



**Civitas Capital Management, LLC
Part 2A of Form ADV
The Brochure**

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This brochure (“Brochure”) provides information about the qualifications and business practices of Civitas Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at (214) 572-2300. 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. Registration of an investment adviser does not imply any level of skill or training.

Additional information about Civitas Capital Management, LLC is also available on the SEC’s website at www.adviserinfo.sec.gov.

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Item 2: Material Changes

This Brochure, dated March 2023, amends the Brochure dated November 2023. There are no material changes.

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Item 4: Advisory Business

Civitas Capital Management, LLC is a Texas limited liability company formed on December 8, 2008. The principal owners of our firm are Ryan Holdings Texas, LLC, a Texas limited liability company formed on April 10, 2008, and Daniel J. Healy, the Chief Executive Officer of our firm. This Brochure also describes the business practices of management companies affiliated with our firm which operate as a single advisory business together with Civitas Capital Management, LLC. References to “**Civitas**,” “**we**,” “**our**,” and “**our firm**” refer to Civitas Capital Management, LLC and its affiliates.

Our firm provides investment portfolio management services exclusively with respect to real estate and real estate-related debt and equity investments (“**Real Estate Assets**”) and expect to provide such services primarily with respect to Real Estate Assets in the future. We provide investment portfolio management services to various investment vehicles (including some private funds) that make investments in Real Estate Assets (“**Real Estate Funds**”), including in multifamily rental apartment properties, hotels and offices. These Real Estate Funds are typically structured as limited partnerships. An affiliate of Civitas serves as the general partner of each Real Estate Fund and Civitas generally serves as the investment adviser to each Real Estate Fund. These Real Estate Funds may also be structured as limited liability companies or other entities, with an affiliate of Civitas serving as the manager, managing member or other management role analogous to a general partner, manager or managing member.

Some of our Real Estate Funds include those whose investment strategies are structured to meet the requirements of the U.S. EB-5 Immigrant Investor Program (the “**EB-5 Program**”), through which qualified foreign investors can receive permanent residency in the United States in return for investing a minimum required amount into a United States business that creates new jobs (“**EB-5 Funds**”). Our firm is also the manager of eight “Regional Centers” (under the EB-5 Program) throughout the United States. Sometimes our Real Estate Funds that are not EB-5 Funds invest together with one or more EB-5 Funds in the same underlying Real Estate Assets, or may participate in differing parts of a particular Real Estate Asset’s capital structure.

For any Real Estate Fund, our advisory services are tailored to meet the Real Estate Fund’s investment strategy as described in its offering documents. Our services include the evaluation and selection of investments and the structuring and monitoring of those investments. Civitas’ investment decisions and advice with respect to its Real Estate Funds are in accordance with the investment objectives and restrictions set forth in the limited partnership agreement or other applicable governing documents of each Real Estate Fund and, where applicable, any side letters that such Real Estate Fund or its general partner (or manager, managing member or similar governing body) may enter into with one or more investors in such fund. Real Estate Assets in which Civitas’ Real Estate Funds invest may take the form of or include, without limitation:

1. the acquisition of direct interests in real property;
2. the formation of joint ventures or other co-investment arrangements with third parties for investments in Real Estate Assets (including the acquisition of debt and equity interests in joint ventures);
3. the acquisition of securities in entities that own or invest in one or more Real Estate Assets; and

4. the issuance or acquisition of mezzanine or “bridge” financing, mortgage loans and other real estate-backed indebtedness, or participation in, or ownership of, securities backed by such indebtedness.

Historically, our Real Estate Funds have invested in single (or a small group of related) Real Estate Assets consisting of either direct or indirect investments in real property (an “**Equity Fund**”) or direct or indirect investments in one of the loans or other types of indebtedness described above ultimately secured by an interest in Real Estate Assets (a “**Loan Fund**”). However, certain of our Real Estate Funds are permitted to make one or more investments of both types (“**Diversified Funds**”)

For EB-5 Funds, we tailor our advisory services to include the satisfaction of job creation requirements imposed by the EB-5 Program, among other potential objectives set forth in the applicable governing documents. Our EB-5 Funds are typically initially structured as Loan Funds, however, after certain requirements of the EB-5 Program are met, at the direction of the investors in these EB-5 Funds, these EB-5 Funds may be restructured to become Equity Funds or Diversified Funds (and/or continue as Loan Funds). To meet our EB-5 Funds’ investment needs, we provide the following:

1. ***Sourcing EB-5 Program-compatible investments.*** Our firm screens and conducts financial analysis of potential investment projects to ensure that a project would meet the EB-5 Program requirements.
2. ***Ongoing Project Monitoring.*** Our firm employees oversee investments on a continuing basis to ensure that they remain within our funds’ investment objectives.
3. ***Performance Reporting.*** We periodically provide updates to our fund investors about the status of investment projects.

We do not participate in wrap fee programs.

As of December 31, 2022, we manage approximately \$399,793,240 of discretionary regulatory assets under management. Our Real Estate Funds are not currently clients, as such term is defined in the Investment Advisers Act of 1940, though we expect to have Real Estate Fund clients in the near future. Out of an abundance of caution, we have included all Real Estate Funds relying on one or more exemptions from the registration requirements of the Investment Company Act of 1940, as amended (the “**Investment Company Act**”), in the calculation of discretionary assets under management. As of December 31, 2022, we manage approximately \$399,793,240 of total discretionary assets inclusive of our Real Estate Funds.

Item 5: Fees and Compensation

We or our affiliates are compensated as described in the governing documents for each Real Estate Fund we advise. Our compensation typically consists of both (i) an asset-based management fee and (ii) carried interest based on the performance achieved by the relevant Real Estate Fund. The asset-based management fees from each Real Estate Fund vary, but typically range from 1% to 3% per annum and are generally based on the aggregate or unreturned capital contributions of the individual investors. The share of profits constituting our carried interest from our Loan Funds can be zero, based on specified sharing ratio or, with respect to our EB-5 Funds, include all distributions in excess of a return of capital and a specified preferred return hurdle. Carried interest with respect to our Equity Funds and Diversified Funds is calculated based on a specified percentage of profit after certain preferred return thresholds are met (which specified percentages of profit may increase as one or more additional preferred return hurdles are met).

We deduct all asset-based management fees automatically in accordance with each Real Estate Fund's governing documents. The asset-based management fees are generally payable quarterly in advance and prorated appropriately for partial quarters, but, in some instances may be payable more or less often. The management fee rate does not vary with size of the capital contribution made by each individual investor to the applicable Real Estate Fund, although the asset-based management fees for our Real Estate Funds vary and, with respect to our larger Real Estate Funds, are sometimes negotiated with such Real Estate Fund's investors during the fund-raising period of the Real Estate Fund. For investors admitted after an initial closing of the Real Estate Fund, their allocable portion of the asset-based management fee is calculated as though such investor was admitted at the initial fund closing. For our EB-5 Funds, unlike our non-EB-5 Funds where the asset-based management fee is paid currently and may be paid out of capital contributions, the asset-based management fee is generally paid out of net cash flow or accumulates until sufficient net cash flow exists to pay the asset-based management fee. The asset-based management fee may exceed the expenses borne by our firm on behalf of the applicable Real Estate Fund.

We receive performance-based compensation (carried interest) from our Real Estate Funds when distributions are made to underlying investors, subject to a distribution waterfall as provided in the Real Estate Fund's governing documents. The distribution waterfall is typically structured such that carried interest is received at the level of the Real Estate Fund (or at the level of a wholly-owned subsidiary for tax reasons). However, when our Real Estate Funds are participating directly or indirectly in joint venture arrangements with third parties, we may receive carried interest at the level of the joint venture, which is often shared by the third-party sponsor. For one Real Estate Fund, which was formed to co-invest alongside our firm in order to provide "general partner" capital, we do not charge any carried interest, as this fund shares in the carried interest generated by the Real Estate Fund in which it co-invests.

Where the underlying Real Estate Assets consist of a real estate development or project sponsored by us or our affiliates, we or our affiliates typically receive additional compensation for managing such development. In such cases, we are compensated based on a percentage of overall development costs. The project cost-based fees vary but are typically 3-4% of the cost of the project and may be split with other parties depending on each party's involvement.

We or our affiliates are generally compensated for the origination, modification or prepayment of loans made by our Loan Funds. Where these fees are payable by third parties, these fees are negotiated with the relevant borrowers and typically range from 0.25% to 3.00% of the applicable loan amount or portion thereof. Where such fees are payable or borne by one or more of our other Real Estate

Funds, such arrangements and the relative amounts of such fees are disclosed in advance prior to the time the investors in such Real Estate Funds (both the borrower and the relevant Loan Fund) make their investment.

We or our affiliates may “bridge” investment positions during a syndication process and charge interest (or similar) to the Real Estate Fund recipient in exchange for providing such temporary capital. The form of the bridge investment can be debt or equity. The amount of bridge investment compensation can vary and is disclosed to investors bearing such cost in advance of their investments. Typically, the stated interest rate or return on equity is between 3% and 12% with a 1% to 2% origination fee. However, in cases where the bridge investment is provided as equity, while unexpected, it is possible that our returns will be greater if the underlying investment is disposed of at a profit in advance of the time the bridge equity is repaid.

We or our affiliates may be compensated for accounting services provided to our Real Estate Funds. These fees typically range from \$1,000 to \$1,500 per investor per year for EB-5 Funds, subject to a minimum annual fee of \$15,000 and a maximum annual fee of \$75,000 per Real Estate Fund. For other Real Estate Funds, the fees can be charged as a percentage of the Real Estate Fund’s capital or calculated on some other basis (e.g., per investor or per year), in each case, as set forth in the relevant Real Estate Fund’s offering documents.

As consideration for assisting individual investors and their advisors to comply with U.S. immigration regulations as it relates to investing in our EB-5 Funds, each prospective investor in an EB-5 Fund is generally required at the time of subscription to pay directly to our firm an administrative fee of approximately \$75,000.

Each Real Estate Fund bears other third-party fees and/or expenses attributable to its investment activities and operations, including without limitation: (i) legal fees, costs and expenses related to its formation and its investments; (ii) transaction costs and finance charges; (iii) expenses for experts, translators, appraisers, custodians, outside legal counsel, consultants, accountants, auditors and tax return preparers; (iv) any insurance and/or litigation expenses; (v) appraisal and/or valuation expenses; (vi) sales commissions and fees, commitment fees, costs associated with commissioning market or economic studies, non-refundable deposits and any other costs and expenses incurred in connection with the acquisition or disposition of actual or potential investments; (vii) costs, fees or expenses for property management, brokerage, leasing, development, risk-management, consulting, account servicing, engineering, renovation oversight or other services provided in connection with investments; (viii) expenses associated with the preparation of financial statements, audits, tax returns and Schedules K-1 or any other administrative, regulatory or other fund-related reporting or filing obligation; and (ix) any taxes, fees or other governmental charges levied against the Real Estate Fund.

Each Real Estate Fund with a “blind pool,” multi-asset strategy has governing documents that generally provide that fees, costs and expenses relating to unconsummated transactions (i.e., “broken deal” expenses) may be allocated to the Real Estate Fund, including amounts that would otherwise have been borne directly or indirectly by potential co-investors had such transactions been consummated. Such co-investors may include those with whom Civitas or its affiliates have pre-existing relationships, as well as co-investors that have participated in other completed transactions. By generally bearing the broken deal expenses, Real Estate Funds provide a potential benefit to the other co-investors with respect to relevant investments.

Certain of our Real Estate Funds invest directly or indirectly in joint ventures with third parties. In addition, other Real Estate Funds enter into different arrangements with third parties to facilitate the sourcing, development and management of investments made by such Real Estate Funds. Through

these joint ventures, platforms and other arrangements, our Real Estate Funds (and, indirectly, investors in the applicable Real Estate Fund) will bear a pro rata portion of the fees and expenses of the joint venture or other arrangement, which will include various types of fees (e.g., development fee, property management fee, asset management fee, acquisition fee, financing fee, accounting fee and administrative fee) and/or performance compensation (e.g., carried interest or “promote”) paid to the applicable third party, as well as the management fee and the carried interest paid to Civitas by the Real Estate Fund. In addition, the governing documents of our Real Estate Funds generally permit affiliates of Civitas to be retained to provide additional real estate-related services and to be paid a fee for doing so.

Other than as described above, neither the firm nor any of its supervised persons will receive any compensation from the sale of securities or other investment products.

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

Our firm or our affiliates receive performance-based compensation, generally in the form of carried interest distributions from our Real Estate Funds. Please see Item 5 for an explanation of how we receive performance-based compensation.

The existence of the carried interest can create an incentive for us to make riskier or more speculative investments on behalf of our Real Estate Funds than would be the case in the absence of these arrangements. In addition, we may have incentive to allocate more profitable investments to Real Estate Funds with a higher carried interest distribution as compared to a Real Estate Fund with no or lower amount of carried interest distribution, although our commitment of capital to our non-EB-5 Funds may reduce this incentive. Furthermore, in cases where multiple Real Estate Funds are investing through different portions of the capital structure (i.e., through debt at one or more levels and/or through equity at one or more levels), we may have an incentive to allocate the risk or profit from an investment to our Real Estate Funds with a higher carried interest distribution as compared to a Real Estate Fund or other fund with no or lower amount of carried interest distribution.

In general, investment decisions for each Real Estate Fund are made with specific reference to the investment strategy of, and allocation and repayment policies applicable to, such Real Estate Fund. There is no requirement imposed by our Real Estate Funds' governing documents that we use the same procedures consistently with respect to all of the Real Estate Funds we advise. Different strategies can and do lead to the use of different methodologies for addressing potential conflicts of interest. In allocating investment opportunities, risk and repayment opportunities, we will take into account various factors, including the various investment objectives, the targeted rates of return, available capital commitments and the composition of the various portfolios taken as a whole. In each case, we will seek to act in the best interest of each Real Estate Fund and assure that, over the long term, all Real Estate Funds are treated as fairly and equitably as possible relative to each other. In certain cases, where permitted by the applicable Real Estate Fund's governing documents, we may be permitted to (or required to) seek the consent of the relevant investor advisory committee or such Real Estate Fund's investors.

We note that the majority of our Real Estate Funds are each a special purpose investment vehicle designed to make the single investment specified in its offering materials (as opposed to a blind-pool vehicle). As such, we are rarely faced with allocating a single investment opportunity over multiple Real Estate Fund accounts. In cases where multiple Real Estate Funds are participating in the same underlying investment opportunity, the relevant allocation and participation structure is disclosed in advance of investors' investments in the relevant Real Estate Funds by reference to the specific investment or investment parameters.

Item 7: Types of Clients

Our firm manages investment portfolios exclusively for privately offered Real Estate Funds investing in Real Estate Assets, some of which are private funds, and currently expects this to continue to be our primary business in the future. The Real Estate Funds are structured as limited partnerships or limited liability companies that do not fall into the definition of, or are each exempt from registration as, an “investment company” under U.S. law (in the latter case, by virtue of Section 3(c)(1), 3(c)(5) and/or Section 3(c)(7) of the Investment Company Act).

Investors in these funds include a variety of investors, such as high net worth individuals and their associated holding vehicles as well as institutional investors such as trusts, corporations and other types of entities, including private funds of funds. All investors must satisfy the investor qualification requirements set forth in the applicable fund governing documents in order to satisfy applicable securities laws.

Civitas enters into side letter agreements or other similar agreements with certain investors in its Real Estate Funds, typically only with institutional investors, which agreements provide such investors with rights and terms (including, without limitation, with respect to management fees, carried interest, co-investment rights, access to information/reporting obligations, the ability to be charged fees associated with the engagement of placement agents, “most favored nation” provisions and rights or terms requested or necessary in light of particular investment, legal, regulatory, or public policy characteristics of an investor) that are different or in addition to the general terms of the governing documents of the applicable fund. Civitas is not obligated to offer such additional and/or different rights or terms to all investors in its Real Estate Funds.

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

The following investment philosophy statement describes the methods of analysis and investment strategies we use in choosing investments or managing assets of the Real Estate Funds. Investing in securities involves risk of loss and investors in the Real Estate Funds should be prepared to bear such risk of loss.

Our firm, on behalf of our Real Estate Funds, invests in various types of real estate debt and equity as well as other investments. These investments can be made directly or through the use of equity interests in joint venture or similar entities. Each Real Estate Fund has either one or more specific target investments or a defined investment strategy, in each case as described in its offering materials. Among all of our Real Estate Funds we currently engage, or, in certain cases, may engage in the future, in any combination of the following:

- investing in private real estate equity;
- investing in mezzanine debt;
- investing in corporate debt;
- investing in loans;
- investing in residential and commercial mortgages;
- investing in preferred equity;
- investing in real estate investment trust common and preferred stock;
- investing in real estate acquisition and/or development projects and properties, including multifamily apartment rentals, hotels and offices;
- borrowing/leveraging, including short-term bridge loans, which may be secured or unsecured;
- investing in large scale alternative assets; and
- investing in or with other partnerships and entities.

Investment Philosophy

Real Estate

Our investment philosophy for investments in Real Estate Assets varies for our three main sub-strategies:

1. **Multifamily:** Our philosophy is to preserve and enhance attainable housing stock. We do so through our Equity Funds, Loan Funds, Diversified Funds or a combination of such funds by making value-add acquisitions of existing assets, developing high-density projects and selectively developing suburban product.
2. **Lodging:** Our philosophy is to provide bridge financing for high-quality hotels in the wake of debt capital markets dislocation in the lodging sector due to the COVID-19 pandemic. We execute this philosophy through the origination of senior and mezzanine loans and the acquisition of notes by the Loan Funds.
3. **Net-Leased Office:** Our philosophy is to acquire triple net lease (“NNN”) traditional office and medical office (“MOB”) buildings, generally with substantial credit tenancy. Through our Equity Funds, Loan Funds, Diversified Funds or a combination of such funds, we typically engage in sale-leaseback transactions involving corporate headquarters and operations centers in the financial services sector, and provide seed investment to medical

office building fund managers.

EB-5 Investment

Our investment philosophy for our EB-5 Funds is based on traditional and strategic fundamental financial analysis incorporating tactical investment opportunities. Each EB-5 Fund has a specific target investment as described in its offering materials.

Our EB-5 Funds have the following additional considerations to guide our investment approach:

1. ***Job Creation:*** Given the requirements of the EB-5 Program to create or save jobs for American workers, it is crucial for our firm to choose projects that will generate sufficient job creation so the individual investors in each such fund can successfully obtain permanent residency in the United States.
2. ***Sustainment of Investment and Return of Capital:*** While our investment decisions are significantly influenced by the job creation requirement, upon meeting that requirement and provided each investor's capital has remained at risk in the investment for the period of time required by the EB-5 Program rules, our priority is to return capital to investors. Where an investment matures and capital has *not* remained at risk in the relevant investment for the relevant time period, we generally seek direction from the investors in our EB-5 Funds with respect to the reinvestment of such capital with the goal of being able to return capital when permitted by the EB-5 Program rules in a manner consistent with our investors' desired investment parameters.
3. ***Risks Associated with Immigration Matters:*** Prospective EB-5 Fund investors should be cognizant that qualifying investment alone does not guarantee a successful admittance to the United States. Even upon making an investment qualifying for an EB-5 visa, there are other independent grounds for inadmissibility to the United States. Each prospective investor should review these substantive inadmissibility grounds with competent counsel to determine whether there may be a basis for denying admission to the United States, notwithstanding eligibility for immigration based on an investment in any EB-5 Fund.

Despite our research and analysis, investing in any security involves a risk of loss that all investors in our Real Estate Funds must be prepared to bear. Certain risks associated with an investment in our Real Estate Funds include:

- **Highly Competitive Market for Investment Opportunities.** The activity of identifying, completing and realizing attractive investments is highly competitive and involves a high degree of uncertainty. The availability of investment opportunities generally will be subject to market conditions. Our Real Estate Funds compete for investments with other private equity investors, as well as companies, public equity markets, individuals, financial institutions and other investors. Furthermore, over the past several years, private equity and private real estate funds have accumulated an unprecedented amount of capital available for investment. Additional funds with similar objectives may be formed in the future by other unrelated parties. It is possible that competition for appropriate investment opportunities will increase and reduce the number of investment opportunities available to our Real Estate Funds and adversely affect the terms upon which investments can be made. There is no assurance that we will be able to locate, consummate and exit investments that satisfy our Real Estate Funds' rate of return objectives or realize upon their values, or that

our funds will be able to invest fully their committed capital.

- **Financial Markets and Regulatory Change.** Recent instability in global financial markets has heightened the risks associated with the investment activities and operations of investment funds, including those resulting from a reduction in the availability of credit, the increased cost of short-term credit, a decrease in market liquidity and an increased risk of counterparty bankruptcy. Market disruptions in recent years and the increase in capital being allocated to investment funds and other alternative investment vehicles have led to increased legal scrutiny of the investment fund and asset management industry. In addition, the laws and regulations affecting business continue to evolve unpredictably. Laws and regulations applicable to our Real Estate Funds, especially those involving taxation, investment and trade, can change quickly and unpredictably in a manner adverse to our Real Estate Funds' interests.
- **Concentration Risk.** Many of our Real Estate Funds have a single designated real estate investment, in which substantially all of each such Real Estate Fund's capital is invested. As a result, few or none of the Real Estate Funds have asset diversification. This lack of diversification could adversely affect the value of the interests of the Real Estate Funds if, for example, the investment is adversely affected by a downturn in the U.S. economy that negatively impacts the performance of a property. If the U.S. suffers a prolonged recession, then the revenues from operations may decline, and the value of, or cash flow from, a particular property could be materially diminished and an individual investor's interest may be negatively affected.
- **Investments Longer than Term.** We, on behalf of a Real Estate Fund, may make investments that cannot be advantageously disposed of prior to the date the Real Estate Fund will be dissolved, either by expiration of our Real Estate Fund's term or otherwise.
- **Uncertainty of Financial Projections.** Our firm or our affiliates will generally evaluate potential investments using financial projections. Projections are only estimates of future results which rely on assumptions made at the time of the projections. There can be no assurance that we can attain projected results, and actual results may vary significantly from the projections. In addition, general economic conditions, which are not predictable, can have a material adverse impact on the reliability of the projections.
- **No Operating History.** Our Real Estate Funds are often newly organized entities that have no prior operating history or track record as independent entities. There can be no assurance that our Real Estate Funds will be able to implement their investment strategies to achieve desired results, or that any target results will be met or that it will be able to avoid losses.
- **Management Risk.** The investment performance of our Real Estate Funds will be substantially dependent on the services of our firm. In the event of the death, disability, departure, insolvency, or withdrawal of any principal of our firm, the performance of our Real Estate Funds may be adversely affected.
- **General Economic Conditions:** The Real Estate Funds will be materially affected by conditions in the financial markets and economic conditions throughout the world, including regulatory interventions, interest rates, availability and terms of credit, inflation rates, economic uncertainty, changes in laws, disease, pandemics or other severe public health events, trade barriers, commodity prices, currency exchange rates and controls, and national and international political circumstances. Difficult market conditions may

adversely affect the Real Estate Funds' businesses and operations by reducing the value of investments or by reducing its ability to raise or deploy capital, each of which could negatively impact returns to investors. For example, the global outbreak of the highly transmissible and pathogenic coronavirus "COVID-19." The outbreak of COVID-19 is a global health crisis that is, and is expected to continue, adversely affecting general commercial activity and the economies and financial markets of many countries. The Real Estate Funds' investment strategies rely, in part, on certain trends and conditions observed in the commercial real estate market and the larger financial markets, and in some cases the improvement of such conditions. No assurance can be given that any such conditions, trends, or opportunities will continue or improve.

- **Cybersecurity Risks:** Our information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although we have implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, we or a Real Estate Fund may have to make a significant investment to fix or replace them. In addition, the information and technology systems of third parties with whom we or our Real Estate Funds engage, including banks, fund administrators, auditors, counsel, property-level service providers, and information technology providers, are similarly vulnerable to damage or interruption. The failure of these systems or of disaster recovery plans for any reason could cause significant interruptions in our or a Real Estate Fund's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm our or a Real Estate Fund's reputation, subject any such entity and their respective affiliates to legal claims and otherwise affect their business and financial performance.

The following is a description of some important risks associated with the investment strategies that we employ. The following explanation of certain risks is not exhaustive, but rather highlights the significant risks involved in our investment strategies. We do not use every strategy listed below when managing each Real Estate Fund's assets, but rather we use various combinations of strategies that depend on each Real Estate Fund's circumstances and investment goals.

- **Controlling Person Liability.** Our Real Estate Funds may hold controlling interests in some of their investments in real estate companies, or in the case of Loan Funds (or Diversified Funds making a debt investment for purposes of this section), be exposed to such interests through their respective borrowers. The exercise of control over an entity can create additional risks of liability for environmental damage, failure to supervise management, violation of government regulations (including securities laws) or other types of liability in which the limited liability characteristics of business ownership may be ignored. If these liabilities were to arise, our Real Estate Funds might suffer significant losses.
- **Real Estate Investment.** The risks generally incidental to ownership and operation of real estate can affect our Real Estate Funds' investments (including our Loan Funds, indirectly through their respective borrowers), including:
 - the illiquidity of real estate;

- the possibility that cash generated from operations of a property will not be sufficient to meet fixed obligations;
 - the presence of undetected physical and other defects;
 - changes in economic conditions affecting real estate ownership directly or the demand for real estate;
 - the need for unanticipated expenditures in connection with environmental matters;
 - unavailability of certain types of insurance, and increases in insurance costs;
 - changes in tax rates and other operating expenses;
 - reliance on unaffiliated third parties to conduct asset management;
 - adverse changes in applicable laws, rules, regulations and fiscal policies; and
 - terrorism, acts of God, including earthquakes and fire (which can result in uninsured losses), environmental and waste hazards and other factors that are beyond our control.
- **Non-Controlled Investments.** We invest some of our Real Estate Funds' assets in or with respect to joint ventures or other entities formed for the purpose of investing in real estate. Our Real Estate Funds can have shared or limited control of some or all of these investments, which may involve risks not present in other types of investments, such as the possibility that the other party may become bankrupt or have economic or business interests or goals inconsistent with our Real Estate Funds' interests or goals. Actions taken by these other parties may subject the investment to liabilities greater or different than those contemplated by the Real Estate Funds. It may also be more difficult for the Real Estate Funds to sell their interest in those investments. If one of our Real Estate Funds shares control over an investment with another party, deadlocks could result that could adversely affect the investment's returns or value. In particular, if the Real Estate Fund has co-investment relationships with an operating partner, which may relate to multiple properties, that operating partner can exert significant influence over the Real Estate Fund's operations and business.
 - **Leverage.** Our Real Estate Funds may employ leverage (*i.e.*, debt financing) in connection with their investments and operations, or in the case of Loan Funds, be exposed indirectly to additional leverage. The percentage of leverage used by each Real Estate Fund will vary depending on the Real Estate Fund's investment strategy, the estimated stability of the cash flow of the property(ies) it invests in, and market conditions. To the extent that changes in market conditions cause the cost of financing to increase versus the income that can be received from investments, we may reduce the amount of leverage for our Real Estate Funds (including in the case of our Loan Funds, by exercising repayment rights or enforcing leverage ratio requirements). While the use of leverage can enhance returns and increase the number of investments that we can make on behalf of any one Real Estate Fund, it will also increase the risk of loss. As a Real Estate Fund incurs indebtedness, it will become subject to the risks associated with debt financing, including the risks that available funds will be insufficient to meet required payments and that existing indebtedness will not be able to be refinanced or that the terms of that refinancing will not be as favorable as the terms of existing indebtedness. To the extent that a Real Estate Fund or a joint venture is unable to meet required debt service payments, the Real Estate Fund risks the loss of some or all of its assets.

As lenders, our Loan Funds are exposed to such risks as it relates to repayment of their respective loans.

- **Subscription Credit Facilities.** A Real Estate Fund can enter into a subscription line of credit or similar facility to fund investments or to pay expenses through borrowing instead of capital contributions from underlying investors. Such underlying investors are often required to confirm the terms of their commitments, to provide financial information, to execute financing statements and pledge agreements and to provide or execute other documents that be required by lenders.
- **Risks in Effecting Operating Improvements.** In some cases, the success of our Real Estate Funds' investment strategy will depend, in part, on the ability of our firm and/or third-party partners or vendors to restructure and effect improvements in the operations of an investment. The activity of identifying and implementing restructuring programs and operating improvements at real estate properties entails a high degree of uncertainty. We cannot give any assurance that we will be able to successfully identify and implement these restructuring programs and improvements.
- **Casualty Losses; Uninsurable Losses.** We usually require, prior to making an investment in real estate project on behalf of a Real Estate Fund, that the owner or property manager (which in some cases may be the borrower in the case of our Loan Funds) obtain suitable comprehensive liability, fire and extended coverage insurance for the property of the types and in the amounts customarily obtained for similar properties. Some losses (*e.g.*, terrorism), however, may be either uninsurable or not economically insurable. Should an uninsured loss occur, a Real Estate Fund could lose its investment in a property as well as the anticipated income from that property.
- **Investment in Distressed Assets.** We may make investments in under-performing or other distressed assets on behalf of our Real Estate Funds, utilizing leveraged capital structures. By their nature, these investments will involve a high degree of financial risk, and there can be no assurance that our Real Estate Funds' rate of return goals will be met or that there will be a return of capital. In addition, investments in properties operating in workout modes or under supervision of a bankruptcy court pursuant to the United States Bankruptcy Code may be subject to additional potential liabilities that can exceed the value of a Real Estate Fund's original investment. Under certain circumstances, payments to one of our Real Estate Fund's and distributions by the Real Estate Fund to its underlying investors may be reclaimed if a court later determines the payments or distributions to have been fraudulent conveyances or preferential payments.
- **Environmental Risks.** Under various federal, state, and local laws, ordinances, and regulations, an owner or operator of real property may become liable for the costs of removal or remediation of hazardous substances released on or in its property. Those laws often determine liability without considering whether the owner or operator knew of, or was responsible for, the release of those hazardous substances. The costs of removal or remediation may equal or exceed the value of the property, and the presence of those substances, or the failure to properly clean-up those substances may adversely affect the owner's ability to sell that real estate or to borrow using that real estate as collateral. An owner or operator of a facility may also be required to comply with various laws, ordinances and regulations regarding the handling, production, storage, use, discharge, or disposal of regulated materials. Prior to purchasing an interest in any property on behalf of a Real Estate Fund, we will review a Phase I environmental assessment prepared by an independent environmental consultant. A Phase I assessment typically includes an inspection of the

property and a review of public records but no sampling of soil, surface water, groundwater, or other media. If the Phase I assessment reveals cause for concern, we usually conduct a further investigation of environmental risks associated with the property, including sampling. No assurance can be given, however, that either a Phase I assessment or subsequent investigation will reveal all potential environmental liabilities.

- **Liabilities on Sale.** In connection with the disposition of an investment on behalf of our Real Estate Funds, we are often required to make representations about the business and financial affairs of the investment typical of those made in connection with the sale of a business. We may also be required to indemnify the buyers of the investment for any inaccurate representations. These arrangements could result in contingent liabilities for which we will likely establish reserves or escrows. For that purpose, underlying investors in our Real Estate Funds will usually be required to return amounts distributed to them to pay for obligations, including indemnity obligations.
- **Use of Valuations.** Unlike exchange-listed and other readily tradable securities, real estate assets generally cannot be marked to an established market. Instead, an appraisal or a valuation is only an estimate of value and is not a precise measure of realizable value. Real Estate Asset valuations are subject to numerous assumptions and limitations. Ultimate realization of the market value of a Real Estate Asset depends to a great extent on economic and other conditions beyond our control. Further, appraised or otherwise determined values do not necessarily represent the price at which a Real Estate Asset would sell since market prices of investments can only be determined by negotiation between a willing buyer and seller. Generally, appraisals will consider the financial aspects of a project, market transactions and the relative yield for an asset measured against alternative investments. Valuations will generally be based on the discounted cash flows or comparative sales for our Real Estate Funds' assets.
- **REIT Securities and Real Estate Securities.** Our Real Estate Funds may, in the future, invest in real estate investment trusts ("REITs") and the securities of other companies primarily engaged in real estate activities, such as real estate development and management. Investment in REITs can have very similar risks to those described above relating to other real estate investments. Investments in REITs are also subject to special risks, such as restrictions on ownership and tax risks. In addition, many REITs have small-to-medium sized market capitalizations, which may be more volatile than prices of large-capitalization securities and thus an investment in such securities may be less liquid.
- **Investing in Loans Generally.** When investing in any type of loan, there is always the risk that a borrower made a material misrepresentation or omission in the process of obtaining the loan. This inaccuracy or incompleteness can adversely affect the valuation of the collateral underlying the loan or can adversely affect our Real Estate Funds' ability to perfect or effectuate a lien on the collateral securing the loan.
- **Distressed Mortgage Loans.** Our Real Estate Funds may purchase mortgage loans on which the borrowers are or were having trouble making payments. These mortgage loans may be in default or may have a greater than normal risk of future defaults, delinquencies, bankruptcies or losses due to fraud. Returns on investments in mortgage loans depend on a borrower's ability to make required payments and, if a borrower defaults, the ability of the loan's servicer to foreclose and liquidate the mortgage loan.
- **Mezzanine Loans.** Our Real Estate Funds may invest in mezzanine loans from time to time. Mezzanine loans are an option a company might utilize when its real estate is already being

used to secure a primary loan, but the company has a need for a secondary loan. This type of loan is secured not by the real estate, but by the equity interests of the company that owns the property. Companies generally use mezzanine loans when they must raise a large amount of money for expansions or other major expenditures.

There are certain risks associated with investing in mezzanine loans. First, it is likely that our Real Estate Funds' mezzanine investments will be subordinate to the borrower's more senior debt, and if the borrower defaults under the more senior loan, the senior lender will usually have preferential claims over those of our Real Estate Funds. In this case, the borrower's assets would first be used to repay the senior lender, so there is the risk that substantially all of the borrower's assets will be unavailable to repay our Real Estate Funds and other subordinate lenders. In addition, if our Real Estate Funds attempt to enforce a borrower's obligations, our Real Estate Funds could be subject to a borrower's claims of breach of contract or other unfair lending claims. If a borrower goes bankrupt, our Real Estate Funds also run the risk of being included in bankruptcy proceedings, which can be costly and lengthy. Lastly, there can be no assurance that a borrower will repay its mezzanine loans or that our Real Estate Funds will ultimately be able to collect on any of the collateral pledged for the loans.

- **Geographic Concentration.** Our Real Estate Funds may seek investment opportunities that are geographically concentrated. As a result, a Real Estate Fund's performance could be adversely affected if the local or regional markets where such geographical concentration exists performs poorly. Regulatory risk and other key risk factors described above may be amplified due to general geographic concentration.
- **Risk of Developing Property.** Property development activities include the risk that our Real Estate Funds or their borrowers may abandon development projects after expending resources, construction costs of a project may exceed original estimates, occupancy rate and rents at a newly complete property may be less than anticipated and the construction and leasing of a property may not be completed on schedule. Development activities are also subject to risks relating to the inability to obtain, or delays in obtaining, all necessary zoning, land-use building, occupancy, and other required government permits and authorizations.
- **Risks of Multi-Step Transactions.** If our Real Estate Fund or their borrower elects to invest in a multi-step acquisition or other investment, there can be no assurance that all required steps will be successfully consummated. This could possibly result in a Real Estate Fund owning a significant real estate investment without having working control over the assets or access to its cash flow to service debt incurred in connection with the acquisition and without being able to dispose of such position at prices equal to or greater than its purchase price.
- **Real Estate Development.** Investment in the development of real estate is subject to certain risks associated with the real estate industry in general. Such risks include:
 - possible declines in the value of land and/or other real estate;
 - risks related to general and local economic conditions;
 - possible lack of availability of development funds;
 - overbuilding;
 - extended vacancies of properties or rooms;

- tenants' inability to pay rent or guests' inability to pay room rates;
 - increases in competition, property taxes and operating expenses;
 - changes in zoning laws;
 - costs resulting from the clean-up of, and liability to third parties for damages resulting from, environmental problems;
 - casualty or condemnation losses;
 - uninsured damages from floods, earthquakes, or other natural disasters;
 - limitations on and variations in rents or room rates;
 - changes in interest rates; and
 - reliance on unaffiliated third parties to manage construction and development.
- **Redevelopment and Development Activities.** Real estate development activities involve many risks. Our Real Estate Funds may invest in undeveloped real estate and development and redevelopment real estate, which may involve more risk than real estate on which development has been completed. Risks associated with the redevelopment and development of real estate include the following:
 - Redevelopment and development opportunities explored may be abandoned and, as a result, our Real Estate Funds may fail to recover expenses already incurred in connection with exploring such opportunities.
 - Redevelopment and development costs for a property, including, without limitation, materials, labor, or other expenses, may exceed original estimates, possibly making such a project uneconomical.
 - Zoning, land-use, building, occupancy and other required governmental permits and authorizations may be difficult or impossible to obtain, leading to delays in or abandonment of all or a portion of the redevelopment or development of the property.
 - Construction or lease-up operations may not be completed on schedule, resulting in increased debt service and redevelopment or development costs.
 - Leasing or rental costs or tenant or room improvement costs may exceed expectations and, therefore, adversely affect the operating performance of the investment.
 - Construction and permanent financing may not be available on favorable terms.
 - **Real Estate Development Competition.** The real estate development industry is highly competitive. Our Real Estate Funds may compete with other real estate development projects based on multiple factors, including location, convenience, rental rates, range of services and amenities or accommodations offered, and quality of customer service. Such competition is

often specific to the individual market in which a transaction is located and includes competition from existing and new real estate developments. Competitors may have an operating model that enables them to offer lower rates than a transaction can, which could result in such competitors increasing their occupancy at the expense of such transaction. Competition could adversely affect occupancy rates of a transaction and may require our Real Estate Funds to provide additional amenities or make capital improvements that our Real Estate Funds otherwise would not have to make, which could reduce our Real Estate Funds' profitability and could materially and adversely affect its results of operations.

- **Ground Lease Investments.** Our Real Estate Funds may invest from time to time in real estate properties that are subject to ground leases. As a lessee under a ground lease, our Real Estate Funds may be exposed to the possibility of losing the property upon termination, or an earlier breach by our Real Estate Funds, of the ground lease, which may adversely impact our Real Estate Fund's investment performance. Furthermore, ground leases generally provide for certain provisions that limit the ability to sell certain properties subject to the lease. To assign or transfer rights and obligations under certain ground leases, our Real Estate Funds will generally need to obtain consent of the landlord of such property, which, in turn, could adversely impact the price realized from any such sale.
- **Multifamily Industry.** A large number of risk factors may affect the value and successful operation of multifamily properties, including: physical attributes of the property such as its age, condition, design, appearance, access to transportation, and construction quality; location of the property; ability of management to provide adequate maintenance and insurance; the types of services or amenities that the property provides; the property's reputation; the level of mortgage interest rates and availability of government incentives, which may encourage tenants to purchase rather than lease housing; presence of competing properties; the tenant mix, such as the tenant population being predominantly students or being heavily dependent on workers from a particular business or personnel from a local industrial unit; adverse local or national economic conditions, which may limit the amount of rent that may be charged and may result in a reduction of timely rent payments or a reduction in occupancy levels; state and local regulations, which may affect the building owner's ability to increase rent to the level of market rents for an equivalent apartment; government assistance/rent subsidy programs; and the inventory of unsold condominium units in the local market that are being rented until economic conditions in the condominium market improve. Additionally, the performance of the multifamily industry has historically been closely linked to the performance of the general economy and, specifically, growth in U.S. gross domestic product. The economic downturn in 2008 and 2009 led to a significant decline in demand for products and services provided by the multifamily industry. The current economic situation, caused by the outbreak of the novel coronavirus "COVID-19," could lead to a similar decline in demand, which could have an adverse effect on the SPVs, and thereby our funds, and negatively affect its profitability.
- **Competition in the Multifamily Industry.** The multifamily industry is highly competitive. The properties acquired by our Real Estate Funds are expected to compete with other multifamily projects for tenants based on multiple factors, including location, convenience, rental rates, range of services and amenities or accommodations offered, and quality of customer service. Competition will often be specific to the individual market in which a project is located and includes competition from existing and new multifamily developments. Competitors may have an operating model that enables them to offer apartments at lower rates than our Real Estate Funds' properties can, which could result in our Real Estate Funds' properties' competitors increasing their occupancy at the expense of our Real Estate Funds' properties. Competition could adversely affect occupancy rates of our Real Estate Funds' properties.

properties and may require our Real Estate Funds' properties to provide additional amenities or make capital improvements that they otherwise would not have to make, which could reduce our Real Estate Funds' profitability and could materially and adversely affect its results of operation.

We encourage our investors to consider all of the risk factors described herein. Any investors in our Real Estate Funds risk the loss of their entire investment.

Item 9: Disciplinary Information

There are currently no legal or disciplinary events that are material to a Real Estate Fund or prospective Real Estate Fund's evaluation of our advisory services or the integrity of management.

None of our firm nor any of its affiliates and their respective principals, senior management and associated persons have ever been disciplined or sanctioned by any regulatory, self-regulatory, governmental, or other applicable authority.

Item 10: Other Financial Industry Activities and Affiliations

Our firm is not registered, and does not have an application pending to register, as a broker-dealer.

None of the firm nor any of its management persons are registered, or have an application pending to register, as a future commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

Our firm provides investment advice to the Real Estate Funds. The general partners (or managers, managing members or similar governing entities) of the Real Estate Funds are affiliated with and under common control with our firm.

In addition, our affiliate, Civitas Alternative Investments II, LLC, is a private real estate investment advisor that advises its Real Estate Funds on a wide range of property types, including office, hotel, multifamily, apartments and mixed-use developments. Civitas Alternative Investments II, LLC sponsors pooled investment vehicles that invest in Real Estate Assets as well as providing other real estate consulting services.

Our firm is the direct or indirect owner of each of the above-mentioned affiliates, subject to the existence of non-voting employee equity incentive plans and arrangements.

Each Real Estate Fund is subject to a number of actual and potential conflicts of interest. Subject to the terms of the applicable governing documents, we may provide management, advice and services to Real Estate Funds with substantially similar investment programs and/or may participate in the same investments. This can create a conflict of interest in that certain members of the firm may not be devoted exclusively to the business of a particular Real Estate Fund, but rather will allocate their time between the business of the applicable Real Estate Fund and the management of the monies and assets of other Real Estate Funds and the firm. Members of the firm may also carry on investment activities for their own accounts and for other individuals who do not invest in any of the Real Estate Funds.

In situations where multiple Real Estate Funds participate in one or more aspects of an investment or a particular Real Estate Fund has priority, each Real Estate Fund will be subject to a number of actual and potential conflicts of interest. In certain instances, investment proceeds may need to be deployed quickly and unexpectedly. In such a scenario, it is possible that investment opportunities originally expected to be allocated to a particular Real Estate Fund may be allocated to a different Real Estate Fund, which could impact investor returns in the originally allocated Real Estate Fund.

From time to time, an investment to be sold on behalf of one or more Real Estate Fund may be suitable for purchase by another Real Estate Fund. Such situations may also include the replacement of bridge debt or equity. In such circumstances, if members of the firm determine in good faith that the transaction is in the best interest of each Real Estate Fund, the investment may be transferred (or otherwise reallocated) between the Real Estate Funds at the then fair market value (a “cross trade”), except that no member of the firm will receive a commission directly or indirectly in connection with such cross trade. Each applicable Real Estate Fund’s advisory committee or investors, as applicable, will consider and, on behalf of such Real Estate Fund, approve or disapprove, to the extent required by the Real Estate Fund’s governing documents and applicable law, principal transactions, certain other related party transactions and any approval or Real Estate Fund consent that may be required under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”), including Sections 205(a) and 206(3) thereof (in no event will any such transaction be entered into unless it complies with applicable law).

A Real Estate Fund may provide loans or debt financing to other Real Estate Funds (an “**Affiliated Loan**”). Any Affiliated Loan will be provided on market terms, unless otherwise disclosed to investors. Our affiliates may extend or service loans or provide credit support to the Real Estate Funds or their investments. Such affiliates will receive fees in connection with such financing and services. As lender or servicer, the affiliate may, in certain circumstances, foreclose or exercise other remedies against such Real Estate Fund or their investments and their respective assets. Any decision we may make in the negotiation process to advance the interests of the affiliated lender may be adverse to the Real Estate Fund and vice versa. Under these circumstances, it may not be feasible for us to reconcile conflicting interests between the Real Estate Fund and its affiliated lender in a way that protects the Real Estate Fund’s interests. In such cases, we disclose in advance our policies and procedures with respect to the resolution of such conflicts or seek the consent of the involved Real Estate Fund’s advisory committee or investors.

Certain actual and potential conflicts of interest may arise from the fact that: (i) the Real Estate Funds managed by the firm may acquire investments representing different parts of the capital structure of issuers that the Real Estate Fund invests in and, in connection therewith, may take actions that have an adverse effect on the investments; (ii) the Real Estate Funds managed by us may be buyers or sellers of credit protection that reference investments or other assets owned by the Real Estate Funds; and (iii) we may provide co-investment opportunities to any persons, including some or all of the investors in a Real Estate Fund, strategic relationships, lenders and related persons. We seek to resolve those conflicts in an analogous manner to those described above.

Other present and future activities of our firm and its affiliates may give rise to additional conflicts of interest. We address the foregoing conflicts of interest by disclosing such conflicts in our Real Estate Funds’ offering documents, where applicable. If a potential conflict of interest ripens into an actual conflict, we attempt to resolve such conflicts in a fair and equitable manner over time.

G. Brint Ryan is one of the principals of Civitas Capital Management, LLC. Civitas will frequently engage Ryan, LLC to provide 5-year projections on the value and associated tax assessments of commercial properties. In addition, Civitas will occasionally engage Ryan, LLC to represent it for purposes of contesting property tax assessments on properties that it owns.

Civitas Alternative Investments II, LLC (“**CAI**”), our affiliate, holds a 77% equity ownership interest in The Shelter Companies, LLC, a Texas limited liability company (“**Shelter**”). CAI also controls the Board of Managers of Shelter. Shelter is a development and operating platform focused primarily on high-density multifamily developments. Shelter serves as a holding company for an operating corporation that provides operating and development management services to real estate projects and their owners. In certain cases, Shelter will provide these services with respect to one or more projects in which a Civitas fund has invested. In such cases, the terms of Shelter's fees will generally be designed to be no more favorable than third-party, arm's length terms and will be disclosed to the investors in the relevant Civitas fund prior to their investment.

Pursuant to the terms of Shelter’s Amended and Restated Limited Liability Company Agreement, CAI or its affiliates provide Shelter with office space, furniture, electronics, administrative support, office supplies and internet for a monthly fee. CAI and Shelter may enter into additional agreements related to legal, accounting, tax coordination, audit coordination, treasury, construction management and/or other services.

Currently, our firm does not receive compensation from other investment advisors to whom it recommends or selects for its Real Estate Funds.

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

Our firm has established a code of ethics that sets forth standards of ethical conduct for our employees and the employees of our subsidiary company. In addition, we have established policies and procedures that address, among other things, potential conflicts of interest that may arise in the management of the Real Estate Funds that we advise.

The code of ethics includes specific practices and policies to ensure that our employees and the employees of our subsidiary company fulfill their fiduciary responsibilities of honesty, good faith, and fair dealing, and place our Real Estate Funds' interests over the interests of our firm and our employees. All employees are expected to strictly adhere to the practices and policies set forth in the code of ethics, as well as the procedures for approval and reporting requirements established therein. The code of ethics includes specific procedures and policies relating to the required approval and reporting of personal securities and real estate transactions for all access persons, required securities holding reports, insider trading prohibitions and periodic training and education to assure compliance with the code of ethics on an ongoing basis. All required reports are submitted and reviewed by our firm's compliance department.

In addition, the code of ethics contains specific policies regarding employee gifts, prohibitions on insider trading, and the handling of confidential or non-public information that our firm, our subsidiaries, our employees, or the employees of our subsidiaries may receive in the course of providing services to our Real Estate Funds. All employees must also obtain pre-clearance from our firm's compliance officer for any political contributions. The code of ethics also provides for a range of sanctions, as deemed appropriate by our firm's senior management, should anyone violate the provisions set forth therein. These sanctions include, but are not limited to, a warning, fines, disgorgement, suspension, or termination of employment.

Our firm operates under a code of ethics adopted in accordance with Rule 204A-1 of the Advisers Act, and a set of written policies and procedures adopted and implemented in accordance with Rule 206(4)-(7) of the Advisers Act, all of which are administered by our firm's chief compliance officer. We will provide a copy of our code of ethics to any prospective Real Estate Fund or any investor in our Real Estate Funds upon request.

Under certain circumstances, we may recommend to our Real Estate Funds, or buy or sell for our Real Estate Funds, investments in which we or our affiliates have a material financial interest. Because our affiliates usually act as the general partners (or the equivalent) of our Real Estate Funds, we have a material interest that could create conflicts that must be managed. In addition, we or our affiliates serve as the general partner (or the equivalent) or the investment manager to certain Real Estate Funds with respect to which other Real Estate Funds invest (pursuant to their investment strategies). In order to minimize any conflict of interest, if one Real Estate Fund makes an equity investment in another of our Real Estate Funds, we typically waive the management fees and performance-based compensation charged at the target Real Estate Fund level to ensure that we do not receive double fees on these investments. However, in certain circumstances, and as fully disclosed to investors in our Real Estate Funds in advance, we may charge a management fee and performance compensation to Real Estate Funds that invest in another of our Real Estate Funds.

Additionally, we or one of our affiliates may sell or purchase equity real estate, interests in real estate loans, and/or other Real Estate Assets to or from one or more Real Estate Funds, including, in the future, commercial mortgage-backed securities or asset-backed securities. This creates a conflict of interest between our firm and the involved Real Estate Funds because we have an incentive to

negotiate more favorable terms for us or our affiliates at the expense of our Real Estate Fund. In this instance, we will seek to (i) ensure that these transactions are conducted at an arm's length basis, and (ii) obtain Real Estate Fund consent prior to the consummation of any such transactions. To the extent that any fees are assessed to one of our Real Estate Funds in a principal transaction involving our firm or one of our affiliates, we will seek to ensure that the fees do not exceed amounts that would be paid to unrelated third parties performing similar services.

We may also originate, for a fee, from borrowers (including borrowers that are Real Estate Funds) both debt and equity investment opportunities for other Real Estate Funds. Our firm or one of our affiliates may receive origination or disposition fees for the acquisition or sale of real estate and mortgage investments by our Real Estate Funds.

In light of these potential conflicts of interest, the firm's general allocation policy is to allot investment opportunities based upon each of our funds' stated investment objectives, mandates and investment parameters. However, for certain investments, we may give a priority to a particular Real Estate Fund. Following this priority allocation, if the investment opportunities are suitable for one or more Real Estate Funds, transactions are generally allocated based on how long the relevant Real Estate Fund capital has been outstanding, but not invested.

Our firm, as well as our affiliates and employees, may co-invest with the Real Estate Funds and may invest directly in Real Estate Funds that we or our affiliates manage. Additionally, certain portfolio managers may receive a portion of the firm's performance-based compensation from Real Estate Funds. In order to prevent any conflicts of interest, affiliations of this nature are disclosed to investors in our Real Estate Funds, and our firm has adopted a pre-clearance policy for all personal trades in our Real Estate Funds.

Under certain circumstances, we may recommend to Real Estate Funds, or buy or sell for Real Estate Funds, securities in which we or our affiliates have a material financial interest at or about the same time that we or our affiliates sell the same securities. This could potentially create a conflict of interest between our firm and a Real Estate Fund. In order to prevent any conflicts of interest, we will seek to obtain Real Estate Fund consent prior to the consummation of any such transactions, and disclose relevant affiliations to investors in our Real Estate Funds.

Item 12: Brokerage Practices

Broker-Dealer Selection and Commissions. Because we render advice to Real Estate Funds, and investments are made on a negotiated basis, we do not ordinarily deal with any financial intermediary such as a broker-dealer, and our Real Estate Funds do not ordinarily incur commissions in connection with such investments. On those rare occasions that we would execute trades on behalf of our Real Estate Funds, our employees must demonstrate compliance with broker selection, recordkeeping, and other requirements related to trading, including “best execution,” as well as the offering materials for each Real Estate Fund, which sets forth investment objectives and guidelines in connection with managing such Real Estate Fund’s account.

To the extent we have complete investment and brokerage discretion over our Real Estate Funds’ accounts and the situation arises, we instead select broker-dealers for our Real Estate Funds’ securities transactions and determine the reasonableness of their compensation based on various factors, including the following: (i) the financial strength, integrity, and stability of the broker-dealer; (ii) the ability to effect prompt and reliable executions at favorable prices (including the applicable broker-dealer spread or commission, if any); (iii) the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; (iv) the broker-dealer’s risk in positioning a block of securities; and (v) the competitiveness of commission rates in comparison with other broker-dealers satisfying our other selection criteria.

Our firm and the broker-dealer will determine the amount of commission to be paid to a broker-dealer.

We do not use commissions to acquire brokerage and research services pursuant to soft-dollar transactions.

We do not receive referrals from any broker-dealers. At times, we may use a broker to source investors for our Real Estate Funds. We may be deemed to have a potential conflict of interest in receiving referrals in that we may have an incentive to select those brokers. To mitigate such a conflict, we focus on the criteria set forth above when selecting brokers.

Our firm recognizes its fiduciary duty to act in the best interests of its Real Estate Funds. In instances when we could allocate investment opportunities to more than one Real Estate Fund at a time, we will use reasonable efforts to treat each Real Estate Fund in a fair and equitable manner and in accordance with the allocation policies and procedures described above.

Item 13: Review of Accounts

We maintain comprehensive review procedures for the ongoing monitoring of our Real Estate Funds' accounts and financial plans. Certain employees of our firm and our affiliates serve on the investment committees for the Real Estate Funds for which we act as adviser, and they routinely monitor the portfolio investments. Their reviews focus on changes in economic, political or market conditions. We review each of our Real Estate Funds' portfolios quarterly, or more frequently, in the event of a material event affecting a portfolio.

We frequently monitor portfolio investments for events that have a material impact on the applicable investment thesis. Any change to an investment thesis necessitates a review and approval by the relevant investment committee of the merits of the investment.

Investors in our Real Estate Funds usually receive quarterly unaudited financial statements and annual audited financial statements. In addition, a portfolio manager's discussion letter regarding the results of operations, management, market environment, investment performance, and other relevant matters generally will also be sent to investors in our Real Estate Funds quarterly.

Item 14: Client Referrals and Other Compensation

No persons other than our Real Estate Funds provide an economic benefit to our firm for providing investment advice or other advisory services.

From time to time, we may enter into finder or solicitation arrangements and may compensate persons that refer investors to our Real Estate Funds. All such payments will comply with Rule 206(4)-1 of the Advisers Act.

Item 15: Custody

While it is our firm's practice not to accept or maintain physical possession of Real Estate Fund assets, we are deemed to have custody of Real Estate Fund assets under Rule 206(4)-2 of the Advisers Act because we have the authority to access our Real Estate Funds' funds and deduct fees and expenses from their accounts.

We utilize the services of a bank or other qualified custodian (as defined under Rule 206(4)-2) to hold certain assets in these cases. We require that the qualified custodian maintains these funds in segregated accounts that contain only Real Estate Funds' funds and securities. We may also maintain custody of un-certificated securities acquired directly from the issuers in private placements.

While Rule 206(4)-2 generally requires an investment adviser to ensure that a qualified custodian sends account statements to advisory clients at least quarterly, we are not subject to this requirement for our Real Estate Funds because all Real Estate Funds we manage that rely on an exemption from registration under the Investment Company Act, are subject to audit at least annually by an independent auditor that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. In these cases, we distribute audited financial statements to all investors in such private Real Estate Funds within 120 days of the end of each such Real Estate Fund's fiscal year.

Item 16: Investment Discretion

We accept discretionary authority to manage our Real Estate Funds' accounts. Notwithstanding this broad authority, we are committed to adhering to the investment strategy and program set forth in our Real Estate Funds' offering materials. These documents cover matters such as the types and amounts of assets of which a Real Estate Fund's portfolio will consist, portfolio allocation limitations, and the degree of risk assumed by a Real Estate Fund's portfolio. Before accepting the discretionary authority inherent in managing our Real Estate Funds' accounts, we carefully review the investment strategies and investment programs set out in our Real Estate Funds' offering materials.

Before accepting subscriptions for interests in a Real Estate Fund, we provide all potential investors with an offering document that sets forth, in detail, our investment strategy, and program for such Real Estate Fund. By completing our subscription documents to acquire an interest in one of our Real Estate Funds, investors give us complete authority to manage their investments in accordance with the offering documents they each received.

Item 17: Voting Client Securities

Our firm's Real Estate Funds are primarily invested in Real Estate Assets which typically do not issue proxies, and have never done so in the past. In the future, a Real Estate Fund may invest in a private company which later goes public, in which case such company will issue proxies. As part of the services provided by our firm, we have adopted proxy voting policies and procedures, which include voting of proxies by our Chief Compliance Officer. These proxy voting policies and procedures are designed to ensure that our firm votes the proxies of our Real Estate Funds in the best overall interests of the respective Real Estate Fund. We will maintain a record of all proxy votes cast on behalf of our Real Estate Funds. Where and if applicable, investors in the relevant Real Estate Funds may contact us for a copy of the policy or information with respect to a specific proxy vote.

While we do not currently foresee such situations, there may be limited situations in which we do not have the authority to vote Real Estate Fund proxies in a certain manner. Upon request, our Real Estate Funds' investors would be able obtain (i) a copy of our proxy voting policies and procedures, and (ii) information concerning proxy votes on our Real Estate Funds' behalf. We maintain the following records relating to proxy voting in our office:

- Copies of our proxy voting policies and procedures and any amendments.
- Proxy statements received for Real Estate Fund securities (if any).
- Records of proxy votes cast on behalf of our Real Estate Funds (if any).

Item 18: Financial Information

We generally do not require nor do we solicit prepayment of more than \$1,200 in fees per Real Estate Fund, six months or more in advance.

We are not aware of any financial condition that is likely to impair our ability to meet our contractual commitments to our Real Estate Funds.

Civitas Capital Management, LLC has never been the subject of a bankruptcy petition.