds' investment. In addition, the Funds would be subject to normal lease-up risks relating to developed or refurbished investments. The Funds also must rely on rental income and expense projections and estimates of the fair market value of property upon completion of construction or redevelopment if it were to agree upon a payoff price in lieu of foreclosure.

#### *Local Market Conditions*

The performance of local markets will depend, in part, upon events and factors outside the control of the Funds, including, without limitation, local market and economic conditions which may significantly affect rents and vacancy rates and the value of the Investment. Accordingly, the Funds' performance and their ability to make distributions to the Investors could be materially and adversely affected by market and economic conditions in these geographic areas. The risks that may further affect conditions in these geographic areas include the following: The local economic climate (which may be adversely affected by industry slowdowns, decreases in government spending, and other factors); Downturn in the economy; The local real estate conditions (such as an oversupply of properties); A decline in business growth that adversely affects occupancy or rental rates; The inability or unwillingness of tenants to pay rent increases; An adverse change in local governmental procedures; and The local rental market may limit the extent to which rents may be increased to meet increased expenses without decreasing occupancy rates. Any of these risks could adversely affect the Funds' ability to achieve their desired yields on its Investments and to make expected distributions to the Limited Partners because the Funds' Investments could be impaired.

#### *Competitive Market for Investment Opportunities*

The process of identifying and purchasing Investments is highly competitive and involves a high degree of uncertainty. The Funds will be competing for Investment opportunities with many other real estate investment investors, including individuals, financial institutions (such as mortgage banks, pension funds, and real estate investment trusts), and other funds and institutional investors. Other funds with similar investment objectives may be formed in the future by other unrelated parties. There can be no assurance that the general partner will be able to locate and complete Investments for the Funds that satisfy the Funds' cash flow and rate of return objectives or that the Funds will be able to fully invest its available capital.

#### *Effect of Property Taxes*

Investments of the Funds will be subject to real and personal property taxes and assessments. The real and personal property taxes on an Investment of the Funds may increase or decrease as property tax rates change

and as such Investment is assessed or reassessed by taxing authorities. If property taxes on an Investment increase, the cash available with respect to the Investment may be materially and adversely affected.

#### *Uninsured Losses; Excessively Expensive Premiums for Insurance*

The Funds will cause their development partners to endeavor to obtain coverage of the type and in the amount customarily obtained by owners of similar projects, including comprehensive casualty insurance, liability and fire and extended coverage, in amounts sufficient to permit replacement in the event of a total loss, subject to applicable deductibles. However, there are types of losses, generally catastrophic in nature, such as losses due to wars, acts of terrorism, earthquakes, floods, hurricanes, pollution or environmental matters that are uninsurable or not economically insurable, or may be insured subject to limitations, such as large deductibles or co-payments. Insurance risks associated with potential terrorist acts could sharply increase the premiums the Funds pay for coverage against property and casualty claims. Inflation, changes in building codes and ordinances, environmental considerations and other factors also might make it economically impractical to use insurance proceeds to replace improvements on an Investment if it is damaged or destroyed. Under such circumstances, the insurance proceeds received, if any, might be inadequate to restore the investment with respect to the affected project.

#### *Costs of Complying with Governmental Laws and Regulations, Including Potential Environmental Liability*

Real property and the operations conducted on real property are subject to federal, state and local laws and regulations relating to, among other things, environmental protection, human health and safety and access by persons with disabilities. The Funds could be subject to liability in the form of fines or damages for noncompliance with these laws and regulations if it owns property, even if the Funds did not cause the events(s) resulting in liability.

#### *Environmental Laws Generally*

Environmental laws and regulations generally govern wastewater discharges, air emissions, the operation and removal of underground and above-ground storage tanks, the use, storage, treatment, transportation and disposal of solid hazardous materials, the remediation of contaminated property associated with the disposal of solid and hazardous materials and other health and safety-related concerns. Some of these laws and regulations may impose joint and several liability on tenants, owners or operators of real property for the costs to investigate or remediate contaminated properties, regardless of fault, whether the acts causing the contamination were legal, whether the contamination was present prior to a purchaser's acquisition of a property, and whether an owner knew of such contamination. The tenants' operations can affect the value of an Investment, the conditions of operations in the vicinity of an Investment, such as the presence of underground tanks, or activities of unrelated third parties may affect the value or performance of the Funds' Investments.

#### *Hazardous Substances*

The presence of hazardous substances (on owned real estate and on real estate that is subject to notes owned by the Funds), or the failure to properly remediate these substances, may hinder the Funds' ability to sell, rent or pledge Investments as collateral for future borrowings. Any material expenditures, fines, or damages that the Funds must pay will reduce the Funds' ability to make distributions and may reduce the value of an investment in the Funds. Additionally, compliance with new laws, ordinances or regulations may impose material environmental liability.

#### *Asbestos Containing Materials*

Certain U.S. federal, state, and local laws, regulations and ordinances govern the removal, encapsulation or

disturbance of asbestos containing materials (“ACMs”) when such materials are in poor condition or in the event of construction, remodeling, renovation, or demolition of a building. Such laws may impose liability for release of ACMs and may provide for third parties to seek recovery from owners or operators of real property for personal injury associated with ACMs. In connection with its possible ownership and operation of real estate acquired after an Investment defaults, the Funds may incur costs associated with the removal of ACMs or liability to third parties.

#### *Poor Air Quality at the Funds’ Properties Could Result in Costly Investigations and Remediation*

Complaints about poor indoor air quality at properties owned by the Funds could necessitate costly investigation and remediation activities. Indoor air quality issues can stem from inadequate ventilation, chemical contaminants from indoor or outdoor sources and biological contaminants such as bacteria, molds, pollen and viruses. Chemical contaminants, including volatile organic compounds, naturally emanate from common indoor sources such as adhesives, carpeting, upholstery, manufactured wood products, copy machines, pesticides and cleaning agents. Outdoor contaminants such as pollutants from motor vehicle exhaust, plumbing exhaust and building exhausts can also enter buildings through air intake vents, windows and other openings. In addition, bacteria, molds, pollen and viruses may grow in moisture that accumulates in buildings or on building materials, particularly if the moisture problem remains undiscovered. Indoor exposure to chemical or biological contaminants above certain levels can cause a variety of health effects and symptoms in susceptible individuals, which the popular press sometimes dubs “sick building syndrome” or “building related illnesses.” If these conditions were to occur at one of the Fund’s properties, the Fund may need to undertake a targeted remediation program, including steps to increase indoor ventilation rates and the installation of high performance air filters and/or absorbent beds. Such remediation programs could be costly, necessitate the temporary relocation of some or all of the property’s tenants or in extreme cases require extensive rehabilitation of the affected property.

#### *Americans with Disabilities Act*

It is likely that any property acquired by the Funds will be required to comply with the Americans with Disabilities Act (the “ADA”), subject to the local municipality’s interpretation of ADA and ordinances and practices with respect to compliance with the ADA. The ADA requires that “public accommodations” such as apartment buildings be made accessible to people with disabilities. Compliance with the ADA requirements could require removal of access barriers, and non-compliance could result in imposition of fines by the U.S. government or an award of damages to private litigants, or both, which could be imposed upon the Funds or issuers of debt held by the Funds. The Funds may be required to expend funds to comply with the provisions of the ADA, which could adversely affect the Funds’ abilities to make distributions.

#### *Other Regulations*

The Funds will be required to operate any properties it owns in compliance with fire and safety regulations, building codes and other land use regulations, as they may be adopted by governmental agencies and bodies and become applicable to the Funds’ properties. The Funds may be required to make substantial capital expenditures to comply with those requirements, and these expenditures could adversely affect the Funds’ performance and their ability to make distributions.

#### *Due Diligence May Not Reveal All Conditions*

The general partner will perform due diligence on each Investment prior to its acquisition. Regardless of the thoroughness of the due diligence process, not all circumstances affecting the value of an Investment can be ascertained through the due diligence process. If the materials provided to the general partner are inaccurate, if the general partner does not sufficiently investigate or follow up on matters brought to its attention as part of the due diligence process, or if the due diligence process fails to detect material facts

that impact the value determination, the Funds may acquire an Investment that results in significant losses to the Funds or may overpay for an Investment, which would cause the Funds' performance to suffer.

#### *Risk of Unidentified Investments*

Other than may be expressly disclosed, no specific investment for the Funds have been identified by the general partners. Consequently, there is no information as to the nature and terms of particular investments that an investor can evaluate when determining whether to invest in the Funds. Investors will generally not have an opportunity to evaluate for themselves or to approve the Funds' investments, but must rely solely on the general partner with respect to the selection, amount, character and economic merits of each investment. In addition, because the Funds will make that over an extended period of time, and may acquire investments that cannot easily be sold or whose underlying value cannot readily be realized (if at all), the Funds will be subject to the risks of adverse changes in long-term interest rates and in the real estate market generally.

#### *Pre-Emptive Rights of Third Parties*

The Funds are subject to pre-emptive equity rights held by certain present third-party partners of Clayco and its affiliates in the geographic areas. Accordingly, there may be instances in which the Funds are unable to participate in investment that would otherwise be suitable for investment by the Funds.

#### *Competitive Nature of Real Estate Industry*

The real estate industry is highly competitive with relatively low barriers to entry. The Funds will face competition in the real estate industry. The Funds will compete with numerous national, regional, and local developers, owners and operators in the real estate industry, some of which will have greater capital resources, cash reserves and ability to borrow funds to acquire properties. This competition for investments may reduce the number of suitable investment opportunities available to the Funds, may increase acquisition costs and adversely affect the Funds' financial performance.

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

In connection with the disposition of an investment, the Funds may be required to make certain representations and warranties and to indemnify the purchaser if any of such representations and warranties are inaccurate. These arrangements may create contingent liabilities of the Funds, for which the general partner may establish reserves or escrows.

#### *Short Term Investments*

Working capital, as well as the net proceeds from the sale or financing of a property or the issuance of interests in the Funds, may be invested in short-term investments pending the application thereof to Investments. The investment returns from these short-term investments is likely to be lower than the investment returns from Investments.

#### *Litigation at the Property Level*

The acquisition, ownership and disposition of real properties carry certain specific litigation risks, which could result in losses to the Funds. Litigation may be commenced with respect to a property acquired by the Funds or its subsidiaries in relation to activities that took place prior to the Funds' acquisition of such property. In addition, at the time of disposition for an individual property, a potential buyer may claim that it should have been afforded the opportunity to purchase the asset or alternatively that such buyer should be awarded due diligence expenses incurred or statutory damages for misrepresentation relating to disclosures made, if such buyer is passed over in favor of another as part of the Funds' efforts to maximize

sale proceeds. Similarly, successful buyers may later sue the Funds under various damage theories, including those sounding in tort, for losses associated with latent defects or other problems not uncovered in due diligence.

### *General Market Conditions*

The investment strategy for certain assets may rely, in part, upon the U.S. and global economic local market recoveries or economic rent growth during the term of the Investment. No assurance can be given that any such markets will recover or provide economic rent growth since this will depend, in part, upon events and factors outside the control of the Funds or the general partner. September 11, 2001, the U.S. Response and Future Possible Terrorist Attacks The terrorist attacks in the United States on September 11, 2001, and the U.S. military response in Afghanistan and Iraq, the threat or occurrence of terrorist attacks in the future, and the United States' military, economic and political response to terrorism may have material consequences on the global economy. The general partner is not able to predict the extent, severity or duration of the effect of any past or future terrorist attacks and related events or quantify the impact that these events may have on investment objectives or the real estate markets where the properties underlying Funds Investments are located.

### General Investment Risks

#### *No Assurance of Investment Return*

No assurance can be given that the Funds will be able to generate returns for its investors or that the returns, if any, will be commensurate with the risks of investing in the type of investments made by the Funds. Investments made by the Funds are subject to a wide range of significant risks that could cause such investments to lose value. The investments made by the Funds are speculative in nature and the possibility of partial or total loss of capital will exist. Accordingly, an investment in the Funds should only be considered by Persons able to withstand a total loss of its investment. Furthermore, the Funds' investment return objectives are targets only and there can be no assurance that the Funds will achieve these objectives.

#### *Unspecified Investments*

There can be no assurance that the general partner will be able to identify Investments on satisfactory terms, or that any of the properties or other investment opportunities identified by the general partner will ultimately be purchased by the Funds. Identifying attractive investment opportunities and performing due diligence with respect to prospective investments will require significant expenditures that will be borne by the Funds whether or not the investment is made. In addition, acquiring investments may require the Funds to participate in a significant number of auctions or other forms of competitive bids, which are also expected to require significant expenditures, including expenses relating to legal fees and the fees of third-party advisors. Moreover, even if Investments are made, the returns may not be realized by the Partners for a period of several years.

#### *Identification of Suitable Investments*

The success of the Funds as a whole depends on the identification and availability of suitable investments. The availability of Investments will be subject to market conditions and other factors outside the control of the Funds and the general partner. Moreover, the historical performance of any Investment is not a guarantee or indication of its future performance.

#### *Lack of Diversification*

There is no assurance as to the degree of diversification that will be achieved in the assets underlying the Funds' Investments, either by geographic region or asset type. Notwithstanding such requirement, the

Funds' Investments may be concentrated in a single geographical location and will be invested solely in commercial properties. In addition, the Funds may invest in a limited number of Investments or in one or more very large Investments, and as a consequence, the aggregate returns realized by the Funds may be adversely affected by the performance of a small number of such assets. For example, if the Funds makes an Investment with the intent of refinancing or selling a portion of the Investment, there is a risk that the Funds will be unable to successfully complete such refinancing or sale. This could lead to increased risk as a result of the Funds having an unintended long-term Investment and reduced diversification. The Funds may also be less diversified if it raises less capital than anticipated.

#### *Alternative Investment Vehicles*

To the extent necessary to address tax or regulatory considerations, the general partner has the authority to structure investments through alternative investment vehicles other than the Funds. The rights of the Limited Partners as investors in, and the obligations and duties of the general partner as general partner or manager of, the alternative investment vehicle may differ from those applicable to the Funds by virtue of the specific terms, or jurisdiction of establishment of, the alternative investment vehicle. In addition, the structural attributes of certain alternative investment vehicles may result in divergent return characteristics for certain Partners.

#### *Dilution from Subsequent Closings*

Limited Partners subscribing for Interests at subsequent closings and Limited Partners increasing their Commitment will participate in existing Investments of the Funds, diluting the interest of existing Limited Partners therein. Although such Limited Partners will contribute their pro rata share of previously made Funds Capital Contributions (plus interest thereon), there can be no assurance that this payment will reflect the full fair value of the Funds' existing Investments at the time such additional Limited Partners subscribe for Interests in the Funds. In addition, with respect to a subsequent closing at which the amount to be contributed by any Limited Partner being admitted is determined based on the current fair market value of the Funds' assets less debt (instead of using the amount of the Capital Contributions of the previously admitted Partners), there can be no assurance that the fair market value is correct. No independent appraisal will be used in determining such fair market value used for determining the Capital Contributions of Limited Partners admitted at such subsequent closing.

#### *Separate Agreements with Limited Partners*

The general partner may, in its sole discretion, enter into agreements on behalf of the Funds that modify or supplement a Limited Partner's rights and obligations with respect to its investment in the Funds (each such agreement, a "Side Letter"). There is no "most favored nations" clause applicable to all the Limited Partners generally, and no Limited Partner shall be entitled (except as provided in such Limited Partner's Side Letter) to any rights or obligations agreed to by the general partner with another Limited Partner in such other Limited Partner's Side Letter.

#### *Liquidity Issues*

The Funds' Investments will be illiquid for a considerable period of time. Illiquidity may result from the absence of an established market for the particular Investment. The inability to timely dispose of underperforming Investments may have a material adverse effect on the performance of the Funds.

#### *Exculpation and Indemnification*

Certain exculpation and indemnification provisions contained in the Partnership Agreement limit the rights of action otherwise available to the Limited Partners and other parties against the general partner, and/or any employees and affiliates of the general partner absent such provisions in the Partnership Agreement.



The general partner and its affiliates do not have fiduciary duties to the other Limited Partners except as described in the Partnership Agreement.

#### *Indemnification; Liability for Returns of Distributions*

If the Funds are unable otherwise to meet its indemnity obligations, the Limited Partners may be required to repay to the Funds distributions previously received by them; provided, that such return of distributions shall be (a) limited to the distributions made to such Limited Partner in the prior two (2) year period, and (b) limited to 25% of the Commitment of such Limited Partner. In addition, Limited Partners may be required to pay to the Funds amounts that are required to be withheld by the Funds for tax purposes to the extent such withholding payment obligations are greater than the offset distributions. In connection with the disposition of an Investment, the Funds may be required to make representations about its assets typical of those made in connection with the sale of any property. The Funds may also be required to indemnify the purchasers of such Investment to the extent that any such representations turn out to be inaccurate, incorrect, or misleading. These arrangements may result in contingent liabilities, which might ultimately have to be funded by the Limited Partners to the extent that the Limited Partners have received prior distributions from the Funds or have Unfunded Commitments.

#### *Significant Penalties for Default*

Prospective investors should be aware that failure by a Limited Partner to make a Capital Contribution in response to a capital call will result in numerous adverse consequences to the Limited Partner and that any such failure may ultimately require the non-defaulting Limited Partners to contribute the amount of the shortfall resulting from such Limited Partner's failure to make a Capital Contribution.

#### *Limited Transferability of Interests*

The Interests are considered "restricted securities" and generally not transferable except with the consent of the general partner, which may be granted or withheld in its sole discretion. In addition, the Interests will not be registered for public sale under the Securities Act or any other securities law and the Funds have no intention of registering the Interests in the future. There is no market for Interests in the Funds and none are expected to develop. The Interests may not be resold, transferred or otherwise disposed of by the Limited Partners except in compliance with the transfer restrictions included in the Partnership Agreement. Therefore, each prospective investor must consider its investment to be illiquid and in accordance with applicable securities laws.

#### *Lack of Registration Under the Commodity Exchange Act; Interest Rate Risk*

Without the consent of the Limited Partner Advisory Committee, (1) the Funds may use interest rate swaps and caps solely to hedge against any interest rate exposure resulting from rising interest rates and only to the extent that it obtains floating rate indebtedness to finance its acquisitions, and (2) the Funds will not otherwise engage in commodities trading. While the Funds' general partners do not currently plan to register as a CPO, it may do so in the future to among other things increase the amount of interest rate hedges which it may establish in an attempt to hedge the Funds against interest rate risk. Unlike a registered CPO, the Funds' general partners will not be required to deliver a CFTC disclosure document and a certified annual report to the Limited Partners. If the Funds' general partners choose not to register as a CPO and instead chooses to rely completely on the de minimis exemption, the Funds may be subject to significant interest rate risk since the exemption will limit the total amount of interest rate hedges which the Funds may establish. As a result, the Funds and investors in the Funds may be subject to losses due to such interest rate risk exposure. In addition, CRG FM is currently claiming exemption from registering with the CFTC under the Commodity Exchange Act as a CTA in reliance on an exemption pursuant to CFTC Rule 4.14(a)(10). Because neither the Funds' general partner nor CRG FM are currently registered under the

Commodity Exchange Act, Limited Partners may not have benefit of any protections that would be afforded to them by virtue of such registrations.

### *Hedging Transactions*

The Funds may (but is not required to) pursue various hedging strategies to seek to reduce its exposure to losses from adverse changes in interest rates. The Funds may do so or refrain from doing so in the General Partner's sole discretion. The Funds' hedging activity will vary in scope based on the level and volatility of interest rates, the type of assets held and other changing market conditions. Interest rate hedging may fail to protect or could adversely affect the Funds because, among other things: interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates; available interest rate hedges may not correspond directly with the interest rate risk for which protection is sought; the duration of the hedge may not match the duration of the related liability; early termination of the hedge may result in breakage costs payable by the Funds; the credit quality of the party owing money on the hedge may be downgraded to such an extent that it impairs the Funds' ability to sell or assign the Funds' side of the hedging transaction; the party owing money in the hedging transaction may default on its obligation to pay; and the Funds may not hedge and be at the risk of increased interest payments on its debt obligations.

Furthermore, the general partner is currently claiming exemption from registering as a CPO pursuant to the CFTC Rule 4.13(a)(3) de minimis exemption. This exemption will limit the amount of interest rate hedges which the general partner may establish on behalf of the Funds and may subject the Funds to increased interest rate risk. While the general partner does not currently plan to register as a CPO, the general partner may do so in the future if it determines that it is in the best interests of the Funds to increase the amount of interest rate hedging in which it may engage in an attempt to hedge the Funds against interest rate risk.

### *Regulation of Swaps and Swap Participants*

Under the Commodity Exchange Act and the rules and regulations thereunder, the use of interest rate swaps for hedging purposes could subject the Funds to significant regulation. The Dodd-Frank Act amended the Commodity Exchange Act to require certain interest rate swaps to be cleared by a derivatives clearing organization (a "DCO") or to be traded through a designated contract market or swap execution facility (a "SEF"), and, in each case, such entities require daily margin which is generally established by such entities in their sole discretion. Due to these requirements imposed by the Dodd-Frank Act, the Funds may experience increased transaction costs to pay for the clearing, execution and segregation obligations. In addition, daily margin requirements may be increased by a DCO, a designated contract market or a SEF in their sole discretion, and such margin postings may limit the Funds' ability to engage in interest rate swaps and limit the Funds' returns either through the increased cost of hedging or through an inability to be effectively hedged against interest rate risk. Additionally, if the Funds were to enter into uncleared swap transactions, the Funds could be subject to regulatory margin requirements implemented by various jurisdictions for uncleared derivatives transactions based on the framework published by the Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions (IOSCO). The BCBS-IOSCO Framework was to be phased in over a period of five years beginning September 1, 2016, and margin requirements based on the Framework have been proposed or adopted in various countries including the United States. On April 3, 2020, BCBS and IOSCO announced that, due to the impact on the global financial system of the outbreak of novel coronavirus, they have deferred until September 1, 2021 and September 1, 2022, respectively, the final two phases of the Framework.

### Certain Management Related Risks

#### *Dependence on Clayco*

The ability of the general partner to manage the affairs of the Funds currently depends on its management.

The general partner will have access to and rely upon Clayco's acquisition, finance, development management and asset management platform pursuant to a contractual agreement with Clayco and CRG FM. The general partner will be relying extensively on the diligence, skill, judgment, reputation and business contacts of executives of Clayco and CRG FM and other key personnel. There can be no assurance that any such person will be able to carry on his or her respective current duties throughout the term of the Funds. In addition, the Funds' future success will depend upon the ability of Clayco and CRG FM to retain the services of key personnel and to recruit additional qualified personnel. The departure for any reason of any of the most senior professionals, or a significant number of other investment professionals, could have a material adverse effect on the Funds' ability to achieve its investment objectives. Any adverse developments at the general partner could adversely impact the Funds' business and prospects. The market for qualified real estate professionals is extremely competitive, and Clayco and/or CRG FM may fail to effectively replace current personnel who depart with qualified or effective successors.

#### *Reliance on Management*

The general partner has discretionary authority to identify, structure, acquire, finance and dispose of the Funds Investments and, in doing so, has no responsibility to consult with any Limited Partner. Accordingly, the Limited Partners will have no authority to direct the investment of the Funds and must depend entirely on the investment skills and abilities of the general partner and its employees. Limited Partners will not be able to evaluate for themselves the merits of such small Investments prior to or after the Funds invests.

#### *Other Obligations of the Officers, Key Persons and Personnel of the General Partner*

Although the Key Persons will be required to devote a requisite portion of their respective business time and effort to the Funds during the Investment Period, they will not be required to devote all of his working time to the business and/or affairs of the Funds. The working time of the Key Persons may be subject to prior commitments to other business activities, including previous investments and investment vehicles, and potential future commitments to other business activities, investments and investment vehicles, some of which may be competitive to some or all of the Funds' activities and/or assets. However, in the event of a Key Person Event, the Investment Period shall automatically be suspended and no further new Investments shall be made during such suspension period except for transactions in process and contractual obligations of the Funds or any subsidiary of the Funds.

#### Tax Risks

Certain federal income tax considerations applicable to this offering by the Funds are summarized in the governing documents. This discussion does not take into account any prospective investor's particular financial or tax situation and assume an investor is sophisticated in tax matters or has retained its own tax advisors regarding possible U.S. federal, state, local and foreign tax consequences of an investment in the Funds. Each Limited Partner should consult with its own tax advisors concerning all tax consequences arising from its investment in the Funds and should review the governing documents for a more detailed discussion of certain U.S. federal income tax considerations.

#### *No Internal Revenue Service Rulings*

The Funds will not seek rulings from the Internal Revenue Service (the "IRS" or "Service") with respect to any of the tax considerations discussed. Thus, positions to be taken by the IRS as to tax consequences could differ from positions taken by the Funds.

#### *Partnership Adjustments*

The Funds may take positions with respect to certain tax issues that depend on legal conclusions not yet addressed by the courts. Should any such positions be successfully challenged by the IRS or another

applicable taxing authority, there could be a material adverse effect on the Funds, and a Limited Partner might be found to have a different tax liability for that year than that reported on his or its U.S. federal income tax return with respect to such Limited Partner's Interest in the Funds. An audit of the Funds could result in adjustments to the tax consequences initially reported by the Funds and may result in an audit of the tax returns of some or all of the Limited Partners, which examination could affect items not related to a Limited Partner's Interest in the Funds. If audit adjustments result in an increase in a Limited Partner's U.S. federal or state income tax liability for any year, such Limited Partner may also be liable for interest and penalties with respect to the amount of underpayment. The legal and accounting costs incurred in connection with any audit of the Funds' tax returns will be borne solely by the Funds. The cost of any audit of a Limited Partner's tax return will be borne solely by such Limited Partner. For tax years beginning after December 31, 2017, the Bipartisan Budget Act of 2015 significantly changed the procedures for auditing the tax returns of partnerships. Under the law as it existed for years prior to 2018, following an audit of a partnership's tax return, each individual partner would be liable for its allocable share of any underreported income for the year under examination. Under the new law, the partnership itself will generally be liable for the tax attributable to adjustments made pursuant to the audit. Thus, it is possible that the additional tax will be borne by the partners based on their ownership interests in the year in which the additional tax is assessed, even though the tax relates to an earlier year in which the Interests may have been owned by different partners or in different percentages. Moreover, the tax rate charged to the partnership is the maximum rate applicable to an individual or corporation (rather than the actual rates payable by each partner). The new law provides two methods of assigning responsibility to the partners based on their partnership interests in the particular year under audit. First, if the persons who owned Interests in the particular year under audit (the "reviewed year partners") file amended tax returns and pay the additional tax, then the partnership will not be responsible for the tax. Second, the partnership may elect to pass through the tax adjustments to the reviewed year partners. If the partnership makes this election, the partnership is not responsible for the additional tax and each of the reviewed year partners will owe additional tax for the current year along with interest on the additional tax, but the interest rate will be 2% higher than the normal interest rate. There are many questions relating to these new audit rules and the recent regulations implementing the new law.

#### *Unrelated Business Taxable Income*

As a result of the Funds' investment management business of managing the Joint Ventures and/or Vehicles and its incurrence of leverage, an investment in the Fund is expected to result in the recognition by tax-exempt investors of "unrelated business taxable income" as such term is defined in the Code ("UBTI") (which is subject to taxation at rates applicable to taxable investors and may also be subject to state and local taxation), perhaps in material amounts. UBTI would also result for a Limited Partner who borrowed (or is deemed to have borrowed) the funds used to make Capital Contributions to the Fund (or to acquire an Interest in the Fund from another Partner). The general partner will not be liable for, or otherwise has any obligation to mitigate, the recognition of any UBTI by an investor with respect to an investment in the Funds. Each investor should consult with its own tax advisor regarding all U.S. federal, state, local and foreign tax considerations applicable to an investment in the Funds.

#### *Possible Legislative or Other Developments*

All statements contained concerning the U.S. federal income tax (or other tax) consequence of any investment in the Funds are based upon existing law and the interpretations thereof. Recent or future changes in U.S. federal income tax law could materially affect the tax consequences of a Limited Partner's investment in the Funds, and the tax treatment of the Funds' Investments. While some of these changes could be beneficial, others could negatively affect the after-tax returns of the Funds and the Limited Partners. Therefore, no assurance can be given that the currently anticipated income tax treatment of an investment in the Funds will not be modified by legislative, judicial or administrative changes, possibly with retroactive effect, to the detriment of the Limited Partners. Recently enacted legislation changes the U.S. taxation of U.S. taxable investors, tax-exempt investors and non-U.S. investors. Among

other changes, this legislation modifies the taxation of investments in flowthrough entities conducting an operating business, imposes new limitations on various types of deductions (particularly for U.S. individual taxpayers), limits the deductibility of interest expense for investors in flowthrough entities and imposes new limits on the use by tax-exempt investors of losses from unrelated business activities. The full implications of the recent legislation for investors and investments are not yet clear. Accordingly, there can be no assurance that the recent legislation or subsequent legislation, regulations and interpretations thereof will not have an adverse effect on the Funds' investment performance or any investor's after-tax returns from the Funds.

### *Reportable Transactions*

Under Treasury regulations, certain activities of the Funds may cause the Funds to be deemed to engage in one or more "reportable transactions," requiring the Funds and each Limited Partner, respectively, to file information returns with the Service. Although the general partner does not intend to engage in any reportable transactions, such transactions are, nevertheless, possible. The general partner will use commercially reasonable efforts to cause the Funds to give notice to all Limited Partners of any reportable transaction of which it becomes aware in the annual tax information provided to Limited Partners in order for the Limited Partners to file their tax returns. Limited Partners should consult with their own advisors concerning the application of these reporting obligations and any similar state and local tax reporting requirements to their specific situations.

### *Filings and Information Returns*

The general partner will use commercially reasonable efforts to cause all tax filings to be made in a timely manner (taking permitted extensions into account); however, investment in the Funds may require the filing of tax return extensions and filing in multiple jurisdictions by Limited Partners if composite state returns are not filed by the Funds. Limited Partners may have to file one or more tax filing extensions if the Funds does not deliver Schedules K-1 by the due date of the Limited Partners' returns. Although the general partner will attempt to cause the Funds to provide Limited Partners with estimated annual federal tax information prior to April 15th as long as the Funds' taxable year is the calendar year, the Funds may not obtain annual federal tax information from all its investments by such date and tax return extensions may be required to be filed by Limited Partners. Moreover, although estimates will be provided to the Limited Partners by the Funds in good faith based on the information obtained from the investments, such estimates may be different from the actual final tax information and such differences could be significant, resulting in interest and penalties to the Limited Partners due to underpayment of taxes or loss of use of funds for an extended period of time due to overpayment of taxes. The general partner shall have the right, but not the obligation, to file composite state tax returns for the benefit of Limited Partners that elect to participate in the filing of such returns.

### *State and Local Taxes*

By investing in the Funds, investors may be subject to taxation (and may be required to file tax returns) in any state or locality in which the Funds own property or does business. An investor's income or loss from the Funds generally will be required to be included in determining his or her reportable income for state and local tax purposes. In addition, there may be mandatory or optional tax withholding with respect to investors who are not residents of the state in which the Funds (or any entity in which it invests) owns property or does business. The general partner shall have the right, but not the obligation, to file composite state tax returns for the benefit of Limited Partners that elect to participate in the filing of such returns. Finally, the Funds themselves may be subject to state and/or local tax.

### *Effectively Connected Income, FIRPTA, and State Tax Withholding*

The Funds are expected to be treated as engaged in a U.S. trade or business for U.S. federal income tax

purposes, including by reason of its investment management business related to the management of the Joint Ventures and/or Vehicles and investments in U.S. real property interests. Accordingly, an investment directly in the Fund is expected to result in income to non-U.S. investors that is effectively connected with a U.S. trade or business (“ECI”), or income that is treated as ECI pursuant to the Foreign Investment in Real Property Tax Act (“FIRPTA”). A federal withholding tax, generally at the highest marginal tax rate, will be imposed on a non-U.S. Limited Partner’s allocable share of such ECI (whether or not such income is distributed). There also may be state or local tax withholding. Limited Partners that are non-U.S. corporations may also be subject to an additional 30% U.S. “branch profits tax” on any ECI. In such case, each non-U.S. investor will be required to file a U.S. federal (and possible state and local) income tax return reporting the amount of such income.

#### *Avoiding Publicly Traded Partnership Status*

No transfer of an Interest may be made if it would result in the Funds being treated as a publicly traded partnership under the Code. The general partner may impose time-delay and other restrictions on transfers if necessary or advisable to avoid the Funds’ publicly traded status, as determined in reasonable discretion of the general partner.

#### *Use of REITs*

The Funds may hold investments in, or investors may hold their investments through, entities that intend to qualify for tax treatment as REITs. A REIT is subject to various complex qualification requirements, including quarterly requirements relating to the nature of its gross assets, annual gross income tests, minimum distribution requirements and requirements relating to the composition of its shareholders. Meeting, or attempting to meet, these requirements may preclude an entity from maximizing its potential pre-tax profits. There can be no assurance that an entity will be able to qualify, or remain qualified, as a REIT. To the extent that an entity fails to qualify as a REIT, it will be subject to U.S. federal income taxes, without any deduction for dividend payments, which could have an adverse effect on investors that hold a direct or indirect interest therein. Even if an entity qualifies as a REIT, it will be subject to income tax on any income that it does not distribute, and may be subject to excise taxes, other taxes and penalties.

#### ERISA Risks

##### *Plan Asset Risks*

The Funds will be structured and operated in a manner intended to avoid holding the “plan assets” of Benefit Plan Investors with the general partner being required to use commercially reasonable efforts to comply with one or more exceptions provided under Section 3(42) of ERISA and the Plan Asset Regulations. The general partner will attempt to qualify for an exception provided for entities in which Benefit Plan Investors will hold less than 25% of the total value of each class of equity interests in the Funds. To qualify for this exception, the general partner may limit the investment in the Funds by Benefit Plan Investors, which in certain circumstances could have the result that (i) transfers of Interests would be limited or (ii) the Interests of some investors would be subject to mandatory redemption. There can be no assurance that the Funds will avoid holding plan assets under the foregoing exceptions. If the underlying assets of the Funds were to be considered plan assets of a Benefit Plan Investor, the general partner would be an ERISA fiduciary and the Funds would be subject to certain fiduciary requirements of ERISA with which it would be difficult for the general partner to comply.

##### *Fiduciary Risks*

There are special considerations that apply to investing in the Funds on behalf of a pension, profit sharing, 401(k), Keogh or other qualified retirement plan (or a trust or entity holding the assets of such a plan) or an individual retirement account (“IRA”). IRAs should not invest in the Funds unless they do so through a

Blocker Entity (otherwise the IRA will have UBTI). Each fiduciary or other person investing the assets of such an employee benefit plan in the Funds should determine that:

- the investment is consistent with such person's fiduciary obligations under applicable law, including common law, ERISA and the Internal Revenue Code;
- the investment is made in accordance with the documents and instruments governing the trust or the plan or IRA, including a plan's investment policy;
- the investment satisfies the prudence and diversification requirements of Sections 404(a)(1)(B) and 404(a)(1)(C) of ERISA, if applicable and other applicable provisions of ERISA and the Internal Revenue Code;
- the investment in the Funds, which is generally an illiquid investment, is consistent with the liquidity needs of the plan or IRA, and such liquidity needs can be satisfied out of other assets of the plan or IRA;
- the fiduciary will be able to value the assets of the plan annually in accordance with any applicable ERISA requirements and applicable provisions of the plan or IRA; and
- the investment will not constitute a prohibited transaction under Section 406 of ERISA or Section 4975 of the Internal Revenue Code.

Failure to satisfy the fiduciary standards of conduct and other applicable requirements of ERISA, the Internal Revenue Code, or other applicable statutory or common law may result in the imposition of civil and criminal penalties and can subject the fiduciary to equitable remedies. In addition, if an investment in the Funds constitutes a prohibited transaction under ERISA or the Internal Revenue Code, the fiduciary that authorized or directed the investment or a "disqualified person" within the meaning of Section 4975 of the Internal Revenue Code may be subject to the imposition of excise taxes with respect to the amount invested.

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## **ITEM 9: DISCIPLINARY INFORMATION**

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

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## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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### **Item 10.A. *Broker-Dealer Activities***

CRG FM is not registered, and does not have an application pending to register, as a broker-dealer or registered representative of a broker-dealer.

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

Neither CRG FM nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities with the Commodity Futures Trading Commission.

### **Item 10.C. *Affiliate Relationships***

CRG GP Investments, LLC, a Delaware limited liability company, serves as the general partner to CRG GP Fund I. CRG GP Investments II, LLC, a Delaware limited liability company, serves as the general partner to CRG GP Fund II. USLF II GP Investors, LLC, a Delaware limited liability company, serves as the general partner to the USLF Funds. CRG FM has established a Limited Partner Advisory Committee for the Funds. This committee will be required to affirmatively approve any transaction involving a purchase or sale of assets from, or other contract with, the general partners or its affiliates.

#### **Item 10.D. *Investment Adviser Recommendations***

Not applicable. CRG FM and its supervised persons do not recommend or receive compensation for the selection of other investment advisers for Fund investors.

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

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#### **Item 11.A. *Code of Ethics Generally***

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

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

The Code of Ethics includes the following:

- A statement of the standard of business conduct.
- Limits on gifts and entertainment.
- Limits on political contributions.
- All employees are required to pre-clear any purchases or sales in any security of an issuer on the Firm's restricted list, including contemplated investments, and/or any investments where material non-public information may be gained, in any of his or her personal accounts.
- Additionally, employees are subject to strict reporting requirements regarding personal holdings.
- Employees must acknowledge in writing having received and read a copy of the Code of Ethics.
- Any exceptions to the above need prior approval of the Chief Compliance Officer.

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

#### **Item 11.B. *Participation or Interest in Client Transactions***

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

##### Participation or Interest in Client Transactions

The Funds' general partner, its members and their respective affiliates will make contributions to Fund investments through the Fund and other multi-asset Co-Investment Vehicles sponsored by the general partner. CRG FM has established a Limited Partner Advisory Committee for the Funds. This committee will be required to affirmatively approve any transaction involving a purchase or sale of assets from, or other contract with, the general partners or its affiliates.

##### Principal Transactions

Generally, CRG FM does not engage in principal transactions. Should the Firm engage in a principal transaction in the future, CRG FM would disclose to the client in writing before the completion of the transaction the capacity in which the Firm is acting with respect to this transaction and obtain the client's consent to such transaction as required by Section 206(3) of the Investment Advisers Act of 1940, as amended.



## Fee Structure

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

### **Item 11.C. through Item 11.D. *Related Person Transactions***

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

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## **ITEM 12: BROKERAGE PRACTICES**

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

CRG FM’s investment strategy involves private equity investments. As a result, the Adviser does not generally select or recommend broker-dealers for the purchase and sales of securities. Furthermore, the Adviser does not maintain any trading accounts and does not use “soft” dollars received from broker-dealers from the purchase and sales of securities.

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

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

### **Item 12.A.3. *Directed Brokerage***

Not applicable. CRG FM does not allow directed brokerage by its clients.

### **Item 12.B. *Aggregation and Allocation***

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

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## **ITEM 13: REVIEW OF ACCOUNTS**

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

The portfolio investments of the Funds are continuously reviewed by a team of investment professionals. The Firm actively monitors the portfolios of each Fund and makes use of quarterly reporting from CRG Real Estate's Asset Management team to provide regular updates on the progress of each investment.

### **Item 13.C. *Client Reports***

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

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## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

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### **Item 14.A. *Other Compensation***

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

### **Item 14.B. *Client Referrals***

CRG FM utilizes a placement agent, Stonehaven LLC. As described in the Firm's written service agreement with the placement agent, the placement agent receive compensation on all capital commitments raised and accepted by the Funds from referred or solicited investors. Due to the agreements the Firm has with the placement agents, the placement agents have an incentive to recommend the Firm, resulting in a material conflict of interest.

These arrangements are in compliance with the new marketing rule, Rule 206(4)-1 of the Investment Advisers Act of 1940 (the "Advisers Act").

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## **ITEM 15: CUSTODY**

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

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## **ITEM 16: INVESTMENT DISCRETION**

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

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## **ITEM 17: VOTING CLIENT SECURITIES**

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

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

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## **ITEM 18: FINANCIAL INFORMATION**

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### **Item 18.A. *Balance Sheet***

CRG FM is not required to provide financial information in this Brochure because CRG FM does not require the prepayment of more than \$1,200 in fees when services cannot be rendered within 6 months.

### **Item 18.B. *Financial Condition***

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

### **Item 18.C. *Bankruptcy Petitions***

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