

# Cloud Capital Advisors LLC

## Part 2A of Form ADV

### The Brochure

March 30, 2023

1212 New York Avenue NW  
Suite 1000  
Washington, DC 20005  
[www.cldcap.com](http://www.cldcap.com)

This brochure provides information about the qualifications and business practices of Cloud Capital Advisors LLC (“Cloud Capital” or “the Firm”). If you have any questions about the content of this brochure, please contact John Comerford at +44 7789 487 167 or [jcomerford@cldcap.com](mailto:jcomerford@cldcap.com).

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

Cloud Capital is registered as an investment adviser with the United States Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940 (the “Advisers Act”).

Registration as an investment adviser with the SEC does not imply a certain level of skill or training. In addition, the information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

## **Item 2.     Material Changes**

There have been no material changes since the Firm's most recent brochure.

### **Item 3. Table of Contents**

Item 2.	Material Changes .....	2
Item 3.	Table of Contents .....	3
Item 4.	Advisory Business .....	4
Item 5.	Fees and Compensation .....	5
Item 6.	Performance Based Fees and Side-by-Side Management .....	5
Item 7.	Types of Clients .....	6
Item 8.	Methods of Analysis, Investment Strategies, and Risk of Loss.....	6
Item 9.	Disciplinary Information.....	26
Item 10.	Other Financial Industry Activities and Affiliations.....	27
Item 11.	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	27
Item 12.	Brokerage Practices.....	28
Item 13.	Review of Accounts .....	28
Item 14.	Client Referrals and Other Compensation .....	29
Item 15.	Custody.....	29
Item 16.	Investment Discretion .....	29
Item 17.	Voting Client Securities .....	30
Item 18.	Financial Information.....	30

## **Item 4. Advisory Business**

Cloud Capital was formed in 2020 as a Delaware Limited Liability Company. Cloud Capital is an affiliate of Cloud HQ, LLC, an owner and developer of data centers. Cloud Capital LLP, a UK based affiliate of Cloud Capital will serve as the sub-advisor to the Funds (as defined in Item 7 below). Cloud Capital LLP is a Relying Adviser to Cloud Capital and is authorized and regulated by UK's Financial Conduct Authority ("FCA"). Cloud Capital may also engage third parties to serve as investment managers or sub-advisers for legal or regulatory purposes.

Hossein Fateh is the controlling owner of CloudHQ and Cloud Capital, as well as other affiliates of the CloudHQ organization. Cloud Capital's primary objective is to sponsor and serve as an investment manager to the Funds.

As the investment manager of the Funds, Cloud Capital has overall responsibility to manage and control the business affairs of the Funds, including the exclusive authority to oversee and to establish policies regarding the management, conduct and operation of the Funds' business. Cloud Capital will manage the Funds in accordance with the terms of the offering documents and other governing documents applicable to the Funds.

Shares or limited partnership interests in the Funds are not registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), nor are the Funds registered under the Investment Company Act of 1940, as amended (the "Investment Company Act"). Accordingly, interests or shares in the Funds are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements, either in private transactions within the United States or in offshore transactions.

At the time of this filing, the Firm has approximately \$675,000,000.00 in regulatory assets under management.

## **Item 5. Fees and Compensation**

### Management Fees

The Funds will generally pay Cloud Capital management fees quarterly in advance based on a percentage of the Funds' net asset value. The Management Fee is equal to a rate of 100 basis points on committed capital per year. The General Partner of the Funds has the right to negotiate the management fee or adjust the fee in its sole discretion. The Management Fee will be reduced for investors with capital committed above certain thresholds. The fee may be waived or reduced for certain investors.

Management fees will be deducted from an investor's capital account(s) in the applicable Funds. Cloud Capital or the general partner of the relevant Funds may, in its sole discretion, waive or reduce all or any portion of the management fee with respect to any investor.

In addition to the management fees discussed above, investors will also pay performance compensation as outlined in Item 6, below.

### Expenses

Cloud Capital will bear its own overhead and administrative expenses. Each Funds will pay for all costs and expenses associated with the organization, operation, and activities of the Funds, as specified in the relevant Funds' governing documents. Investors in the Funds will bear a pro rata portion of all expenses billed to the Funds in which they invest.

### Other Compensation

Cloud Capital will not receive any compensation outside of the management and performance compensation outlined herein. However, Cloud Capital expects to engage in transactions or other business arrangements on behalf of Clients that will generate compensation to Cloud HQ. Cloud Capital has adopted policies and procedures to mitigate conflicts of interest associated with such transactions and/or business arrangements.

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

The Funds will pay an incentive allocation to the General Partner of 15% over the hurdle rate of 6% per annum, compounded annually.

Cloud Capital generally charges performance compensation to all Clients but may, in its sole discretion, waive or reduce all or any portion of the performance compensation with respect to an

investor in the Funds, or with respect to any Client. The presence of performance compensation results in certain conflicts for an adviser. For example, the potential for side-by-side management of performance-based fee-paying Clients and those not paying performance compensation or different fees may create a conflict of interest for Cloud Capital as it would incentivize Cloud Capital to direct potentially profitable investment opportunities to Clients paying performance compensation. Presently, the Funds are the only client of the Firm so there is no risk of side-by-side management conflicts.

The presence of performance compensation may also create an incentive for Cloud Capital to make investments on behalf of its Clients that are riskier or more speculative than would be the case in the absence of such compensation. Cloud Capital has adopted policies and procedures intended to mitigate this risk.

## **Item 7. Types of Clients**

Cloud Capital anticipates providing advisory services to one or more privately offered, pooled investment vehicles (“Funds”) and separate accounts (collectively, “Clients”). Generally, Cloud Capital’s Clients pursue a singular investment strategy and are invested as one entity. Certain separate accounts may “opt-out” of specific investments in accordance with their investment management agreements.

### Co-Investments

Cloud Capital may, in its discretion, offer to certain investors or to third parties the opportunity to co-invest alongside the Funds. The offering of co-investments and the terms of co-investments will be negotiated on a case-by-case basis subject to the terms of the relevant Fund’s offering documents.

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

### Investment Strategy

Cloud Capital will pursue a global core plus data center acquisition strategy through the Funds. The investment objective is to achieve long-term capital appreciation and income by acquiring stabilized/near stabilized data center assets and growth assets that provide some upside via incremental value-add activities (including one-off properties some of which may initially have been developed or partially developed by Cloud HQ, portfolios and operating businesses). The Funds may also periodically engage in development opportunities that have been de-risked in some manner.

### Methods of Analysis

Cloud Capital will source potential investments through Cloud HQ, its network of contacts, market research, and other sources. When a potential investment is identified, due diligence will be conducted which includes (but is not limited to) legal, environmental and financial analysis of the potential investment. On presentation of the outcome of this due diligence, the Cloud Capital Investment Committee will decide whether to decline the asset or proceed to bid process.

### Risk of Loss

The investment strategy pursued by the Funds is highly speculative and there is no guarantee that the Funds will meet their investment objectives or that any investment will be successful. An investor in the Funds should be prepared to bear the loss of a portion, or the entirety, of their investment in the Funds.

In addition to the risk of loss, the investment strategy pursued by the Funds is subject to numerous other risks as outlined in each Funds' governing documents. Below is a summary of the primary risks associated with an investment in the Funds. Investors should review the relevant governing documents for the Funds for a detailed listing of all risks prior to investing.

### *Leverage and Borrowing*

The Funds may elect to leverage its Portfolio Investments on a recourse or non-recourse basis. Although the use of leverage may enhance returns and increase the number of Portfolio Investments that can be made, it may also substantially increase the risk of loss. To the extent that it engages in any leveraging, the Funds will be subject to the risks normally associated with debt financing, including those relating to the ability to refinance a property, and the insufficiency of cash flow to meet principal and interest payments, which could significantly reduce or even eliminate the value of the Funds' equity in such real estate investment. Additionally, borrowings and other types of leverage will be subject to transaction and other costs. Any such costs may or may not be recovered by the return on the Funds' portfolio. Leveraging the capital structure will mean that third parties, such as banks, may be entitled to the cash flow generated by such Portfolio Investments prior to the Funds receiving a return. Also, if a property or properties are mortgaged to secure payment of indebtedness and such mortgage payments are not made, the property could be foreclosed upon by the mortgagee or otherwise transferred to the mortgagee. In addition, subscription financings may subject the Partners' capital commitments to risk of loss. To secure such borrowings, the General Partner may grant to lenders security interests in the Funds' right to receive capital contributions from Limited Partners.

### *Leverage for Investment Purposes*

The use of leverage will allow the Funds to make additional Portfolio Investments, thereby increasing its exposure to assets, such that its total assets may be greater than its capital. However, leverage will also magnify the volatility of changes in the value of the Funds' portfolio. The effect of the use of leverage by the Funds in a market that moves adversely to its Portfolio Investments could result in

substantial losses to the Funds, which would be greater than if the Funds were not leveraged.

#### *Borrowing for Cash Management Purposes*

The Funds have the authority to borrow for cash management purposes, such as to satisfy withdrawal requests. The rates at and terms on which the Funds can borrow will affect the operating results of the Funds.

#### *Collateral*

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

#### *Costs*

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

#### *Subscription Facilities*

The Funds may borrow funds or incur indebtedness in the form of a subscription facility, which may include the grant of security interests in the Limited Partners' unfunded capital commitments. Such facilities (sometimes referred to as subscription credit lines, or capital call facilities) have been utilized by private funds for many years to bridge the time between the closing of a Portfolio Investment and the calling of capital and for broader cash management purposes. From the investor's perspective, such facilities can smooth cash flows and ease the administrative burden of responding to capital calls. In addition, the General Partner is expected to use the subscription facility to permit the Funds to have ready access to cash in the event short-term funding obligations arise, which the General Partner believes allows for more efficient cash management as opposed to holding larger cash reserves. However, certain bodies, including the SEC and the Institutional Limited Partners Association ("ILPA"), have suggested that investors, and the private fund industry generally, take into account a number of factors when considering the use of such facilities. In guidelines recently released by ILPA, some of the concerns and risks that are noted regarding such facilities include the following: (i) the use of such facilities can impact performance (i.e., if such facilities are drawn upon, the delay in calling capital can distort the calculation period for returns); (ii) drawdowns from such facilities may delay or reduce the drawdown of capital contributions from investors and will not be subject to performance-based compensation, which may result in investors being entitled to lesser amounts of return than such investors might otherwise have been entitled in the absence of such a facility and may result in the



reported performance of a fund being greater than it would have been in the absence of use of such a facility; (iii) because the use of such facilities is not universal among fund managers, the use of such facilities makes it more challenging for investors to compare reported returns across funds; (iv) the use of such facilities creates the potential for general partners to receive performance-based compensation in cases where unlevered performance may not meet a preferred return or other hurdle; (v) such facilities give rise to expenses, which can limit any positive leverage impacts on performance and decrease returns realized by investors; and (vi) the terms and provisions that may apply to such facilities may pose legal risks for investors, including, without limitation, transfer restrictions, documentation requests and other requirements of lenders. Notwithstanding the foregoing, the General Partner believes that the Funds' use of a subscription facility will be in the best interests of the Funds and consistent with the General Partner's fiduciary duties to the Funds.

### *Bridge Financing*

Cloud Capital anticipates that certain of the Funds' acquisitions, redevelopments and developments may be financed using the proceeds of lines of credit or other forms of temporary secured or unsecured financing that may have less advantageous terms than permanent debt financings. Use of these forms of financing will be subject to the risk that permanent financing for these projects might not be available or would be available only on disadvantageous terms. If permanent debt financing is not available on acceptable terms to refinance projects undertaken without permanent financing, further acquisitions may be curtailed and cash flows may be adversely affected. In addition, if the Funds make an equity investment in a transaction with the intent of refinancing a portion of the equity, there is a risk that the Funds may be unable to successfully complete the refinancing. This could lead to increased risk as a result of the Funds having reduced diversification and more equity at risk in the Portfolio Investment for a longer term than intended.

### *Expansion into New Markets*

Cloud Capital intends to pursue the Funds' investment strategy in target markets primarily in the United States. In addition to the risks of expansion in markets in which Cloud Capital and its affiliates have operated previously (whether through acquisition of existing properties or development of new properties), developing or acquiring and integrating data centers in new markets may include additional risks, including an inadequate understanding of the local economy and market conditions or inadequate familiarity with local permitting procedures. Any failure or delay in Cloud Capital's and/or its affiliates' acquisition or development activities in a new market could adversely affect the Funds' financial condition and reputation. Additionally, weak economic conditions in these locations or any other location (which may or may not affect real property values), may affect the value of these properties and the ability of customers to pay their leases. Properties in certain jurisdictions may be more susceptible than properties located in other parts of the country to certain types of uninsurable hazards, such as earthquakes, as well as floods, hurricanes, wildfires, mudslides and other natural disasters. Natural disasters, such as wildfires, severe storms and flooding affecting regions of the

world from time to time may result in a decline in value of the Funds' portfolio investments.

### **Risk Relating to Data Center Investments**

#### *Data Center Investments Generally*

The Funds' Portfolio Investments will consist primarily of data center properties, data center platforms or properties to be converted or developed into data centers, and the Funds will be subject to the risks incident to the ownership and operation of Portfolio Investments in data centers. Over the long term, the General Partner believes that demand for data centers in which the Funds will invest will continue and result in predictable long-term cash flow. In the event that this is not the case, the Funds' ability to accomplish its investment objectives would be adversely affected.

In addition, adverse developments in the market for data centers could adversely affect the Funds and the Limited Partners' investments therein. Such adverse developments could include: a decline in the technology industry, such as a decrease in the use of mobile or web-based commerce, industry slowdowns, business layoffs or downsizing, relocations of businesses, increased costs of complying with existing or new government regulations and other factors; a slowdown in the growth of the Internet generally as a medium for commerce and communication; a downturn in the market for data center space generally such as oversupply of or reduced demand for space; and the rapid development of new technologies or the adoption of new industry standards that render data centers or data center customers' current products and services obsolete or unmarketable and, in the case of data center customers, that contribute to a downturn in their businesses, increasing the likelihood of a default under their leases or that they become insolvent or file for bankruptcy protection. To the extent that any of these or other adverse conditions occur (including those described above in "Real Estate Market Conditions"), they are likely to impact market rents for, and cash flows from, the Funds' data center investments, which could have a material adverse effect on the Funds. Each data center is anticipated to have one or a few major customers, meaning customer quality is of particular importance.

Further, the value of a data center will be affected by its telecommunications capacity, availability of sufficient power, and availability of support systems including environmental, temperature and hazard risk control, physical security, and redundant backup systems. As data centers contain sensitive and high cost equipment and connections, they are subject to heightened risk in the event of fire, natural disaster or terrorism. In addition, because data centers may require substantial quantities of water for cooling, data centers located in areas that are subject to drought, such as California, are also subject to heightened risks.

#### *Competition in the Data Center Industry*

The Funds will face considerable competition in the data center industry and may be unable to renew existing leases, lease vacant space or re-let space on more favorable terms, or at all, as leases expire, which could have a material adverse effect on the Funds and the Limited Partners.

The Funds will compete with numerous developers, owners and operators in the data center industry, including managed service providers and other REITs, some of which own or lease properties similar to those owned by the Funds, sometimes in the same markets in which the Funds' properties are located. The Funds' competitors may have significant advantages, longer operating histories, higher operating margins, pre-existing relationships with current or potential customers, greater financial,

marketing and other resources, and access to greater and less expensive power. These advantages could allow competitors to respond more quickly to strategic opportunities or changes in the data center industry or markets. If the Funds' competitors offer space at rental rates below current market rates or below the rental rates the Funds currently charges its customers, or if such competitors offer products and services in a greater variety, that are more state-of-the-art or that are more competitively priced than the products and services offered by the Funds, the Funds' properties may lose customers or be unable to attract new customers without lowering rental rates and improving the quality, mix and technology of the properties' products and services. The Funds may not be able to renew leases with its existing customers or re-let space to new customers if current customers do not renew their leases. Even if the Funds' current customers renew their leases or the Funds is able re-let the space, the terms (including rental rates and lease periods) and costs (including capital) of renewal or re-letting may be less favorable than the terms of the properties' current leases. In addition, there can be no assurances that the type of space and/or services currently available at the Funds' properties will be sufficient to retain current customers or attract new customers in the future. If rental rates for the Funds' properties decline, the Funds are unable to lease vacant space, the Funds' existing customers do not renew their leases or the Funds are not able to re-let space from expiring leases, in each case, on favorable terms, it could have a material adverse effect on the Funds and the Limited Partners therein.

In addition, some of the Funds' customers may develop their own data center facilities. Other customers with their own existing data centers may choose to expand their data centers in the future. In the event that any of the Funds' key customers were to develop or expand their data centers, it could result in a loss of business to the Funds or put downward pressure on the Funds' pricing.

In addition, developing and managing relationships with operating partners, on which some of the Funds' strategy depends, is highly competitive. A failure by Cloud Capital and its affiliates to identify attractive investment opportunities, develop new relationships and maintain existing relationships with other industry participants would adversely impact the Funds. Cloud Capital and its affiliates compete for investment opportunities and potential operating partners with individuals, publicly traded REITs, financial institutions (such as investment and mortgage banks, pension funds and real estate operating companies), hedge funds, sovereign wealth funds and other institutional investors. New competitors constantly enter the market, and in some cases existing competitors combine in a way that increases their strength in the market.

#### *Inability to Repurpose Properties or Renew Leases*

Data centers can be the subject of build-to-suit construction to specific user requirements. For example, "powered shells" are data center properties whereby the landlord makes the initial capital investment required to complete an exterior structure with access to power and fiber optics, with customers providing all additional capital required in order to build out the interior and convert the asset into a fully operational data center. They are highly specialized properties that contain extensive electrical, communications and mechanical systems. Such systems are often custom-designed to house, power and cool certain types of computer systems and networking equipment. As a result, the Funds' properties are not expected to be well-suited for use by customers as anything other than data

centers.

As such, if the lease with a data center user is terminated for any reason, the cost and time to adapt the space to other users may be considerable. Further, data center properties may not be readily convertible (or convertible at all) to alternative uses if those properties were to become unprofitable, or if the leased spaces were to become vacant, for any reason. Moreover, such conversion to an alternate use may be accompanied by a decrease in rents at the related property. As such, the number of potential customers, purchasers and sellers for the Funds' investments will be limited. Furthermore, data center Portfolio Investments by their nature are subject to industry cyclicality, downturns in demand, market disruptions and the lack of available capital or financing for potential purchasers and are therefore often difficult or time consuming to liquidate.

The Funds' financial condition could be adversely affected if the Funds' agents are unable to promptly re-lease or renew expiring leases or if the rental rates upon renewal or re-leasing are significantly lower than expected.

#### *Competition for Customers of Data Centers*

The Funds' data center investments may compete with numerous alternatives in attracting customers. Some of the Funds' competitors may offer more attractive properties or lower rents than the Funds' Portfolio Investments. Availability and relative affordability of competing data centers in a particular area could adversely affect the Funds' ability to retain customers, lease its data centers and increase or maintain rents. These competing data center options may attract the high-quality customers to whom Cloud Capital seeks to lease its properties.

In addition, as further described below in "Dependence on the Technology Industry and the Demand for Technology-Related Real Estate", the Funds may be exposed to risks arising from a lack of a diverse customer base, the concentration of its customers within the technology or other specified industries, and the economic value and risks associated with each customer. Each data center is anticipated to have one or a few major customers. Mergers or consolidations in such customers' industries in the future could reduce the number of existing and potential customers in the Funds' properties and make the Funds dependent on a more limited number of customers. If customers of the Funds' Portfolio Investments merge with or are acquired by other entities that are not customers of the Funds' properties, they may discontinue or reduce the use of the Funds' data centers in the future. Additionally, some of the customers of the Funds' properties, may compete with one another in various aspects of their businesses, which places additional competitive pressures on such customers. Any of these developments could have a material adverse effect on the Funds and the Funds' Portfolio Investments.

#### *Dependence on Customers*

It is anticipated that the Funds will depend on customers for substantially all of its revenue. If a customer experiences a downturn in its business or other type of financial distress, then it may be unable to make timely rental payments or renew its lease. Any defaults on lease payment obligations by a customer will cause the Funds to lose the revenue associated with the relevant lease. If such defaults become significant, the Funds will be forced to use other funds to make payments on any

indebtedness secured by the impacted property to avoid foreclosure. If a customer defaults, the Funds may experience delays in enforcing its rights as owner of the property, and may incur substantial costs in protecting its investments. In addition, if a customer at a data center which has been designed or built primarily for a particular customer or a specific type of use fails to renew its lease or defaults on its lease obligations, the Funds may not be able to readily market a such data center to a new customer, if at all, without making substantial capital improvements or incurring other significant re-leasing costs. (See “*Inability to Repurpose Properties or Renew Leases*”.) If customers are unable to comply with the terms of the Funds’ leases, the Funds may also be forced to modify lease terms in ways that are unfavorable to it.

#### *Customer Bankruptcy Risks*

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

#### *Changes in Technology and Industry Standards Relating to Data Center Investments*

The markets for data centers, as well as the industries in which data center customers operate, are characterized by rapidly changing technology, evolving industry standards, and changing customer demands. The data center infrastructure in some of the data centers that the Funds may acquire in the future may become obsolete or less marketable due to demand for new processes and/or technologies, including: (i) new processes to deliver power to, or eliminate heat from, computer systems; (ii) demand for additional or less redundancy capacity; or (iii) the Funds’ data center infrastructure may become obsolete or less marketable and Cloud Capital may not be able to upgrade power, cooling, security or connectivity systems cost-effectively or at all.

The obsolescence of the power and cooling systems in such data centers and/or Cloud Capital’s inability to upgrade such data centers, could have a material negative impact on the Funds.

### *Dependence on the Technology Industry and the Demand for Technology-Related Real Estate*

The Funds' data center properties depend upon the technology industry, and a reduction in the demand for technology-related real estate could adversely impact Cloud Capital's ability to find or keep customers for the Funds' data centers. A decline in the technology industry or a decrease in the adoption of outsourced data center space could lead to a decrease in the demand for technology-related real estate, which may have a greater adverse effect on the Funds' business and financial condition than if it owned a portfolio with a more diversified customer base. The Funds are susceptible to adverse developments in the corporate and institutional data center and broader technology industries (such as business layoffs or downsizing, industry slowdowns, relocations of businesses, costs of complying with government regulations or increased regulation and other factors) and the technology-related real estate market (such as oversupply of or reduced demand for space). In addition, the rapid development of new technologies, the adoption of new industry standards and the growing acceptance and attractiveness of cloud-based technologies and competition from various public cloud providers could render many customers' current products and services obsolete or unmarketable and contribute to a downturn in their businesses, thereby increasing the likelihood that they default under their leases, become insolvent or file for bankruptcy.

### *Changes in Regulations relating to Data Center Investments*

Potential future regulations that apply to industries served by the Funds' data centers may require users in those industries to seek specific requirements from their data centers that Cloud Capital is unable to provide. These may include physical security regulations applicable to the defense industry and government contractors and privacy and security requirements applicable to the financial services and health care industries. Such regulations could have a material adverse effect on the Funds. If competitors offer data center space that the Funds' existing or potential data center users perceive to be superior to Cloud Capital's based on numerous factors, including power, security considerations, location or network connectivity, or if they offer rental rates below Cloud Capital's or current market rates, the Funds may lose existing or potential customers, incur costs to improve its properties or be forced to reduce its rental rates.

### *Failure of Physical Infrastructure or Services of Data Center Investments*

The business of the Funds' Portfolio Investments depends on such Portfolio Investments providing its customers with highly reliable service. The Funds' Portfolio Investments may fail to provide such service as a result of numerous factors, including human error; power loss; improper building maintenance; physical or electronic security breaches; fire, earthquake, hurricane, flood and other natural disasters; water damage; war, terrorism and any related conflicts or similar events worldwide; and sabotage and vandalism.

Problems at one or more of the Funds' data center investments, whether or not within the control of the General Partner, Cloud Capital or their respective affiliates, could result in service interruptions or equipment damage. Service interruptions or equipment damage in the Funds' data center investments may also expose the Funds, the General Partner, Cloud Capital or their respective affiliates to additional legal liability and damage the Funds' reputation. Significant or frequent service

interruptions could cause customers of the Funds' data center investments to terminate or not renew their leases. In addition, Cloud Capital and/or its affiliates may be unable to attract new customers if Cloud Capital and/or its affiliates develop a reputation for significant or frequent service disruptions in its data centers.

Any failure of the physical infrastructure or services provided by the Funds' Portfolio Investments could lead to significant costs and disruptions that could reduce the Funds' income, financial condition, results of operations and cash flow.

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

Public utilities, especially those that provide water and electric power, will be fundamental for the sound operation of the Funds' data center assets. The delayed delivery or any material reduction or prolonged interruption of these services could allow certain customers to terminate their leases or result in an increase in the Funds' costs, as the Funds may be forced to use backup generators, which also could be insufficient to fully operate its facilities and could result in its inability to provide services. Accordingly, any interruption or limitation in the provision of these essential services may adversely affect the Funds.

#### *Litigation Risk*

A party who is able to compromise the security measures on the Funds' data centers' networks or the security of the infrastructure of such data centers could misappropriate Cloud Capital's and its affiliates' or its customers proprietary or personal information, and cause interruptions or malfunctions in the operations of Cloud Capital, the Funds' data centers or such data centers' customers. The Funds and/or Cloud Capital and its affiliates may be required to expend significant financial resources to protect against such threats or to alleviate problems caused by security breaches. As techniques used to breach security change frequently and are generally not recognized until launched against a target, Cloud Capital and its affiliates may not be able to implement security measures in a timely manner or, if and when implemented, these measures could be circumvented. Any breaches that may occur could expose Cloud Capital to increased risk of lawsuits, loss of existing or potential customers, harm to the reputation of the Funds, Cloud Capital and its affiliates or its customers, and increases in security costs, which could have a material adverse effect on the Funds' financial performance and operating results.

#### *Concentration; Lack of Diversification*

Because the Funds' portfolio will consist primarily of data center properties, data center platforms or properties to be converted or developed into data centers, the Funds is subject to risks inherent in investments in a single industry. Adverse developments in the data center market or in the industries in which the Funds' customers operate could lead to a decrease in the demand for data center space, which could have a greater material adverse effect on the Funds than if the Funds owned a more diversified portfolio.

### *Access to Service Providers and Suppliers*

The success of the Funds is highly dependent on the success of Cloud Capital and its affiliates in identifying, evaluating and executing data center acquisitions and development. Such acquisitions and development may require the successful construction or reconstruction of existing or new data centers. In certain jurisdictions, Cloud Capital and its affiliates may be reliant on a concentrated core of service providers and/or suppliers, such as general contractors or equipment providers. If such service providers or suppliers are unavailable to provide such services or equipment or the relationship between Cloud Capital and its affiliates and such service providers or suppliers deteriorates, Cloud Capital and its affiliates and the Funds may be materially and adversely affected.

### *Availability and Price of Energy*

The Partner and Cloud Capital and its affiliates will rely on third parties to provide power to its data centers, and there can be no assurance that these third parties will deliver such power in adequate quantities or on a consistent basis. If the amount of power available to the Funds' data centers is inadequate to support its customers' requirements, the Funds' data centers may be unable to satisfy its obligations to its customer or grow its business. In addition, data centers are susceptible to power shortages and planned or unplanned power outages caused by these shortages. While Cloud Capital and its affiliates attempt to limit exposure to power shortages by using backup generators and batteries, power outages may last beyond Cloud Capital and its affiliates' backup and alternative power arrangements, which would harm the customers and their businesses.

In addition, the Funds and Cloud Capital and its affiliates may be subject to risks and unanticipated costs associated with obtaining power from various utility companies. Municipal utilities in areas experiencing financial distress may increase rates to compensate for financial shortfalls unrelated to either the cost of production or the demand for electricity. Other utilities that serve our data centers may be dependent on, and sensitive to price increases for, a particular type of fuel, such as oil or natural gas. In addition, the price of these fuels and the electricity generated from them could increase as a result of proposed legislative measures related to climate change or efforts to regulate carbon emissions. In any of these cases, increases in the cost of power at any of the Funds' data centers would put them at a competitive disadvantage relative to data centers served by utilities that can provide less expensive power. An increase in the price of energy and/or changes in energy taxes and/or regulations in certain countries could have a negative impact on the Funds' financial situation, as the Funds' data centers are a large consumer of energy.

### *Availability and Price of Network Connectivity*

The Funds and Cloud Capital and its affiliates will depend on carriers and other network providers to provide Internet, telecommunication and network connectivity to the Funds' data centers. The Funds and Cloud Capital and its affiliates will have no control over the reliability of the services provided by these suppliers. Customers in the Funds' data centers may in the future experience difficulties due to service failures unrelated to Cloud Capital's and/or its affiliates' systems and services. Any Internet, telecommunication or network failures may result in significant loss of connectivity to the Funds' data centers, which could reduce the confidence of their customers and could consequently impair such



data centers' ability to retain existing customers or attract new customers and could have a material adverse effect on the Funds.

Similarly, the Funds and Cloud Capital and its affiliates depend upon the presence of Internet, telecommunications and networks serving the locations of their data centers in order to attract and retain customers. The construction required to connect multiple carrier facilities to the Funds' data centers is complex, requiring a sophisticated redundant fiber network, and involves matters outside of the Funds' and Cloud Capital and its affiliates' control, including regulatory requirements and the availability of construction resources. The Funds and the Cloud Capital and its affiliates believe that the availability of carrier capacity affects their business and future growth. There can be no assurance that any network provider will elect to offer its services within new data centers that Cloud Capital and its affiliates develop or that once a network provider has decided to provide connectivity to or between the Funds' data centers that it will continue to do so for any period of time. Furthermore, some carriers are experiencing business difficulties or have announced consolidations or mergers. As a result, some carriers may be forced to downsize or terminate connectivity within the Funds' data centers, which could adversely affect customers of the Funds' data centers and could have a material adverse effect on the Funds.

#### *Sales Cycle for Data Centers*

The sales cycle for data center products can take a significant amount of time. A customer's decision to lease space in one of the Funds' data centers typically involves a significant commitment of resources, time-consuming contract negotiations regarding the service level commitments and substantial due diligence on the part of the customer regarding the adequacy of the Funds' infrastructure and attractiveness of the Funds' products and services. As a result, the leasing of data center space has a long sales cycle. Furthermore, Cloud Capital and its affiliates may expend significant time and resources in pursuing a particular sale or customer that may not result in any revenue. The Funds' inability to adequately manage the risks associated with leasing the space and products within its facilities could have a material adverse effect on the Funds.

### **Risks Relating to Real Estate Investments**

#### *Real Estate Investments Generally*

The Funds will be subject to all the risks inherent in investing in real estate and real estate-related investments, which risks may be increased if the investments are leveraged. These risks may include: general and local economic conditions; neighborhood values; the supply of and demand for properties of the type in which the Funds invests; the financial resources of customers; vandalism; vacancies; rent strikes; terrorism; changes in tax, zoning, building, environmental and other applicable laws; federal and local rent control laws; real property tax rates; and changes in interest rates, which may render the leasing or sale of properties difficult or unattractive. Such risks may also cause fluctuations in occupancy rates, rent schedules and operating expenses, which could adversely affect the value of real estate and real estate-related investments. There can be no assurance of profitable operations for any property developed or acquired by the Funds. Accordingly, the Funds' investment objectives may not be realized. Certain expenditures associated with real estate equity investments such as property

taxes, utility costs, debt service, maintenance costs and insurance tend to increase and are not generally decreased by events adversely affecting rental revenues. Moreover, while Cloud Capital generally intends to purchase or cause to be purchased insurance to cover casualty losses and general liability, such insurance may not be available or may be available only at prohibitive costs to cover losses from ongoing operations and other risks such as earthquake, flood, environmental contamination or terrorism.

### *Illiquidity of Real Estate Investments*

Investment in the Funds requires a long-term commitment with no certainty of return. Investments in real estate assets are generally less liquid and involve longer hold periods than traditional private equity investments, which are themselves often considered illiquid and long-term. Although the Funds expects its Portfolio Investments will generate current income, the return of capital and the realization of gains, if any, from a Portfolio Investment generally will occur only upon the partial or complete disposition or refinancing of such Portfolio Investment, and there is no assurance that current income proceeds or disposition proceeds from a Portfolio Investment will be distributed to the Partners. While a Portfolio Investment may be sold at any time, it is not generally expected that this will occur for a number of years after the Portfolio Investment is made and the proceeds from such sale may be invested in another Portfolio Investment or used for any other purpose under any Partnership Agreement.

Because real estate investments are relatively illiquid, the Funds' ability to promptly sell one or more properties in its portfolio in response to changing economic, financial and investment conditions is limited. It may also be difficult for the Funds to conduct an IPO (or other capital event) of one or more REIT subsidiaries that hold the Funds' properties. The real estate market is affected by many factors that are beyond the Funds' control. Further information can be found in the PPM.

Furthermore, as described above, the Funds will invest in real estate for which the number of potential purchasers and sellers is also limited. This factor may have the effect of limiting the availability of these Portfolio Investments for purchase by the Funds and may also limit the ability of the Funds to sell such Portfolio Investments if necessary in response to changes in the economy or the financial markets or to meet withdrawal requests by Limited Partners. The Funds cannot predict whether it will be able to sell any property for the price or on the terms set by it, or whether any price or other terms offered by a prospective purchaser would be acceptable to the Funds. The Funds also cannot predict the length of time needed to find a willing purchaser and to close the sale of a property. These factors and any others that would impede the Funds' ability to respond to adverse changes in the performance of its properties could harm its operating results and financial condition, as well as its ability to make withdrawal payments or distributions to investors.

### *Capital Intensive*

Real estate investing is capital intensive. The Funds could acquire Portfolio Investments that have defects, and normal wear and tear that necessitate repairs. The Funds may acquire a Portfolio Investment with a capital expenditure estimate, but the conditions of the Portfolio Investment may

cause the capital requirements to exceed expectations. Additionally, the Funds may, in certain instances, be responsible for structural repairs, improvements and general maintenance of real property. Thus, the cost of operating a property may exceed the rental income thereof, and the Funds may be required to (i) advance funds to protect an equity investment or (ii) dispose of Portfolio Investments on disadvantageous terms to raise needed funds for withdrawal payments to Limited Partners. Furthermore, the Funds may be required to expend funds to correct defects or to make improvements before a Portfolio Investment can be sold. Certain expenditures associated with real estate equity investment, such as property taxes, utility costs, debt service, maintenance costs and insurance, tend to increase and generally do not decrease as a result of events adversely affecting rental revenues. No assurance can be given that the Funds will have the necessary funds available to meet the capital requirements of any particular asset or that any such efforts or expenditures will be successful.

Although Cloud Capital, in its management and valuation of the Funds' investments, will prepare good faith projections of the short to medium term capital needs of the investments, there can be no assurance that the capital needs of any of the properties in which the Funds invests from time to time will not exceed such estimates or that a property will generate sufficient cash flow to cover its capital needs. Under many leases, the owner of the property retains certain obligations with respect to the property, including, among other things, the responsibility for maintenance and repair of the property, responsibility for capital improvements and compliance with other affirmative covenants in the lease. The expenditure of any sums in connection therewith beyond those budgeted for by the Funds will reduce the cash available for withdrawal or distribution and may require the Funds to fund deficits resulting from operation of a property. No assurance can be given that the Funds will have funds available to make such repairs or improvements. If the Funds were to fail to meet these obligations, then the applicable customer may abate rent or terminate the applicable lease, which may result in a loss of capital invested in, and anticipated profits from, the property to the Funds. In addition, significant capital expenditures, regardless of whether or not they are ultimately successful, typically require a substantial portion of management's time and attention, which could divert the management team's time from the day-to-day obligations to the Funds and, in turn, impair the Funds' financial condition and operating results. Moreover, because the Major Decision Investors have Major Decision Rights over certain capital expenditure and budget limitations relating to certain Portfolio Investments, the General Partner, Cloud Capital and their respective affiliates may be constrained in their ability to deploy capital in respect of such Portfolio Investments in the manner they believe to be in the best interest of the Funds and the relevant Portfolio Investments.

#### *Direct Investments in Real Estate Assets*

The yields available to the Funds from its equity investments in data centers will depend primarily on the amount of income earned and capital appreciation generated by the related properties as well as the expenses incurred in connection therewith. If any of the Funds' properties do not generate income sufficient to meet operating expenses, including debt service and capital expenditures, the Funds' ownership interest could be adversely affected. There can be no assurance that any property in which the Funds invests will be able to generate income sufficient to meet operating expenses. The

successful operation of an income-producing real estate project is also dependent upon, among other things, in the area of the project: (i) the degree to which the project competes with other projects in the area; (ii) timely collection of rent and other charges payable by customers; (iii) timely renewal or replacement of existing customers and leases; (iv) operating costs; (v) increases in rents and charges to cover increases in operating expenses (including taxes, utility rates and maintenance costs) and the costs of required repairs resulting from reasonable wear and tear and casualties; (vi) the impact of applicable foreign or U.S. Federal, state and local laws and (vii) the performance of Cloud Capital and its affiliates in managing and operating the project.

#### *Inflation and Deflation.*

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

#### *Acquisition of Existing Properties*

The Funds intends to acquire existing properties to the extent that they can be acquired on advantageous terms and meet the Funds' investment criteria. The success of the Funds depends, in large part, on the availability of a sufficient number of investment opportunities that fall within the Funds' investment objectives and the ability of Cloud Capital and its affiliates to identify, negotiate, close, manage, lease and exit those investment opportunities. Acquisitions of properties also entail general investment risks associated with any real estate investment. See also "Real Estate-Related Risks" above.

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

- Cloud Capital and its affiliates may not be able to develop, locate or complete Portfolio Investments which enable the Funds to invest all of its committed capital in opportunities that satisfy the Funds' investment objectives, realize the value of these Portfolio Investments or fully invest the Funds' Capital Commitments;
- The Funds may incur significant expenses in connection with the identification of opportunities and the investigation of other potential investments that are ultimately not consummated;
- The Funds may be unable to acquire a desired property, or to acquire such property on desirable terms, because of competition from other well-capitalized real estate investors, including other real estate investment vehicles, publicly traded REITs, public and private investment funds, hedge funds and other institutional investors, specialty investors (such as mortgage banks, pension funds, sovereign wealth funds and real estate operating companies), various types of financial institutions and their affiliates, family groups and wealthy individuals, some of which may have greater resources than the Partnership;

- Even if the Funds enters into an acquisition agreement for a property, such an agreement would typically be subject to customary conditions to closing, including satisfactory completion of due diligence investigations, which may be costly;
- Even if the Funds is able to acquire a desired property, competition from other real estate investors may significantly increase the purchase price paid;
- The Funds may be unable to finance acquisitions on favorable terms;
- Once acquired, a property may fail to perform as the Funds projected when analyzing its investments; and
- The Funds' estimates of the costs of repositioning, re-tenanting or refurbishing acquired properties may be inaccurate.

The Funds may also acquire properties subject to known or unknown liabilities and with limited or no recourse. As a result, if liability were asserted against the Funds based upon such properties, the Funds might have to pay substantial sums to dispute or remedy the matter, which could adversely affect the Funds' cash flow and returns. Unknown liabilities with respect to properties acquired could include, for example: liabilities for clean-up of undisclosed environmental contamination; claims by customers, vendors or other persons relating to the former owners of the properties. See also "Potential Removal or Remediation Liabilities As a result of the foregoing, even if suitable investments are made, the Funds' financial condition and results of operations could be materially and adversely affected, and the objective of the Funds may not be achieved.

### *Development Activities*

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

### *Platform Investments*

As Cloud Capital and its affiliates continue to seek additional sourcing channels for investment opportunities for the Funds, it is also anticipated that there will be opportunities for investments in data center platforms (a “**Platform Investment**”), and the investment opportunities sourced by such Platform Investments. Any fees, costs and expenses arising from or in connection with the discovery, evaluation, investigation, development and consummation of potential Platform Investments, will be considered operating expenses and will be borne by the Funds in accordance with the Funds’ expense allocation procedures.

From time to time, Cloud Capital and its affiliates may recruit an existing or newly formed management team to pursue a new “platform” opportunity that is expected to lead to investment opportunities for the Funds. In other cases, a new platform investment may be formed and used to recruit an existing or newly formed management team to build such Platform Investments through acquisitions and organic growth. Finally, in order to augment the Funds team’s capabilities and diligence techniques and, in some instances, to operate or service the Funds’ Portfolio Investments, Cloud Capital and its affiliates may partner with, including through joint ventures, Platform Investments or by making investments in, what Cloud Capital and its affiliates believe to be high-quality operators with significant expertise and the requisite skills to operate or service the Funds’ assets. The structure of each Platform Investment and the engagement of each operating partner or other individuals will vary, including in respect of whether a management or operating team’s services are exclusive to the platform and whether members of the management team are employed directly by such Platform Investment or indirectly through a separate management company established to manage such Platform Investment, and such structures are subject to change, for example, in connection with potential restructurings, refinancings and/or dispositions. Members of the management or operating team for a Platform Investment could include former personnel of Cloud Capital and its affiliates (including investment professionals), and industry advisors. The management or operating team of a Platform Investment (or one or more members thereof) may also provide the same or similar services with respect to other Platform Investments of the Funds and/or one or more other clients of Cloud Capital and its affiliates or provide the same or similar services for assets owned by third parties. The services provided by the platform’s management and operating team could be similar to, and overlap with, services provided by Cloud Capital and its affiliates to the Funds or to other clients of Cloud Capital and its affiliates, and the services may be provided exclusively to the Platform Investments.

### *Risks in Effecting Operating Improvements*

In some cases, the success of the Funds’ investment strategy will depend, in part, on the ability of the Funds to restructure and effect improvements in the operations of a portfolio company. The activity of identifying and implementing restructuring programs and operating improvements at portfolio companies entails a high degree of uncertainty. There can be no assurance that the Funds will be able to successfully identify and implement such restructuring programs and improvements.

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

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

### *Potential Removal or Remediation Liabilities*

The Funds may be exposed to claims and losses arising from undisclosed or unknown environmental contamination from pollutants or other hazardous materials, or health or occupational safety matters. The Funds could also suffer losses if reserves or insurance proceeds prove inadequate to cover any such matters. Under the laws, rules and regulations of various jurisdictions, a current or previous owner, developer or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, under or in its property. If the Funds are considered an owner or operator of properties on or in which asbestos or other hazardous or toxic substances exist, the Funds may be potentially liable for removal or remediation costs as well as certain other related costs, including governmental fines and costs of injuries to persons and property. These costs can be substantially in excess of the value of the property. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of such hazardous substances. Cloud Capital will attempt to assess such risks as part of its due diligence activities, but cannot give any assurance that such conditions do not exist or may not arise in the future. The presence of hazardous or toxic substances, or the failure to properly remediate such substances, may also adversely affect the value of such property, the Funds' ability to sell such property or to borrow using such property as collateral.

### *Contingent Liabilities on Disposition of Investments*

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

### *Limited Representations and Warranties*

The Funds may acquire properties with only limited, or in some cases, no representations and warranties from the sellers regarding the condition of the properties, the presence of building defects, natural hazards, nuisances or hazardous substances, or other matters affecting the use or ownership of the properties. As a result, if defects in a property or other matters adversely affecting the property are discovered, the Funds may not be able to pursue a claim for damages against the original sellers of the property. The extent of damages that the Funds may incur as a result of such matters cannot be

predicted, but potentially could result in a significant adverse effect on the value of the Funds' assets.

#### *Insurance May Not Cover All Losses*

Uninsured and underinsured losses could harm the Funds' financial condition, results of operations, and ability to make distributions to its investors. Various types of catastrophic losses, such as losses due to wars, riots, nuclear reaction, terrorist acts, earthquakes, floods, hurricanes, pollution or environmental matters, generally are either uninsurable or not economically insurable, or may be subject to insurance coverage limitations, such as large deductibles or co-payments or limits below a property's value. In the event of a catastrophic loss, the Funds' insurance coverage may not be sufficient to cover the full current market value or replacement cost of its lost investment. Should an uninsured loss or a loss in excess of insured limits occur, the Funds could lose all or a portion of the capital it has invested in a Portfolio Investment, as well as the anticipated future revenue from the Portfolio Investment. In that event, the Funds might nevertheless remain obligated for any notes payable or other financial obligations related to the Portfolio Investment. Inflation, changes in building codes and ordinances, environmental considerations, provisions in loan documents encumbering the properties pledged as collateral for loans and other factors might also keep the Funds from using insurance proceeds to replace or renovate a Portfolio Investment after it has been damaged or destroyed. Under those circumstances, the insurance proceeds the Funds receives might be inadequate to restore the Funds' economic position on the damaged or destroyed Portfolio Investment.

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

Each Portfolio Investment is subject to various laws and regulations in various jurisdictions, including building codes, laws and regulations pertaining to fire safety and handicapped access, and other laws and regulations that may from time to time be enacted. The Funds may be required to incur significant costs to comply with any future changes in such laws or regulations. However, noncompliance with the existing or future laws and regulations to which each Portfolio Investment is subject could result in substantial capital expenditures to bring the relevant Portfolio Investment into compliance, as well as the imposition of fines or an award of damages to private litigants which might adversely affect the Funds.

Changes in applicable laws may result in requirements or restrictions affecting a particular property that adversely affect its operation or operating costs. Any shift in the political landscape in the geographies in which the Funds invests may significantly impact the Funds' investment timing and its ability to realize its investment objectives. Failure to comply with these requirements could result in the impositions of fines by governmental authorities or awards of damages to private litigants.

For example, changes in environmental or other laws may impose or increase restrictions on the use or operation of a project, may increase certain expenses of the project or may necessitate potentially expensive changes in the physical configuration of the property. Changes in U.S. federal tax laws, moreover, may make investment in real estate less attractive economically and thereby adversely affect real estate values. Agencies, city governments or legal challenges by civic or community groups may also retroactively change zoning or development conditions that must be satisfied. Changes in



local, state or U.S. federal or foreign tax, real estate and zoning laws may reduce the returns attributable to the Funds' Portfolio Investments. In addition, any property owned by the Funds could become subject to eminent domain or inverse condemnation action. Such an action could have a material adverse effect on the Funds' return on investment with respect to the affected property.

A proportion of the Funds' properties may undergo some level of renovation, expansion or development, which could trigger the operation of such regulations. Such regulations may inhibit or prevent planned renovation, expansion or development, thus reducing or eliminating the potential returns from the properties. Even with respect to improved real estate, regulations may be promulgated which would have the effect of restricting or curtailing certain usages of existing structures or requiring that such structures be renovated or altered in some fashion. Such regulations could have the effect of increasing the expenses, and of lowering the profitability, of any of the properties affected thereby. If governmental authorities were to institute rent controls or other economic controls applicable to the Funds' properties, the Funds' financial condition, results of operations and cash flow could be adversely affected.

#### *Increase in Real Estate Taxes*

Local real property tax assessors may seek to reassess some of the Funds' properties as a result of the Funds' acquisition of the property. Generally, from time to time the Funds' property taxes will increase as property values or assessment rates change or for other reasons deemed relevant by the assessors. An increase in the assessed valuation of a property for real estate tax purposes will result in an increase in the related real estate taxes on that property. Although some customer leases may permit the Funds to pass through the tax increases to the customers for payment, there is no assurance that all leases will be negotiated to provide the Funds with such right. Increases not passed through to customers will adversely affect the Funds' net income, financial condition and cash flow.

#### *Environmental Risks*

Under various environmental laws, ordinances and regulations, a current or previous owner or operator of real estate may be required to investigate and clean up any hazardous or toxic substances or wastes, or petroleum products or other pollutants or regulated materials, or threatened releases of such materials, at such property and may be liable to a governmental entity or to third parties for property damage and for investigation and clean-up costs incurred by such parties in connection with the contamination. Such laws typically impose clean up responsibility and liability without regard to whether the owner knew of or caused the presence of the contaminants, and the liability under such laws has been interpreted to be joint and several unless the harm is divisible and there is a reasonable basis for allocation of responsibility, although a party held jointly and severally liable may obtain contributions from other identified, solvent, responsible parties for their fair share toward these costs. The cost of investigation, remediation or removal of such substances may be substantial, and the presence of such substances or the failure to properly remediate the contamination on such property may adversely affect the owner's ability to sell or rent such property or to borrow using such property as collateral.

Persons who arrange for the disposal or treatment of hazardous or toxic substances at a disposal or treatment facility may also be liable for the costs of removal or remediation of a release of hazardous or toxic substances at such disposal or treatment facility, whether or not such facility is owned or operated by such person. In certain circumstances, third-party lenders that have directed or had an active involvement in the environmental compliance activities or the day-to-day management of a borrower's facilities or which have taken possession of or title to such borrower's collateral may be liable for the costs of removal or remediation of a release of hazardous or toxic substances at the facility. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs it incurs in connection with the contamination. Finally, the owner of a site may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from a site. In connection with its ownership and operation of real estate, the Funds may incur liability for such costs.

If appropriate, prior to closing any property acquisition, environmental assessments may be obtained in order to attempt to identify potential environmental concerns at such properties. Except as otherwise may be appropriate, these assessments generally will be carried out in accordance with accepted industry practices and may include a physical site inspection, a review of relevant environmental and health agency database records, one or more interviews with appropriate site-related personnel, and review of other appropriate documentation. Limited subsurface investigations and tests for radon, asbestos and lead-based paint may be obtained where the results of the first phase of the environmental assessment or other information indicate possible contamination or where such procedures are recommended by consultants.

#### *Investment Through a REIT*

The Funds intends to make certain investments through one or more REIT Subsidiaries. Further information on the organizational, administrative and other requirements applicable to REITs, and certain of the U.S. tax consequences of the failure of a REIT to meet such requirements, can be found in the PPM. Complying with such requirements may be costly and may hinder a REIT Subsidiary's and/or the Funds' ability to operate solely on the basis of maximizing profits. For example, requirements concerning distributions may cause a REIT Subsidiary and/or the Funds to have to make distributions at inopportune times, such as when there are insufficient funds, causing the REIT Subsidiary to have to (i) sell assets in adverse market conditions, (ii) borrow on unfavorable terms, and/or (iii) distribute amounts that would otherwise be used to make future acquisitions or capital expenditures. Relatedly, requirements concerning assets and income may require the liquidation and/or restructuring of assets and may result in a REIT Subsidiary and/or the Funds being unable to effectively hedge against risks and/or to forgo otherwise attractive investment opportunities.

## **Item 9. Disciplinary Information**

Cloud Capital has not been involved in any legal or disciplinary events that would be material to a potential investors' evaluation of the Firm.

## **Item 10. Other Financial Industry Activities and Affiliations**

As outlined in Item 4 above, the Firm sponsors investment related limited partnerships and offshore investment companies. Investments in any Funds of which the Firm or other related person is a general partner are conducted on a private placement basis and prospective investors are solicited by means of the offering documents of the relevant Funds.

In addition, Cloud Capital is under common control with CloudHQ, which is engaged in data center operation and development. CloudHQ's business operations are expected to be beneficial to both Clients and affiliates of Cloud Capital, and Cloud Capital expects to leverage its relationship with CloudHQ for the benefit of Cloud Capital's advisory activities. For example, the Funds will engage affiliates of CloudHQ to perform services for the facilities in which the Funds invests, such as due diligence, construction management and property management. In addition, the Funds will purchase certain investments from CloudHQ, subject to Cloud Capital's policies

While the Firm believes that the relationship between affiliates will ultimately be beneficial to Cloud Capital's Clients, the Firm also recognizes that there are a number of potential conflicts of interest posed by doing business with affiliates. To mitigate the risk of these conflicts, the general partner of each Funds has established an advisory board (the "Advisory Board") consisting of representatives of investors and/or independent third parties which will review and evaluate any potential conflicts of interest (including related-party transactions) which may arise. The Advisory Board will be required to review and approve the engagement of any affiliated service providers and certain transactions with CloudHQ.

The Advisory Board will also be responsible for reviewing and providing consent for certain investments that Cloud Capital determines require third party consent, as described in the Funds' governing documents.

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

Pursuant to Rule 204A-1 of the Investment Advisers Act of 1940, as amended ("Advisers Act"), Cloud Capital has adopted a written Code of Ethics (the "Code") predicated on the principal that the Firm owes a fiduciary duty to the Clients and its Investors. The Code is designed to address and avoid potential conflicts of interest and is applicable to all officers, directors, members, partners or employees of Cloud Capital (collectively the "Covered Persons"). The Firm requires its Covered Persons to act in the Clients' best interests, abide by all applicable regulations and avoid any action that is, or could even appear to be, legally or ethically improper.

Cloud Capital's Code prohibits Covered Persons from trading in certain securities and requires Covered Persons to: 1) pre-clear certain personal securities transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide Cloud Capital with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such Covered Persons have a direct or indirect beneficial interest.

A copy of Cloud Capital's Code shall be provided to any investor or prospective investor upon request.

Cloud Capital, its principals, and certain employees will generally have a material direct or indirect investment in the Funds. Therefore, Cloud Capital may be considered to participate, indirectly, in transactions effected for the Funds. Investments made by Cloud Capital, its principals, and employees are generally made on the same terms as investors in the Funds. However, fees and investment minimums may be waived or reduced for Cloud Capital, its principals and employees. Cloud Capital does not believe this arrangement presents any material conflicts of interest since its interests are aligned with the interests of Funds investors.

Cloud Capital expects to effectuate certain principal transactions whereby the Funds will purchase investments from Cloud HQ. Such transactions are only effectuated when Cloud Capital believes that such investments are in the best interests of the Funds, and upon receipt of consent from Funds investors or the Advisory Board, as specified in the Funds' governing documents.

## **Item 12. Brokerage Practices**

Cloud Capital does not anticipate engaging in brokerage activities for Client accounts. Investments will be primarily made in real assets via negotiated deals, or in privately offered companies. However, to the extent that Cloud Capital is required to conduct brokerage transactions on behalf of its Clients, it will do so subject to the terms outlined in the relevant account governing documents and will seek to obtain best execution for the transactions. Cloud Capital will not be using any "soft dollars" or other commission-based research services.

## **Item 13. Review of Accounts**

The principals along with other investment personnel continually supervise each Client account and monitor the investments held within as part of its investment process. Cloud Capital staff will be involved with all investments on an ongoing basis and will monitor each Client's account regularly.

Investors in the Funds will receive quarterly reports that include capital account balances and updates on any investments held in the portfolio. On an annual basis, all investors in the Funds will receive annual audited financial statements within 120 days of the Funds' fiscal year end.

## **Item 14. Client Referrals and Other Compensation**

The Firm has engaged a placement agent to assist with the solicitation of investors for the Funds. Cloud Capital does not receive any benefit or fees from expenses or fees payable to the placement agent.

Cloud Capital does not receive any compensation for referring advisory clients to any third-party.

Cloud Capital has engaged Langham Hall (“LH”) to serve as the AIFM to certain funds under the Alternative Investment Funds Manager Directive (“AIFMD”) for the promotion of any Funds into the European Union. In this manner, Langham Hall may be deemed to be receiving a fee for the promotion of the Funds. LH have delegated portfolio management to Cloud Capital but retain responsibility for risk management.

## **Item 15. Custody**

All Client assets are held in custody by unaffiliated broker/dealers or banks. However, as mentioned in Item 10 above, Cloud Capital will be affiliated with the general partner or managing member to the Funds. In accordance with Rule 206(4)-2 under the Advisers Act, Cloud Capital is therefore deemed to have custody of the Funds’ assets.

To comply with Rule 206(4)-2 and to provide meaningful protection to investors, each Funds will be subject to an annual financial statement audit by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. The audited financial statements will be prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”) and will be distributed to each investor within 120 days of the relevant Funds’ fiscal year end. It should be noted that European fund financials will be prepared in accordance with International Financial Reporting Standards (“IFRS”).

## **Item 16. Investment Discretion**

The Firm manages Client accounts on a discretionary basis, subject to the terms of the relevant offering documents or investment management agreements. For the Funds, the offering documents and governing document provides that the general partner or investment manager has exclusive and absolute discretion and authority in managing and controlling the business and affairs of Funds, subject only to specific and express limitations provided therein.

## **Item 17. Voting Client Securities**

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

As a result of the investment strategy pursued, Cloud Capital does not anticipate receiving proxy ballots. In situations in which investments held by the Funds require Cloud Capital to exercise voting authority on behalf of its Clients, Cloud Capital will do so in accordance with its policies and procedures and its fiduciary duties to Clients.

## **Item 18. Financial Information**

Cloud Capital has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage Client accounts.