

**Item 1      Cover Page**

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Firm Brochure  
(Form ADV Part 2A)

**Electra Capital Advisers LLC**

4890 W Kennedy Blvd.  
Tampa, Florida 33609  
(813) 760-1436

*This brochure ("Brochure") provides information about the qualifications and business practices of Electra Capital Advisers LLC (hereinafter "Electra" or the "Firm"). If you have any questions about the contents of this Brochure, please contact us at us at (813) 760-1436 or [info@electracapital.com](mailto:info@electracapital.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.*

*Electra Capital Advisers LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an investment adviser provide you with information about which you determine to hire or retain an investment adviser.*

*Additional information about Electra Capital Advisers LLC also is available on the Securities and Exchange Commission's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching CRD#318664.*

**March 29, 2023**

## **Item 2**

### **Material Changes Made to this Brochure**

A summary of the material changes since the Initial Brochure prepared by Electra Capital Advisers, LLC dated August 2022 include:

- Item 4. updated our assets under management as of December 31, 2022.
- Item 5. No placement fees or other remuneration will be paid by a Fund to the Firm or to any of its employees in connection with the offering and/or sale of interests in such Fund. For a more detailed description of the Management Fees, Performance Fee and expenses related to the Funds, please see the Funds' Offering Documents, which qualify in its entirety the information in this Item 5.
- Item 8. Additional risks were added to address Bank failures.
- Item 14. Additional disclosure to clarify that neither the Firm nor any related person, directly or indirectly, compensates any person for client referrals.

Electra encourages each client and prospective client to read our Brochure carefully and to call us with any questions you may have.

We will provide a new Brochure any time at your request, or as may become necessary based on material changes. Whenever you would like to receive a complete copy of Electra's Brochure, please contact [info@electracapital.com](mailto:info@electracapital.com).

Additional information about Electra is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Electra who are registered, or are required to be registered, as investment adviser representatives of Electra.

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#### **Item 4 Advisory Business**

Founded in 2019, Electra Capital Advisers LLC ("**Electra**", "**Electra Capital**" or the "**Firm**") is an investment manager primarily focused on managing privately negotiated secured debt and equity on real estate. The Firm is one of several affiliated entities in the Electra Real Estate Ltd. ("**Electra Real Estate**") family of companies.

Electra is a limited liability company organized in the state of Delaware. Electra is owned principally by Joseph G. Lubeck. Electra America, Inc. ("**Electra America**"), Samuel Greenblatt, and James Miller also hold ownership interests in the Firm. Electra America is wholly owned by Electra Real Estate. Electra Real Estate is an Israeli public company principally owned by Elco Ltd. Elco Ltd, an Israeli public company, is principally owned by G. Salkind Ltd. G. Salkind Ltd, an Israeli limited liability company, is wholly owned by Daniel Haim Salkind and Michael Joseph Salkind (both non-US persons). Electra America's primary business focus is the acquisition of US real estate ventures through its subsidiaries. Electra Capital (through affiliated entities) originates, sells, and services a range of multifamily real estate financing products, and also engages in commercial real estate investment management activities. Electra's senior management team is led by Sam Greenblatt, CEO. Sam Greenblatt operates Electra's business segments in an integrated manner that allows Electra to take advantage of its knowledge and access to borrowers and investors in the industry in mutually beneficial ways.

Certain of Electra's principals and executive officers are also principals or executive officers of certain other partnerships or limited liability companies that serve as the general partner or managing member of certain entities affiliated with Electra. Please see "Other Financial Industry Activities and Affiliations" below for a further discussion of certain entities affiliated with Electra.

Electra's primary focus is on multifamily financing solutions. We provide short-term capital lending to middle-market multifamily owners and operators.

Electra provides investment management services to advisory clients which are privately offered investment vehicles that primarily invest in debt and related equity investments in companies operating in the commercial real estate industry. Electra's clients are collectively referred to herein as the "**Funds**". The general partner of each Fund will be an affiliate of Electra. The Funds may utilize one or more additional partnerships or other vehicles to invest alongside or feeder vehicles to accommodate various types of investors in the Fund with special legal, regulatory, tax, compliance, structuring or other requirements. The Funds expect to make substantially all of their investments directly or indirectly through one or more subsidiaries.

The Funds make indirect preferred equity investments in multifamily properties, and related investments in debt secured by interests in entities owning direct or indirect interests in multifamily properties primarily in the southeastern and south-central United States, including through joint ventures.

As of the date of this Brochure, Electra provides investment management services on a discretionary basis to the Electra Capital PM Debt Fund LP, Electra Capital PM Fund, Electra Capital PM II A Fund, LP, Electra Capital PM II Debt Fund, LP, each a privately-offered investment vehicle.

The Funds have not been registered under the Securities Act of 1933 (the "**Securities Act**"), as amended, the Investment Company Act of 1940, as amended (the "**Investment Company Act**"), or the securities laws of any state or other jurisdiction. The Funds are exempt from registration as investment companies under the Investment Company Act in reliance upon 3(c)(5) of the Investment Company Act. Each Fund's investment objective includes seeking to maximize current returns while preserving investor capital by providing a certain level of returns, net of fees and expenses, as described in detail in each vehicle's partnership agreement, supplements, offering memorandum, management and advisory agreements, and any other applicable agreements provided to Fund investors (collectively, the "**Governing Documents**").

The Firm provides discretionary investment advisory services to the Funds based on each Fund's investment objectives, strategies, guidelines and restrictions. We do not tailor our advisory services to the needs of individual investors, however, at the establishment of a Fund, specific investment criteria may be established for the Fund in consultation with prospective investors. The Firm's investment management and advisory services are provided pursuant to the terms of each Fund's respective Governing Documents. Prior to investing in a Fund, prospective investors should review such Fund's Governing Documents to confirm the suitability of an investment in a Fund based on the investor's particular circumstances.

Electra's senior management team is led by Sam Greenblatt, Electra's Chief Executive Officer. The Electra investment team consists of 9 professionals with extensive experience in structuring, underwriting, and managing loans.

Pursuant to a Staffing Agreement, dated as of January 1, 2022, by and among Electra and American Landmark Management, LLC (the "**Staffing Agreement**"), American Landmark Management, LLC provides the use of certain designated employees. The Staffing Agreement allows Electra to use the premises and facilities of American Landmark Management, LLC for its daily operations, including for the maintenance of books and records.

As investment advice is provided directly to the respective Funds and not individually to investors, any investment restrictions are imposed in the Governing Documents for the Funds. These terms may limit Electra's ability to invest in certain securities or geographies, sectors, concentration limits or use of leverage, among others.

### **Client Assets Under Management**

Electra provides discretionary investment advisory services to Funds and has discretionary management authority and responsibility over their assets. Electra had \$498,345,975 in discretionary regulatory assets under management as of December 31, 2022.

Electra does not manage any client assets on a non-discretionary basis. The Firm does not have any non-discretionary assets under management. Electra is authorized to follow investment guidelines in pursuing the Fund's asset acquisition strategy based on established eligibility criteria as set forth in their respective Governing Documents.

*This Brochure generally includes information about the Firm and its relationships with its clients and affiliates. While much of this Brochure applies to all such clients and affiliates, certain information included herein applies to specific clients or affiliates only.*

### **Item 5 Fees & Compensation**

The Firm is generally compensated for advisory services through asset-based management fees and receives performance-based compensation.

**Management fee.** The Firm will typically be entitled to receive a management fee from each client, in its capacity as investment manager. Each Fund pays an annual management fee ("**Management Fee**") in accordance with its Governing Document, typically paid by capital contributions from investors. Management Fees will typically commence on the date that a Fund has held its initial closing or a specific number of days prior to the Fund's first investment.

The Firm does not maintain a standard fee schedule for advisory services. Specific information about each Fund's fees and expenses are provided in each Fund's Governing Documents, which potential investors are urged to consult.

The Firm generally charges each Fund an annual Management Fee based on the amount of outstanding capital contributed or committed to the Fund by investors, or on an adjusted net asset value of the Fund. Generally, these Management Fees are deducted from each Fund's account on a quarterly basis in advance as set forth in the Governing Documents of the Fund. If applicable, the Management Fee will be pro-rated for any partial periods based on the actual number of days elapsed in such period.

The calculation of fees payable by Fund investors is complex, and investors are advised to carefully review the terms set forth in the Governing Documents of the Fund.

The Firm may, in its capacity as investment manager to a Fund, in its sole discretion, waive, reduce or modify the Management Fee payable with respect to any investor in a Fund (but without any concurrent increase in any other Fund investor's share of such Management Fees).

Certain Electra affiliates invest in the Funds on terms which will be more favorable than those offered to other investors, including with respect to the payment of Management Fees and/or Carried Interest. Such related investors will either directly pay their pro rata share of Fund expenses or the pro rata amount of such expenses will be allocated to the general partner of the Funds.

Electra charges a minimum Management Fee. Each Fund shall pay a minimum Management Fee of \$500,000 for any twelve-month period following the investment period.

The Management Fee will be paid out of available cash of the Funds, including investment income, capital proceeds and cash reserves.

The aggregate Management Fee payable by the Funds for any quarterly period will be reduced by an amount equal to 100% of portfolio company fees received by Electra or its affiliates in connection with the participation of the Fund in such investments. For the avoidance of doubt, the Firm or an affiliate thereof may receive syndication, origination or servicing fees from borrowers with respect to a debt instrument eventually purchased by a Fund, for their own benefit and not for the benefit of the Funds or their investors and shall not reduce the aggregate Management Fee payable by the Funds. Such reduction shall be applied in the quarter immediately following receipt of the relevant fees. The Management Fee shall be further reduced by any Organizational Expenses (as defined below) in excess of a threshold amount as specified in the Governing Documents.

As permitted under the Governing Documents, Electra may elect to defer its receipt of a portion of the Management Fees in favor of future distributions of such deferred amounts.

**Performance Fee.** In addition to the Management Fee, Electra may receive a performance fee (the "**Performance Fee**") with respect to each Fund. The Funds allocate a portion of its distributable proceeds to the affiliated general partner (such performance-based profit allocation is commonly referred to as "**Carried Interest**"). The Carried Interest is subject to the achievement of a specified cumulative annual return, compounded annually on the amount of the investor's unreturned capital contributions, as of the date of determination ("**Preferred Return**"). Carried Interest will be paid as noted in a Fund's specific Governing Document, generally upon the distribution of proceeds generated by the dispositions of the respective Fund's portfolio investments pursuant to a priority distribution waterfall after the return of invested capital in excess of the applicable Preferred Return.

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As certain other provisions may apply, investors are urged to review the relevant Fund's Governing Documents for specific information related to Carried Interest.

**Fund Fees and Expenses.** In addition to the fees described above, the Funds pay or reimburse us for certain fees and expenses. These fees and expenses vary from Fund to Fund and are specifically set forth in each Fund's Governing Documents.

*Organizational Expenses.* Subject to their Governing Documents, each Fund pays or otherwise bears all actual, out-of-pocket, third-party expenses incurred in connection with the organization and formation of the Fund, its general partner and/or investment manager, including in connection with the initial and any subsequent closings of such entity (collectively, the **"Organizational Expenses"**). Such expenses could include, without limitation, legal, travel, accounting, consulting, operating, administrative, mailing, printing, hospitality and other expenses, including the cost of creating a website for use by prospective investors and translating this Agreement for purposes of governmental filings. Governing Documents for certain Funds generally include a limit on the amount of Organizational Expenses that are borne by the Fund.

*Operational Expenses.* Subject to their Governing Documents, each Fund pays or otherwise bears all actual, out-of-pocket, third-party costs and expenses relating to the formation, operation and liquidation of the Fund (collectively, the **"Operational Expenses"**). Such expenses may include, without limitation:

- (i) all costs and expenses relating to the investigation, acquisition, holding, management, sale, other disposition, or restructuring, or proposed acquisition, sale, other disposition, or restructuring of any actual or potential investment or collateral (whether such acquisition, sale, disposition, or restructuring is ultimately consummated or not and whether such acquisition, sale, disposition or restructuring is pursuant to the foreclosure on collateral), including legal, technical, and accounting due diligence and reports, investigations of financial capabilities, appraisals, legal, auditing, accounting, brokerage, investment banking, consulting, finder's, custody, transfer, registration, interest, and travel expenses, fees and commissions, and other similar fees or expenses;
- (ii) fees and disbursements of outside auditors relating to any audit of, or accounting services with respect to, the books and records of the Fund including, without limitation, the preparation of the periodic reports required to be delivered pursuant to the Governing Documents;
- (iii) taxes, stamp and other duties and other governmental charges payable by or on behalf of the Fund, including in respect of the acquisition, ownership or disposition of any investments;
- (iv) cost of professional memberships and materials of the Fund;
- (v) fees and disbursements of attorneys, consultants, accountants, bookkeepers, administrators (including loan administrators and loan service providers), third party appraisers and other professionals, including public relations experts, including in connection with the making, monitoring, or realization of investments, whether in connection with a default by a debtor or otherwise;
- (vi) fees, commissions, costs and expenses incurred in negotiating, entering into, effecting, maintaining, restructuring, varying, enforcing, realizing or terminating any guarantee or commitment permitted to be incurred by the Fund's Governing Documents or any lien;
- (vii) expenses of members of any advisory board and expenses of the Fund's investment committee and such other committees established by the Fund's general partner;
- (viii) market information systems, computer software expenses and technology installation costs for reporting systems and online leasing and renewal capabilities, lead management systems, human resources management systems, technology infrastructure improvements, IT strategic costs and other IT related projects, in each case relating to properties (including the cost of a system for the management of loans and valuation systems);

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- (ix) expenses incurred in connection with meetings of the Fund, including, without limitation, any annual meetings;
  - (x) all insurance premiums or similar expenses incurred by the Fund or its general partner, the general partner of its general partner or the Firm in connection with the activities and management of the Fund, and title and related insurance services;
  - (xi) the cost of maintaining records and books of account in relation to the business of the Fund;
  - (xii) all costs and expenses incurred in relation to obtaining waivers, consents or approvals pursuant to the Fund's Governing Documents and all reasonable costs and expenses of, and/or incidental to, the preparation of amendments to the Fund's Governing Documents;
  - (xiii) all costs and expenses of, and/or incidental to, the preparation and dispatch to the Fund's investors of all financial statements, tax returns, checks, reports, circulars, forms and notices and any other documents necessary or desirable in connection with the business and administration of the Fund, including the cost of any insurance premiums paid by the Fund in connection therewith;
  - (xiv) all costs and expenses incurred as a result of dissolution and liquidation of the Fund and the distribution, realization or disposal of investments and other Fund assets pursuant thereto;
  - (xv) all costs and expenses of any threatened or actual litigation involving the Fund and the amount of any judgment or settlement paid in connection therewith;
  - (xvi) all expenses incurred in relation to the registration of any securities of an investment or liens thereon, or the custody of the documents of title thereto (including, without limitation, bank charges, insurance of documents of title against loss in shipment, transit or otherwise, and charges made by agents of the Firm for retaining documents in safe custody);
  - (xvii) all costs and expenses associated with transactions entered into by the Fund for the purpose of hedging risks;
  - (xviii) regulatory and governmental filing fees and expenses, including fees and expenses related to the formation, registration or maintenance of the Fund, its general partner, the Firm or general partner of the Fund's general partner or liens on assets and filing fees in connection with court proceedings with respect to investment entities;
  - (xix) any extraordinary expenses (such as valuation expenses, litigation expenses or indemnification payments, and any judgments or settlements paid in connection therewith);
  - (xx) expenses related to organizing alternative vehicles for purposes of facilitating investments;
  - (xxi) fees paid to persons that are not affiliates of the Firm in connection with the syndication by such persons of co-investment opportunities in which the Fund participates;
  - (xxii) pursuit costs or enforcement costs with respect to any investment or prospective investment (including an investment with respect to which the Fund does not consummate an investment), including, without limitation, feasibility studies, environmental investigations and reports, engineering investigations and reports, fees paid to technical advisors, insurance advisers, legal advisers and zoning advisers, fees for appraisal reports and title searches, in each case to the extent such costs are not borne or reimbursed by such property or any investment entity which holds ownership interests in such property or otherwise, and expenses related to leases (including tenant related matters, including leasing commissions, tenant improvements, tenant concessions, and tenant retention expenses), brokerage, marketing, business development, training, start-up, environmental, entitlement and zoning, structuring (including, without limitation, structuring a tenancy in common structure for a transaction that includes a 1031 tax deferred exchange), appraisal, surveys, security, engineering, debt-related services, custodial and depository services, maintenance (including, without limitation, tenant relations, technology installation, vendor administration and site inspections), and other property-related matters (including licensing, qualification, reporting, auditing and filing and any training costs), but excluding general research;
  - (xxiii) taxes payable with respect to any of the foregoing or any payment or distribution hereunder,

- and any costs associated with any election made by the Fund for tax purposes, including a REIT election, check the box election and other election;
- (xxiv) placement fees with respect to capital raising for the Fund.

The Management Fee, Performance Fee, Organizational Expenses and Operating Expenses will be paid out of available cash of the Funds, including investment income, capital proceeds and cash reserves.

**Allocation of Fees, Costs, and Expenses among Multiple Clients.** We may incur, from time to time, fees, costs and expenses on behalf of one or more of the Funds. To the extent that such fees, costs, and expenses are incurred for the account or for the benefit of one or more Funds, such Funds will typically bear an allocable portion of any such fees, costs, and expenses (subject to the terms of the applicable Governing Documents of each Fund).

**Compensation for Sales of Securities.** No commissions, placement fees or other remuneration will be paid by a Fund to the Firm or to any of its employees in connection with the offering and/or sale of interests in such Fund.

For a more detailed description of the Management Fees, Performance Fee and expenses related to the Funds, please see the Funds' Offering Documents, which qualify in its entirety the information in this Item 5.

#### **Item 6 Performance-based fees and side-by-side management**

As described in Item 5, the Funds are subject to Carried Interest fees and certain affiliates receive such incentive compensation from the Funds. This type of compensation is tied explicitly to the performance of a Fund, not an individual transaction or investment, and such compensation will be earned based upon the performance of the Fund's portfolio as a whole. The performance fee structures vary from Fund to Fund, including with respect to performance fee calculation and timing of payment.

The existence of this Carried Interest program creates an incentive for the Firm to cause a Fund to make riskier or more speculative investments than would be the case in the absence of the Carried Interest fee. Performance fees are typically payable only after a certain return target has been achieved, in the form of an internal rate of return hurdle. The payment by some, but not all, Funds of performance fees, or the payment of Management Fees or performance fees at varying rates, would create an incentive for the Firm to disproportionately allocate time, services or functions to Funds paying performance fees, or Funds paying Management Fees and/or performance fees at higher rates, or disproportionately allocate favorable investment opportunities to such Funds.

The Firm has policies and procedures to address the potential conflicts of interest described above through careful review of investment opportunities, including review of available capital, anticipated duration of the investment, likelihood of profitability, portfolio diversification requirements, liquidity requirements and other appropriate factors. The Firm seeks to mitigate risks of differing fee arrangements and address such conflicts on a fair and equitable basis in its good faith discretion by, among other things, allocating investments among Funds with similar investment programs but different fee structures in a manner consistent with our investment and expense allocation policy. The Firm reserves the right to allocate opportunities for any number of reasons.

#### **Item 7 Types of clients**

The Firm provides investment advice to the Funds, which focus on investing in mortgage loans, preferred equity and mezzanine loans on real estate. The Fund's Governing Documents generally require a minimum

initial investment or commitment by each individual investor. However, Electra has the discretion to waive or reduce the minimum initial investment or commitment and has done so for certain investors. Electra does not currently expect that any of its clients will be individuals, trusts, registered investment companies or pension plans.

The Firm and/or the relevant Fund's general partner, managing member, or manager may enter into separate agreements, commonly referred to as "side letters," or similar agreements with certain investors pursuant to which certain investors are granted specific rights, benefits or privileges. A Fund's general partner may also cause the Fund to enter into side letters with Electra affiliates who are investors in such Fund. The side letters may have the effect of establishing preferential rights under, altering, or supplementing the terms of, Governing Documents of the Fund with respect to such investor, in a manner more favorable to such investor than those applicable to other investors in the Fund. These rights, benefits or privileges are not always made available to all investors nor in some cases are they required to be disclosed to all investors.

Such rights or terms pursuant to such side letters may include, for example (and without limitation), fee arrangements with respect to an investor, reporting and governance obligations, waiver of confidentiality obligations, consent to certain transfers or withdrawals by an investor, or rights or terms necessary in light of particular legal, regulatory, or tax requirements or concerns of an investor and clarifications of the terms of the Partnership Agreement. The disclosure and extension of any such rights, benefits or privileges are governed by the corresponding Governing Documents.

The minimum investment amount, if any and as applicable, and other criteria for investments in the Funds are set forth in each Fund's Governing Documents.

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

While more information can be found in the Funds' respective offering documents, in general, our investment strategy is one of making, holding, monitoring, and disposing of investments in multifamily real estate through both equity and debt instruments.

Each of Electra's investment objectives in to provide capital on quality multifamily real estate projects for current distributions and strong overall return, while seeking to reduce and minimize risk by originating and holding loans and preferred equity investments that are anticipated to be repaid by the borrowers/sponsors and/or refinanced with permanent financing. There can be no assurance that any such investment objectives will be achieved and invests involve risk of loss that fund investors should be prepared to bear.

##### *Preferred Equity Investing:*

Based upon the strategy disclosed in the respective Governing Documents, as applicable, Electra anticipates that certain Funds advised by Electra will invest in preferred equity investments (the "**Preferred Equity Investments**"). Preferred Equity Investments are expected to bear returns at rates that are either fixed or floating over an index. These investments will be typically structured with an initial term of 24 to 36 months with one or two extension options, term will not exceed 60 months.

In the case of each Preferred Equity Investment, Electra expects to review the sponsor, the real estate, the capital structure of the transaction, the local real estate market, and potential exit scenarios.

##### *Mezzanine Loan Financing:*

Based upon the strategy disclosed in the respective Governing Documents, as applicable, Electra anticipates that certain Funds advised by Electra will provide mezzanine loans (the "**Mezzanine Loans**"). Mezzanine

Loans are expected to bear interest at rates either fixed or floating over an index. These loans will be typically structure with an initial term of 24 to 36 months with one or two options to extend, term will not exceed 60 months.

In the case of each Mezzanine Loan, Electra expects to review the sponsor, the real estate, the capital structure of the transaction, the local real estate market, and potential exit scenarios.

## **RISKS**

Material risks associated with the investment strategies and methods of analysis generally employed by the Funds are listed below. This summary does not attempt to describe all of the risks associated with an investment in a Fund, and there can be no assurance that other risks and conflicts of interest will not arise. It is critical that investors refer to the Governing Documents of the applicable pooled investment vehicle for a more complete description of the risks associated with an investment.

### **Fund Risks as per the Governing Documents**

**Coronavirus.** The current outbreak of coronavirus disease 2019 (COVID-19) began in December 2019. On 30 January 2020, the World Health Organization declared the outbreak of COVID-19 to be a Public Health Emergency of International Concern. A large number of cases of COVID-19 have been recorded in a wide number of countries worldwide, and it is likely that COVID-19 will continue to spread. Although it is not possible to fully predict the consequences of COVID-19, the epidemic is likely to have a material impact on the global economy. Historically, widespread outbreaks of communicable diseases have affected investment sentiment and caused sporadic volatility in global markets. Such effects will be unevenly distributed across sectors, businesses, and national economies, depending upon, amongst other things, the global distribution of detected cases of COVID-19. Whilst certain sectors, including airlines, manufacturing, retail and tourism appear to be worst affected, others will undoubtedly also be impacted if COVID-19 cannot be contained.

**General Risks Associated with Real Estate Related Investments.** The Funds' acquisition of real estate related investments, such as preferred interests in real property (and related debt and loan instruments) involves many risks generally incident to the ownership and operation of the properties. The value of the investments of the Funds depends, in part, on the ability of the property owner to operate the property so that it produces the cash flow required in order to pay the interest and principal due to the Funds on their investments and loans, or to make payments to a Fund as an equity investor. The revenues generated by, and the value of, a particular investment may be adversely affected by a number of factors, including: the cyclical nature of the real estate market; national, regional and local economic climates; local real estate market conditions; the ongoing need for capital improvements, as well as fluctuations in operating costs; changes in interest rates and in the state of the debt and equity capital markets; and the availability, cost and terms of financing. Revenues may also be affected by such factors as government regulations (including those governing usage, improvements, zoning and taxes), interest rate levels, the availability of financing and potential liability under changing environmental and other laws. In the event that any of the properties underlying the Funds' investments experiences any of the foregoing events or occurrences, the value of, and return on, such investments would be negatively impacted. In addition, the yields available to the Funds from properties depend on the amount of revenue generated and expenses incurred. If certain properties do not generate sufficient revenues to meet their acquisition and operating expenses, the cash flow of the Funds' and their ability to pay distributions to its investors will be adversely affected. Furthermore, changes in interest rates and the weakening of credit conditions could have a negative impact on the performance and/or valuation of the Funds' investments and the properties and may adversely affect the ability of the Funds to finance and consummate investments, which could impede the ability of the Funds to achieve their investment objectives.

**Investment Strategy.** The strategy of the Funds is to make Preferred Equity Investments and Mezzanine Loans in multifamily properties in the southeastern and south-central United States. Accordingly, the Firm will be required to maintain expertise, relationships and market knowledge across a range of geographic markets 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 Firm 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.

**Risks Involved in Acquisitions in Ventures with Third Party Sponsors.** The Funds will invest in properties as a partner or a co-venturer with various third parties, therefore acquiring non-controlling interests in such investments. Such investments may, under certain circumstances, involve risks not otherwise present, including the possibility that a third party might become bankrupt, thus causing the Funds to be required to make capital contributions in the underlying investment for cost overruns and other unforeseen expenses. In addition, in such circumstances the Funds may not receive sufficient information in order to monitor the performance of its investments, or may, in certain circumstances, be liable for the actions of its third-party partners.

**Control over Investments.** The Funds will have limited rights with respect to the properties, loans or other assets in which the Funds invest, and will rely on independent third-party management or strategic partners with respect to the management of any such property, loan, or other asset in which they invest. Therefore, the Funds' ability to protect their positions and to make decisions regarding their investments may be limited by the rights of such third parties. For example, a Funds' rights to control the process following a borrower default will be subject to the rights of senior creditors or servicers whose interests may not be aligned with those of such Fund. In addition, a third-party partner or co-venturer may have financial difficulties resulting in a negative impact on such asset, may have economic or business interests or goals which are inconsistent with those of the Funds, or may be in a position to take action contrary to the investment objectives of each Fund.

**Multifamily Real Estate Risks.** The Fund expects to hold investments in multifamily residential properties or secured by multifamily residential properties, which, in addition to the risks associated with owning and operating other types of real estate, are subject to additional risks such as massive competition in the residential real estate marketplace including from multifamily condominium, rental apartments, and single-family homes in the relevant market. Additional factors may adversely affect the value and operation of a multifamily property, including: the age, condition, quality and location of the apartment building, among its other physical attributes; the ability of management to provide adequate maintenance and insurance; the types of services provided by the property; the property's reputation; the level of mortgage interest rates; presence of competing properties; tenant mix and mobility; adverse local or national economic conditions; and federal, state, and local regulations. If the demand for multifamily properties is reduced, or if competitors develop and/or acquire competing properties on a more cost-effective basis, income generated from the Funds' investments and the underlying value of such investments may be adversely affected. In addition, the relationship between an owner of such property and its tenants is regulated in certain jurisdictions, and may require a written lease, good cause for eviction and fees disclosure, while prohibiting unreasonable rules, retaliatory evictions, and restrictions on a resident's choice of unit vendors. Some jurisdictions, including jurisdictions in which the Funds may invest, may offer more significant protections to tenants. In addition, numerous towns and municipalities impose rent control on apartment buildings. These ordinances may limit rent increases to fixed percentages, to percentages of increases in the consumer price index, to increases set or approved by a governmental agency, or to increases determined through mediation or binding arbitration.

**Lease Terminations or Tenant Defaults.** The success of the investments by the Funds will depend, *inter alia*, on the financial stability of the tenants of the underlying properties. A default by a significant number of tenants on their lease payments may cause the underlying properties to lose the revenue associated with such

leases. The Firm may fail to, or may not be able to, discover factors that would indicate a heightened level of uncertainty with respect to tenant defaults when performing due diligence on prospective investments. Tenant defaults thus increase the risk that the Funds could suffer a loss.

**Leverage.** The underlying properties will utilize a leveraged capital structure, in which case a third party would be entitled to cash flow generated by the properties prior to the Funds receiving a return. Although the use of leverage may enhance returns and increase the number of properties that can be invested in, it may also substantially increase the risk of loss of principal. Rising interest rates, downturns in the economy and other factors may adversely affect the ability of the Funds to successfully acquire investments and may also adversely affect the performance of the properties.

**Insurance May Not Cover All Losses.** The properties underlying the Funds' investments are expected to be covered by insurance with coverage of the type and in the amount customarily obtained by owners of similar properties, 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. There are certain types of losses, however, generally of a catastrophic nature, resulting from, for example, earthquakes, floods, hurricanes and terrorist acts, that may be uninsurable or that may not be economically insurable. Inflation, changes in building codes and ordinances, environmental considerations, provisions in loan documents encumbering the portfolio properties pledged as collateral for loans and other factors also might make it economically impractical to use insurance proceeds to replace improvements on a property 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 property.

**Nature of Mezzanine Investments.** Traditional mezzanine investments are rated below investment grade, having substantially greater credit and liquidity risk than more highly rated debt obligations. Such investments are typically issued as private loans for which there is little or no trading activity. Nontraditional mezzanine investments will usually be rated lower, be less liquid and be more subordinated than traditional mezzanine investments. Investments of a Fund may be unable to pay the interest or dividends due on those mezzanine investments or meet the applicable repurchase schedules, on part or all of the principal amount of such investments, as a result of having other creditors in priority to such Fund. In the event of the failure of such an entity, part or all of the principal of such mezzanine investment could be lost. Although mezzanine investments in the form of Preferred Equity Investments are typically senior to common stock or other equity securities, the Mezzanine Loans and Preferred Equity Investments in which the Funds will invest when making mezzanine investments may be unsecured and will generally be subordinated to substantial amounts of debt, all or a significant portion of which may be secured. In addition, such loans or securities may not be protected by all of the financial covenants, such as limitations upon additional indebtedness, typically protecting such debt. The Funds, as holders of pure Mezzanine Loans or of Preferred Equity Investments, are not expected to be entitled to receive any payments in bankruptcy or liquidation until senior creditors are paid in full, or until all creditors are paid. In addition, the remedies available to holders of mezzanine investments will be restricted in the exercise of their rights in respect of their mezzanine investments by the terms of subordination agreed between them and the senior lenders. Accordingly, the Funds may not be able to take the steps necessary to protect their mezzanine investments in a timely manner, or at all, resulting in the Funds suffering a partial or total loss of capital invested. In addition, repayment of the principal amount of a mezzanine investment is likely to come from the sale or refinancing of the underlying properties, and the projected returns are based on the Firm's assumptions concerning such factors as rental rates, market demand, the expected length of construction and lease-up period, net operating income, and capitalization rates, which may, or may not, be fulfilled.

**Collateral.** In the event that any loan and debt instruments purchased by a Fund will involve any security or collateral, such security or collateral may subject the Funds to an additional layer of risks, in the event that

such security or collateral have not been correctly created and perfected and other applicable legal or regulatory requirements may restrict the giving of collateral or security by a borrower under a loan. Such scenarios may adversely affect the value of the investments made by the Funds.

**Non-Performing Debt.** Under certain circumstances where a borrower defaults on a debt instrument or otherwise, a Fund may be entitled to acquire ownership of an interest in a property underlying a particular investment. Although affiliates of the Firm have experience in development and management of real properties, there is no certainty that the Funds will be able to complete development of any relevant property or to stabilize a nonperforming asset, which may cause substantial losses to the Funds. Furthermore, non-performing debt involves a high degree of financial risk and there can be no assurance that there will be any return of capital to investors. Investments in properties operating under bankruptcy protection laws may, in certain circumstances, be subject to additional potential liabilities that could exceed the value of a partner's original investment. In addition, under certain circumstances, payments to the Funds and distributions to the investors may be reclaimed if any such payments or distributions are later determined to have been fraudulent conveyances or preferential payments under applicable law. Finally, to the extent that a Fund becomes the owner of an underlying property, such Fund will be subject to the risks normally associated with such activities. Such risks include, without limitation, possible environmental remediation liability risks that are not covered by insurance or escrows. These risks could result in substantial unanticipated expenses and consequences, any of which could have an adverse effect on the financial condition and results of operations of the Funds and on the amount of funds available for distribution to investors therein.

**Market and Credit Risks of Debt Securities.** The Funds will be subject to credit and interest rate risks. "Credit risk" refers to the likelihood that an issuer will default in the payment of principal and interest on an instrument when due. Issuers in which the Funds invest could deteriorate as a result of, among other factors, an adverse development in their operations, movements in financial markets that are applicable to the real estate market, a change in the competitive environment or an economic downturn. As a result, issuers that the Firm expected to be stable may operate at a loss or have significant variations in operating results, may require substantial additional capital to support their operations or to maintain their competitive position or may otherwise have a weak financial condition or be experiencing financial distress. Financial strength and solvency of an issuer are the primary factors influencing credit risk. Furthermore, the ability of the entities in which the Funds invest to repay debt obligations (including making payments to the Funds as a creditor with respect thereto) and/or to refinance debt investments may depend on their ability to obtain financing, which may be difficult to access at favorable rates. "Interest rate risk" refers to the risks associated with market changes in interest rates, that are beyond the control of the Funds. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). Accordingly, interest rate fluctuations may materially and adversely affect the Funds' investment objectives and rates of return on invested capital, as well as their return on new investments. Any deterioration of the debt markets, any possible future failures of certain financial services companies and a significant rise in market perception of counterparty default risk, interest rates and/or taxes may adversely affect the Funds' ability to generate attractive risk-adjusted investment returns.

**Fraudulent Conveyance Considerations.** Various federal and state laws enacted for the protection of creditors may apply to a Fund's investments by virtue of such Fund's role as a creditor with respect to the issuers of such investments. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of a borrower, such as a trustee in bankruptcy or the borrower as debtor-in-possession, were to find that (i) the borrower did not receive fair consideration or reasonably equivalent value for incurring indebtedness evidenced by an investment and granting any security interest or other lien securing such investment, and (ii) after giving effect to such indebtedness, the borrower either (a) was insolvent, (b) was engaged in a business for which the assets remaining in such borrower constituted unreasonably small capital, or (c) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, then such court

could invalidate, in whole or in part, such indebtedness and any security interests or other liens securing such investment (if any) as fraudulent conveyances, could subordinate such indebtedness to existing or future creditors of the borrower or could recover amounts previously paid by the borrowers (including to such Fund) in satisfaction of such indebtedness or amounts representing proceeds of such security interests or other liens (if any) previously applied in satisfaction of such indebtedness. In addition, upon any insolvency of an issuer of an investment, payments made on the investment could be subject to avoidance as a “preference” if made within a certain period of time (which may be as long as one year) before insolvency. The measure of insolvency for purposes of the foregoing will vary depending on the law of the jurisdiction that is being applied. In general, if payments on an investment are avoidable, whether as fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient (such as a Fund) or from subsequent transferees of such payments, including investors.

**Fluctuations in Receipt of Proceeds.** It is possible that the Firm will experience fluctuations in the timing and amount of proceeds the Funds receive in the form of interest and fee income and in connection with the realization of investments in which the Funds have invested. Such fluctuations are generally due to, among other things, changes in the interest rates payable on the debt instruments acquired by the Funds, the default rate on such debt instruments, the level of a Fund’s expenses, variations in and the timing of the realization of investments, the degree to which the Funds encounter competition in the markets and general economic conditions. Early prepayment, particularly by good credits, reduces a Fund’s opportunity to make long-term compounded returns and reduces the size and diversification of the portfolio. Later prepayment, particularly by weaker credits, can tie up a Fund’s capital in investments which may have a greater risk of default.

**Attractive Investments May Not Be Available.** While the Firm believes that the Funds will be presented with a variety of investment opportunities of the types and in the markets that they are targeting, there can be no assurance that the Funds will identify attractive investments that meet their investment criteria, that the Funds will be successful in acquiring these investments or that any of these investments will be profitable. Furthermore, the availability of desirable credit sensitive investment opportunities and, consequently, the Funds’ returns, will be affected by the level and volatility of interest rates, conditions in the financial markets, general economic conditions, the market and demand for credit sensitive investment opportunities, and the supply of capital for such investment opportunities.

**Competitive Environment.** The business of investing in Mezzanine Loans and Preferred Equity Investments is highly competitive. Competition for investment opportunities includes a growing number of non-traditional participants, such as hedge funds, public funds and other private investors, as well as more traditional lending institutions and debt-focused competitors. Some of these competitors may have access to greater amounts of capital and to capital that may be committed for longer periods of time or may have different return thresholds than the Funds, and these competitors therefore may have advantages not shared by the Funds.

**Environmental Liability.** The real properties held by the Funds and underlying their investments (if any) will be subject to various laws, ordinances, regulations and administrative rulings which, among other things, establish standards for the treatment, storage and disposal of solid and hazardous waste. Under such laws, ordinances, regulations and administrative rulings, an owner or an operator of real property may become liable for the costs of removal or remediation of certain hazardous or toxic substances released on, about, under or in its property. Often joint and several liability is imposed on past and present owners and users of real property for hazardous substance remediation and removal costs without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous or toxic substances. The cost of any required remediation and the owner’s liability therefore as to any property are generally not limited under such laws and could exceed the value of the property and/or the aggregate assets of the owner. Therefore, the Funds may be exposed to substantial risk of loss from environmental claims arising in respect of any real properties with undisclosed or unknown environmental problems or as to which inadequate reserves have

been established. In addition, the presence of such substances, or the failure to properly remediate hazardous substances properly, may adversely impact the value of such property, which could have an adverse effect on the Funds' return from investments related to such properties. In addition to clean-up actions brought by governmental agencies and private parties, the presence of hazardous substances on a property may lead to claims of personal injury, property damage or other claims by private plaintiffs.

**Current Market Conditions.** The Funds' activities may extend over a period of years, during which the business, economic, political and regulatory environments within which each Fund operates may undergo substantial changes. Recent events demonstrate that such changes may be severe and adverse. For example, the market for private equity transactions has been adversely affected, from time to time, by a decrease in the availability of senior and subordinated financing for transactions, in part in response to regulatory pressures on financing providers to reduce or eliminate their exposure to such transactions. The regulatory environment for private investment funds is evolving, and changes in the regulation of private investment funds may adversely affect the value of investments held by the Funds and the ability of the Funds to effectively employ their investment and trading strategies. The duration of adverse economic, regulatory and market conditions, and their impact on each Fund's performance, is unknown. Investors will have no input on each Fund's investments, each Fund's investment pace, or strategy and will have no right to withdraw from the Fund.

**Possible Lack of Diversification.** While diversification is an objective of the Funds, there is no assurance as to the degree of diversification that will actually be achieved in each such Fund's investments. This could lead to increased risk as a result of either Fund having an unintended long-term investment and reduced diversification. If the Funds raise less capital than anticipated, the Funds will likely be less diversified than the Firm intends, which would increase the risk of an investment in the Funds.

**Bank Failures:** The economic and regulatory environment is raising the risk of bank failures. Exposure to the risk of bank failure for real estate funds can take affect directly through depositary accounts exceeding FDIC limits and via exposure through loans, subscription facilities and security deposits through letters of credit issued by such banks, that can no longer be drawn from. These risks can apply at the management company, fund and/or investment level, as well as affecting the performance of the fund where tenants are unable to fund their rent. The Advisers mitigates these risks by keeping track of various banking relationships and acting on contractual provisions where a bank failure triggers a change and by limiting depositary account amounts to the FDIC ensured levels where practical. We are reviewing direct banking relationships as part of our ongoing diligence of key service providers. As of the date of this filing we have no direct impact from the current bank failures and expect no impact to near-term cash management given the sufficient available capacity from the other subline lenders.

#### **Item 9 Disciplinary information**

Electra has no disciplinary record with the SEC or with any other regulatory authority, domestic or foreign. In the ordinary course of business, Electra, along with many other registered investment advisers, may be examined by the SEC, and may be requested to amend certain policies, procedures or practices to better conform with applicable regulation.

#### **Item 10 Other financial industry activities and affiliations**

The Firm and its affiliates originate, sell, and service a range of real estate financing products, and also engage in commercial real estate investment management activities.

An affiliate of Electra will serve as the general partner of each Fund. Electra America, an affiliate of the Firm, serves as the sponsor of each loan under the investment program of the Funds. The principals, employees and

beneficial owners of the Firm and its affiliates invest in the Funds as detailed in the Governing Documents of each Fund.

Joseph G. Lubeck acts as managing member to various limited liability companies whose purpose is to indirectly invest in multi-family properties through equity investments. American Landmark Management, Inc., an affiliate of the Firm, provides property management to the properties.

The general partners of each Fund may cause the Fund to retain Electra affiliates and to provide necessary services relating to the investments of the Funds. The general partner of a Fund may cause a Fund to make investments with parallel vehicles, alternative investment vehicles, co-investment vehicles, and other collective investment vehicles or separate accounts managed by an Electra affiliate other than the Fund.

The respective relationships with respect to, and services provided (if any) to, the Firm and/or any Fund are disclosed to potential Fund investors and are described in the relevant offering documents. To the extent that any of the Firm's related persons receive fees either from the Firm or a Fund as compensation for its or their services to the Firm or the Fund, as applicable, such compensation arrangements are generally in writing and disclosed in the relevant agreements and/or offering documents.

Agreements may provide that a portion of fees otherwise payable to the Firm will be paid or allocated to such affiliated entities. To the extent that a Fund directly engages an affiliate to perform non-advisory services for the Fund, any fees associated with such services will be separate from, and in addition to, the advisory fees paid to Electra. Please see also Item 5 above, which includes important information and disclosures regarding fees and other compensation.

Electra does not select other investment advisers for its clients.

### **Item 11 Code of Ethics**

Electra has adopted a Code of Ethics (the "Code") that sets forth standards of conduct expected of all means all employees, officers and members of the Firm's affiliates and other persons as determined by the Firm's Chief Compliance Officer. The Code describes key legal and fiduciary standards and requires personnel to comply with all applicable laws and regulations. The Code also includes policies addressing outside activities, giving and receiving of gifts or entertainment, and personal investment activity. Access Persons are also required to file certain periodic reports and certifications with the Chief Compliance Officer. Under the Code, personnel are permitted to invest for their own accounts, but are prohibited from engaging in certain transactions that may present a conflict of interest. Further, Access Persons are required to maintain records of their transaction history and to make them available to Electra. This policy is intended to help mitigate the risk that Electra Access Persons misuse inside information or otherwise engage in inappropriate investment for their own accounts.

A copy of the Code is distributed to each Access Person at the time of hire and annually thereafter. Access Persons are required to attend annual Code training and certify that they are in compliance with the Code. Access Persons who violate compliance policies and procedures including the Code can be subject to sanctions, including possible employment termination.

Certain of the Firm's Access Persons have invested and/or may in the future invest in the Funds. The fact that such Access Persons have financial ownership interests in the Funds creates a potential conflict in that it could cause Electra to make different investment decisions than if such parties did not have such financial ownership interests.

A copy of the Code will be made available to clients and prospective clients upon request.

### Fee Structure

The Firm and its affiliates may earn Management Fees and performance-based fees from or receive Carried Interest in the Funds. 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.

For further discussion of the conflicts discussed in this Item 11, see Item 6, 8 and 10 of this Brochure.

**Valuation of investments:** The fair value of all Fund investments or of property received in exchange for any Fund investments will be determined by the Firm, one or more affiliates and/or an independent valuation consultant in accordance with the Fund's Governing Documents and/or Electra's internal valuation policies. It may be the case that the carrying value of a Fund investment may not reflect the price at which the Fund investment could ultimately be sold in the market, and the difference between carrying value and an ultimate sales price could be material. The valuation of such Fund investments will be determined by the Firm or an affiliate in accordance with procedures set forth in the Fund's Governing Documents and/or Electra's internal valuation policies. The valuation methodologies used to value any Fund investment will involve subjective judgments and projections and may not be accurate. Valuation methodologies will also involve assumptions and opinions about future events, which may or may not turn out to be correct. Ultimate realization of the value of an asset depends to a great extent on economic, market and other conditions beyond Electra's control. The valuation of Fund investments will affect the amount of Management Fees payable to Electra. As a result, there may be circumstances where the Electra is incentivized to determine valuations that are higher than the actual fair value of investments.

**Allocation of Personnel:** The managers, directors, officers, employees and other personnel of Electra or its affiliated entities may have conflicts between their duties to the Fund and their duties to, and interests in, Electra. Affiliates are not obligated to dedicate any of its personnel exclusively to Electra, nor is it or its personnel obligated to dedicate any specific portion of its or their time to the business of the Funds, and except as otherwise expressly provided in the Fund's Governing Documents, Electra is not prohibited from serving as an investment adviser to another entity. Electra and its affiliated managers, directors, officers, employees and other personnel engage in other business and provide services to other parties, and the Fund will compete with these other parties for Electra's and its affiliates resources and support. During turbulent conditions in the mortgage industry, distress in the credit markets or other times when the Fund will need focused support and assistance from the affiliates and Electra's personnel, entities for which they also act will likewise require greater focus and attention, placing their resources in high demand. In such situations, the Funds may not receive the necessary support and assistance it requires or would otherwise receive if the affiliates and Electra's personnel did not act for other entities. The ability of Electra and its affiliates and their officers and personnel to engage in other business activities may reduce the time they spend advising the Fund.

**Service Providers:** Certain advisors and other service providers, or their affiliates (including, but not limited to, accountants, administrators, lenders, bankers, brokers, attorneys, consultants, title agents, property managers and investment or commercial banking firms) to the Funds, Electra, its affiliates and/or certain entities in which the Fund has an investment may also provide goods or services to or have business, personal, financial or other relationships with the Firm. Such advisors and service providers may be investors in the Fund, affiliates of Electra or the Fund's general partner, sources of investment opportunities or co-investors or commercial counterparties or entities in which the Firm has an investment and payments by the Fund and/or such investments may indirectly benefit the Firm. Additionally, certain employees of Electra and the Firm may have family members or relatives employed by such advisors and service providers. Electra and/or its affiliates also may provide administrative services to the Fund for a fee. These relationships may influence the Firm in deciding whether to select, recommend or create such an advisor or service provider to perform services for the

Fund or a Fund investment (the cost of which will generally be borne directly or indirectly by the Fund) and may incentivize Electra to engage such service provider over a third-party and/or to utilize the services of such advisors or other service providers or to pay such advisors or other service providers, higher fees or commissions, out of the Fund's assets, in return for such advisors or service providers' willingness to invest in the Fund, which could result in additional fees for Electra. Any fees from these providers will not result in an offset to Management Fees. Notwithstanding the foregoing, transactions relating to the Fund that require the use of a service provider will generally be allocated to service providers on the basis of best execution, the evaluation of which includes, among other considerations, such service provider's provision of certain investment-related services and research that Electra believes to be of benefit to the Fund.

Additionally, certain employees and other professionals of Electra may have family members or relatives that are actively involved in the real estate industry and/or have business, personal, financial or other relationships with companies in the real estate industry (including, but not limited to, the advisors and service providers described above), which could give rise to potential or actual conflicts of interest. For example, such family members or relatives might be employees, officers, directors or owners of companies or assets which are actual or potential borrowers or other counterparties for the Fund's investments. In most such circumstances, the Fund's Governing Documents will not preclude the Fund from undertaking any particular investment activity and/or transaction.

Electra and service providers, or their affiliates, often charge different rates or have different arrangements for different types of services. With respect to service providers, for example, the fee for a given type of work may vary depending on the complexity of the matter as well as the experience required and demands placed on the service provider. Therefore, to the extent the types of services used by the Fund and/or its investments are different from those used by Electra, Electra and its affiliates may pay different amounts or rates than those paid by the Fund and/or its investments. Similarly, Electra and the Fund may enter into agreements or other arrangements with vendors and other similar counterparties unaffiliated with Electra from time to time whereby such counterparty may charge lower rates and/or provide discounts or rebates for such counterparty's products and/or services depending on certain factors, including without limitation, volume of transactions entered into with such counterparty by Electra, its affiliates and the Fund in the aggregate.

**Affiliate Transactions.** The Funds may engage in certain cross transactions as detailed in the Governing Documents. In addition, the Funds may purchase loan and debt instruments from loan syndicators which are affiliated with the Firm and may purchase loan and debt instruments with respect to a property or properties in which another Fund has a direct or indirect interest. Furthermore, the Firm or an affiliate thereof may receive syndication, origination or servicing fees from borrowers with respect to a debt instrument eventually purchased by a Fund, for their own benefit and not for the benefit of the Funds or their investors. Finally, the Funds may enter into loan agreements with affiliates of the Firm in order to purchase investments prior to a Fund's initial closing. The fees or other compensation payable for such services or loans shall be on the terms set forth in each Fund's Governing Documents.

### **Item 12 Brokerage practices**

Electra does not maintain a traditional securities trading desk or regularly engage in the trading of publicly-traded securities. The Firm's investment authority with respect to any Fund is subject to the investment objectives, guidelines and/or conditions set forth in each Fund's Governing Documents. The Funds' Governing Documents generally grant the Firm discretion over the selection and amount of securities or investments to be bought or sold for that Fund.

The Fund generally invests in privately negotiated transactions where the terms of such transactions are determined in negotiations between Electra and the counterparty. Electra seeks to have all its privately negotiated transactions executed in the best interest of its participating Funds.

Electra has not entered into any soft dollar or directed brokerage arrangements with any broker-dealer but may enter into such arrangements in the future. Such arrangements shall be consistent with the safe harbor provisions of Section 28(e) of the Securities Exchange Act of 1934, as amended.

Electra's brokerage practices on behalf of its clients may be modified based upon the Governing Documents of certain Funds.

### **Allocation of Investment Opportunities**

Electra is committed to allocating investment opportunities among any conflicting client accounts in a manner that, over time, is fair and equitable and has established policies and procedures to guide the determination of such allocations. Those policies and procedures seek to mitigate the potential that Electra will allocate investment opportunities to any client not in accordance with its best interest.

To the extent two or more Funds have an investment objective or guideline that overlap, in whole or in part, the Allocation Committee will allocate any investment that falls within such common investment objectives or guidelines to the between or among the Funds in accordance with the Allocation Policies and Procedures then in effect. As a result, a Fund may not be afforded an opportunity to make a particular investment because the Allocation Committee may offer such opportunity to another Fund.

Pursuant to the Allocation Policies and Procedures, the Allocation Committee will allocate each investment opportunity to, between or among one or more Funds on a basis that is fair and equitable. The Allocation Committee will first consider, among other criteria, each Fund's investment objectives and strategies, investment restrictions and guidelines, cash position, liquidity, and applicable tax and regulatory considerations. Account performance or fee structures will not be considered in determining the allocation of investment opportunities.

If, after considering the criteria described above, the Allocation Committee determines that an investment opportunity is equally appropriate for more than one Fund, then the Allocation Committee will allocate such investment on a basis that the Allocation Committee believes to be fair and equitable, taking into account all factors that the Allocation Committee deems relevant, which will generally involve allocating those investments between Funds on an alternating basis.

### **Item 13 Reviews of accounts**

Electra's investment team reviews Fund investments on a monthly basis and Fund investors receive quarterly investor capital statements, annual audited financial statements and other information regarding the Fund's investments.

### **Item 14 Client referrals and other compensation**

The Firm does not receive economic benefits from non-clients for providing investment advice and other advisory services. Neither the Firm nor any related person, directly or indirectly, compensates any person for client referrals.

However, the Firm may in the future enter into placement agreements with placement agents (each, a "**Placement Agent**" and each such agreement, a "**Placement Agreement**"), pursuant to which a Placement Agent

agrees to introduce potential investors to a Fund (other than a Fund that is closed to new capital commitments). Pursuant to the terms of any such Placement Agreement, each Fund would pay the Placement Agent a placement fee equal to a percentage of the aggregate capital commitments made by each investor introduced to such Fund by the Placement Agent. The existence of these Placement Agreements, as well as certain terms thereof, including the fact that such third parties are compensated, will be disclosed to affected investors.

### **Item 15 Custody**

With certain exceptions, Rule 206(4)-2 promulgated under the Advisers Act, commonly known as the “**Custody Rule**,” requires registered investment advisers who are deemed to have custody of client funds and securities to satisfy certain requirements. An adviser is deemed to have custody of client assets when it has the authority to obtain possession of them.

Electra, as the investment adviser to the Funds, is deemed to have custody of the Fund’s assets pursuant to the Advisers Act, as a result of the fact that each Fund’s general partner is an affiliate of Electra. To mitigate any potential conflicts of interests due to this arrangement, all of the Fund’s assets that include cash and certificated securities are maintained with an independent non-affiliated qualified bank custodian.

The Firm engages an independent accountant registered with and subject to regular inspection by the Public Company Accounting Oversight Board to conduct annual audits of the Funds. The Firm distributes the audited financial statements prepared in accordance with generally accepted accounting principles to all investors within 120 days of the end of its fiscal year. Upon liquidation any Fund, the Firm will distribute its audited financial statements to all investors promptly after the completion of such audits. Such audits will include any funds and certificated securities that, as required by applicable law, are placed in custody with a qualified custodian.

### **Item 16 Investment discretion**

Electra provides investment advice to the Funds, subject to the direction and control of Electra’s investment committee and its affiliates. Electra’s advice to the Funds is provided in accordance with the investment objectives and guidelines as set forth in their respective Governing Documents. Certain investors in a Fund may negotiate side letter agreements for more specific limitations applicable to such investors, such as prohibited investments in specified countries that result in such investors (but not necessarily the Fund itself) not participating in such prohibited investments.

### **Item 17 Voting client securities**

As each Fund’s focus is on Preferred Equity Investments in real estate and Mezzanine Loans, the voting of proxies is generally not an operational concern. In the event that Electra does have, or accepts, authority to vote client proxies, its activity would be in accordance with the protocol established in Electra’s compliance policies and procedures. As part of Electra’s management obligations, it may be required to vote proxies on equity securities held in client portfolios (unless the client assumes that responsibility). In accordance with applicable law, including Rule 206(4)-6 promulgated under the Advisers Act, Electra has procedures in place to govern how such proxies are voted. The policies and procedures address the handling of conflicts of interest that may arise in the voting of proxies. The Firm’s vote on any matter, if such a need arises, will be recorded and kept on file in its office. Clients may request to see how any proxy has been voted, as well as an explanation for such vote. Requests for an explanation of votes, or for a copy of Electra’s proxy voting policies and procedures, should be sent to the address listed on the cover page.

### **Item 18 Financial information/condition**

Electra does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance of services rendered. Accordingly, Electra is not required to provide a balance sheet in response to this Item 18.

Electra is solvent and is not in a “precarious financial condition” (as that phrase is defined or used by the SEC). Electra is not currently aware of any financial condition affecting the Firm that is reasonably likely to impair its ability to meet its contractual commitments to its clients.