

## Item 1 – Cover Page



## CORTEN REAL ESTATE MANAGEMENT LLC

Form ADV Part 2A  
(the “Brochure”)

March 30, 2023

This Brochure provides information about the qualifications and business practices of Corten Real Estate Management, LLC (referred to herein as “we,” “us,” “our,” “Corten”, “Firm” or “Adviser”). If you have any questions about the contents of this Brochure, please contact us at [info@cortenrealestate.com](mailto:info@cortenrealestate.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.

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

Corten Real Estate Management LLC is a registered investment adviser. Registration with the SEC or any state securities authority does not imply a certain level of skill or training. Nothing contained in this Brochure constitutes a recommendation of or an offer to sell, or the solicitation of an offer to buy or invest in, any investment product, vehicle, service or instrument.

## **Item 2 – Material Changes**

On an annual basis, Corten is required to identify and discuss material changes made to this Form ADV Part 2A (the “Brochure”). There are no material changes to disclose since our last brochure dated August 29, 2022.

Corten will update this Brochure on an annual basis.

You may request the most recent version of this Brochure by contacting Stefanie Langer, Chief Compliance Officer of Corten at [slanger@cortenrealestate.com](mailto:slanger@cortenrealestate.com) or emailing Corten directly at [info@cortenrealestate.com](mailto:info@cortenrealestate.com).

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## **Item 4 – Advisory Business**

### **Firm Profile**

Corten Real Estate Management LLC (“Corten” or the “Firm”), a Delaware limited liability company, was founded in 2018 as an independent investment management firm that leverages the operating infrastructure of the Buccini/Pollin Group (“BPG”), a vertically integrated real estate firm focused on development, construction and property management that was founded in 1993. This unique relationship enables Corten to move with speed and certainty of execution in underwriting, securing and executing off-market opportunities in the current investment environment as both an operator and an investor.

Corten targets middle-market real estate investments in the operationally intensive asset classes of hospitality, multifamily and office. At its core, Corten is a special situations investor seeking to continuously pivot throughout market cycles in an effort to generate attractive risk-adjusted returns up and down the capital stack (common equity, preferred equity and mezzanine debt) and across its three targeted operating verticals.

As sector specialists, the Corten team (the “Investment Team”) is comprised of seasoned professionals who have spent the majority of their respective careers as hands-on operators in the operationally intensive sectors of hospitality, multifamily and office, as well as private equity fund managers, with unique, value-oriented structuring and execution skills. Corten professionals have broad experience as owner/operators, developers and investors, resulting in deep underwriting, structuring and asset-level execution capabilities.

Corten is owned equally (25% each) by P.J. Yeatman, Christopher Buccini, David Pollin and Robert Buccini (the “Founding Partners”). Other members of the Investment Team have non-voting economic interests in the general partners associated with various investment entities.

Corten serves as the investment adviser to privately offered, pooled investment vehicles and co-investment vehicles (the “Funds”). The Funds are marketed primarily to institutional investors and high net worth individuals and may be managed by the Firm on a discretionary or non-discretionary basis. The investment strategies and restrictions relating to the Funds are set forth in each Fund’s private placement memorandum (the “Fund Offering Documents”), joint venture agreement and/or limited partnership agreement (the “Fund Governing Documents”). The Funds are considered clients of Corten, as opposed to the underlying investors (“Investors”) in the Funds, who are commonly referred to as “Limited Partners”. Investors, however, must satisfy certain requirements (e.g., qualified purchaser status) to be participants in the Funds. The Funds are neither registered under the Investment Company Act of 1940, as amended, nor are their interests registered under the Securities Act of 1933, as amended. Accordingly, interests in the Funds are offered exclusively to Investors satisfying the applicable eligibility and suitability requirements either in private placement transactions within the United States or in offshore transactions. No offer to sell the Funds is made by the descriptions herein. Investors should carefully consider the investment objectives, risk tolerance and liquidity of any Fund prior to investing.

Corten does not tailor advisory services to the individual needs of any Investor in the Funds, but rather manages the Funds pursuant to the investment guidelines, restrictions and strategies as outlined in the Offering Documents and Fund Governing Documents. The terms of such investment guidelines, restrictions and strategies may be negotiated with Investors at the time of a Fund’s formation. In the case of discretionary vehicles, Investors generally have limited input on the investments made by Corten once the Fund is operational. In the case of non-discretionary vehicles, Investors or their advisors have input on the investments made by Corten specific to the terms of Fund Governing Documents. In accordance with common industry practice, a Fund or its general partner may from time to time also enter into a “side letter”

or similar agreement with an Investor pursuant to which the Fund or its general partner grants the investor specific rights, benefits or privileges that are not generally made available to all investors. See “*Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss*” below for more details.

### **Assets under Management**

As of December 31, 2022, Corten had approximately \$363.4 million of regulatory assets under management (NAV plus uncalled capital), of which \$230 million was managed on a discretionary basis and \$133.3 million was managed on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

### **Advisory Fees and Compensation**

Corten receives a management fee from each Fund based on a percentage of assets under management whether committed or invested (“Management Fee”) and additional performance-based fees. The fees and compensation arrangements are set forth in the respective Fund Governing Documents.

The Funds charge Management Fees quarterly in advance or in arrears, in accordance with the terms and conditions described in the applicable Fund Governing Documents. Investors may from time-to-time negotiate alternative fee arrangements in side letter agreements. Investors in Funds are typically informed of fees being charged via a written notice - fees may be collected from cash on hand in bank accounts designated for each Fund or via a capital call from Investors.

Funds typically pay the Firm a Management Fee commencing on the closing of the vehicle and through the end of that vehicle’s life. In general, Management Fees range from 0.75% to 1.50% and are charged on committed capital early in the life of each vehicle and then on the aggregate equity cost of all unrealized investments, plus specifically reserved commitments attributable to investments, less permanent and unrecoverable write-downs. Management Fees are calculated on an Investor-by-Investor basis starting on the commencement date of each vehicle, regardless of when Investors are admitted. If total Fund commitments increase during any quarter, the Firm is paid the Management Fee associated with such increase as if the increase had occurred as of the commencement date of the relevant vehicle.

Management Fees are offset 100% by all acquisition, disposition, break-up, financing or similar transaction fees, directors’ fees and consulting fees paid to partners, employees or managers of the Firm or of its affiliates in connection with the Fund’s investments (the “Offset Fees”). No fees will be charged to the Funds for acquisition, financing or disposition activities conducted by the Firm. The Offset Fees do not include property management, development, construction management, or fees paid to affiliates of Corten by any asset or investment level vehicles. Subject to the following cost limitations, the aforementioned services may include the following: (a) property management services not to exceed (i) the greater of 3.5% of gross revenue or \$75,000 per annum for office or mixed-use properties, (ii) 3.5% of gross revenue for hospitality properties, and (iii) 3.5% of gross revenue for multi-family properties; (b) construction management fees not to exceed (x) 4% of tenant or common area improvement costs for projects less than or equal to \$1 million or (y) 3% of tenant or common area improvement costs for projects greater than \$1 million; and (c) development services, not to exceed 4% of managed costs. The amount charged to Funds for administrative services for a particular property provided by contractors of Corten, BPG or their affiliates shall be calculated based on the percentage of their overall work time spent on such property. Any other fees may be charged to a Fund by its general partner and affiliates if they are presented and approved by the relevant Advisory Board.

Corten employees, family members or other affiliated parties may invest in Funds where account minimums and/or advisory fees have been waived by the Firm.

### **Additional Information Concerning Fees and Expenses**

Investors in the Funds bear direct and indirect costs, fees and expenses incurred by those vehicles, as described in the Fund Offering Documents. These fees and expenses, generally include, among other things:

- Organizational fees and expenses including, but not limited to:
  - Fees, costs and out-of-pocket expenses incurred in connection with investment activities, including all costs related to sourcing, origination, investigation, identification, evaluation, acquisition, holding, management, development, renovation, financing, hedging, refinancing or purchase or sale of investments (including the fees, costs and expenses of transactions that are ultimately not consummated)
  - Reasonable entertainment, industry organizations, conferences, sponsorships and events, marketing and advertising costs, research and underwriting, third-party consultants, service bureaus and subscriptions, commissions, placement fees relating to the placement of interests in the Fund, appraisal, third-party valuation, brokerage fees, investment banking fees, legal, accounting, advisory, custodial, and registration services provided to the vehicles and other similar charges in connection therewith
  - Costs relating to borrowing or guarantees
  - Fees, costs and expenses related to the Fund's pro rata share (based on capital commitments) of third-party software licenses related to managing investments and investor communications
  - Costs and out-of-pocket expenses associated with financial research and market analysis, due diligence and underwriting including third-party consultants and subscriptions
  - Costs of risk management services and appropriate insurance coverage for the Fund
  - Third-party fund administration fees, costs and expenses
  - Interest and taxes related to the purchase, holding or sale by the Fund of any investment
  - Liquidation expenses
  - Sales or other taxes
- Blue Sky fees
- Reasonable travel, transportation, meal and lodging expenses of the Investment Team, the Firm and respective affiliates

**The list above is not a comprehensive list of fees and expenses borne by the Funds. Please refer to the Fund Offering Documents for a complete listing of additional fees and expenses associated with such vehicle.**

To the extent any such expenses or costs are incurred for the benefit of the Funds and other entities affiliated with or advised by Corten, the Firm will make a good faith allocation of such expenses or costs among all such entities. Furthermore, Investors should refer to the applicable Fund Offering Documents, the Fund Governing Documents for supplemental information on the fees and expenses.

### **Co-Investments**

To the extent Corten determines in its discretion that an investment opportunity it has identified is to be offered to and executed on by the Fund exceeds the amount appropriate for that vehicle (which may, in many cases, as determined by the Firm in its discretion, be less than the maximum concentration permitted under the applicable Fund Governing Documents), the Firm may, in its discretion, offer to certain Investors and/or one or more third parties the ability to participate in such opportunity as a co-investor on such terms and conditions as the Firm determines.

Investors are not required to participate in co-investments offered by Corten, if any, and there can be no assurance that any co-investment opportunity will be made available in connection with a Fund. Nothing

in the applicable Fund Offering Documents constitutes a guarantee or projection of the availability of future co-investment opportunities. Investing in a Fund does not entitle any Investor to allocations of co-investment opportunities to investors on a *pro rata* basis or otherwise.

Corten may or may not charge management fees, transaction fees, advisory or similar fees and/or carried interest in respect of co-investments, and such fee income attributable to co-investments with Investors will not be shared by the Firm with any Fund. The performance of co-investments is not aggregated with that of a Fund, including for purposes of determining Corten's Carried Interest or the Management Fees under the applicable Fund Offering Documents.

Broken deal expenses will generally be borne solely by the Funds, in accordance with the Funds' Governing Documents, even if co-investors were being sought or in some cases have agreed to participate had the transaction been consummated. Such co-investors may include those with whom Corten has pre-existing relationships, as well as co-investors that have participated in other completed transactions. By generally bearing the broken deal expenses, the Funds provide a potential benefit to other co-investors in the Funds' investments. In practice, however, Corten will use commercially reasonable efforts to have co-investors bear their pro rata share of broken deal expenses to the extent the co-investors have entered into a subscription agreement or other equity commitment letter. Please see "*Item 8 – Methods of Analysis, investment Strategies and Risk of Loss*" below for additional information on allocation of broken deal expenses.

### **Fund Borrowings**

The applicable Governing Documents of each Fund have provisions that allow each such Fund to borrow money for investment and other purposes. Such borrowings may be made prior to capital being called from such Fund's investors. This mechanism may defer investor capital calls and provides a form of leverage that can have the effect of amplifying a Fund's reported net internal rate of return (IRR), particularly in the early years of a Fund's investment cycle. Such borrowings can also accelerate the date upon which a Fund's preferred return will be achieved for purposes of determining when the applicable general partner (or affiliates which earn carried interest) are entitled to begin receiving carried interest payments on distributions from a Fund. In accordance with the terms of the applicable Governing Documents of each Fund, interest payments and other fees and expenses incurred in respect of such borrowings are partnership expenses and such expenses will decrease a Fund's net returns over time. The terms of each Fund's borrowing arrangement and borrowings outstanding, if any, are disclosed to the investors in the annual financial statements of each Fund.



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

The fee arrangement for the Funds typically includes a performance fee, referred to as “carried interest”, on profits (net of fees and expenses) after the portfolio has achieved certain return hurdles as more fully described in the Fund Offering Documents. The carried interest amount is deducted from the relevant Fund’s account at the time of distribution.

Performance fees create an incentive for Corten to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation arrangements. We seek to mitigate such conflicts through regular reviews of our portfolios and our investment allocation policy and procedures.

Corten manages Funds with similar strategies. When Corten and its Investment Team manage multiple Funds, or a performance-fee paying account alongside a non-performance fee paying account, a potential exists for Corten to favor a Fund with higher or more favorable performance-based compensation over a lower fee-paying Fund. Corten seeks to mitigate such conflicts through its periodic account reviews and written policies and procedures that address allocation of investment opportunities. Corten seeks, at all times, to ensure the fair treatment of all Clients to whom it provides advisory services. See “*Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss*” and “*Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Persona Trading*” for additional information regarding Corten’s investment allocation policies.

## **Item 7 – Types of Clients**

Corten provides investment advisory services to Funds, which are Corten's Clients. Investors in Funds may be institutions or qualified individuals.

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

### Methods of Analysis

Corten's highest priority is preservation of investor capital. The process of protecting capital starts during the evaluation of prospective investment opportunities and continues throughout the lifecycle of every investment. Corten has established a system of internal policies, procedures and controls that provides an early warning system and a clear framework for identifying and resolving risks ex ante, as well as in the ordinary course of the investment lifecycle.

- ***Thorough Due Diligence:*** Corten's Investment Team will perform the majority of its property-level due diligence in-house, often by utilizing its vertically integrated platform affiliate. By not relying primarily on third-party service providers (though Corten will typically engage third-parties for customary items such as a physical condition assessment, Phase I environmental site assessment, zoning report, survey), Corten will better ensure accountability and accuracy in its due diligence efforts.
- ***Rigorous Underwriting:*** Corten's Investment Team will typically conduct stress tests and model downside scenarios on investments prior to closing. Investments will be structured and priced such that anticipated losses in downside cases are mitigated. Downside scenarios will be presented in investment memos and reviewed prior to investment approval by the Investment Committee.
- ***Prudent Structuring/Leverage:*** For common equity investments, Corten's Investment Team will prudently utilize non-recourse, non-cross collateralized leverage and pursue loan advance rates and loan durations that should provide adequate runway for executing each asset's business plan through completion and stabilization. As asset-specific business plans are executed and properties move along the lifecycle continuum from transitional to stabilized, Corten will constantly revisit capital structures and evaluate opportunities to de-risk each asset through partial sales, cash-out refinancings, interest rate hedges and loan modifications. Corten's Investment Team will often structure investments as preferred equity or mezzanine debt in an effort to mitigate risk while maintaining a potential return profile that meets a Fund's return objectives.
- ***Hands-On Asset Management:*** Corten's Investment Team will convene at least monthly asset management meetings to review all aspects of individual asset performance and risks. Meetings will bring together relevant personnel from Corten and all affiliated verticals (when necessary) including construction, property management and legal to ensure a holistic review of each investment and more detailed evaluation of asset level financial reports. Having in-house resources dedicated to all these areas is believed to be an advantage in the fund management business and provides for direct accountability, clear communication and informed decision-making.
- ***Environmental, Social & Governance:*** Corten's investment process includes an integrated evaluation of environmental, social, and governance ("ESG") factors. Corten recognizes that relevant and material ESG issues can meaningfully affect investment performance. Consequently, these factors are critical components of its research, analysis, decision-making and ongoing monitoring. Corten considers various ESG issues as part of its normal course due diligence on real estate assets it considers for investment. Typically, environmental best practices form the basis of hotel, multifamily and office property management plans and environmental exposures are evaluated early on in the investment process. Social and governance considerations codified in federal and state anti-discrimination and fair practice laws are often part of legal due diligence on target properties, while the structure and identity

of ownership groups is especially important to Corten in managing risk and aligning interests appropriately.

Corten has one Investment Committee that evaluates investment opportunities for each Fund, ultimately reviewing and approving specific investment selections or dispositions. Corten's four partners participate on the Investment Committee. An investment memorandum is prepared for each opportunity that meets the relevant vehicle's investment criteria and summarizes both qualitative and quantitative investment considerations. Minutes are taken during each Investment Committee meeting, specifying approvals and dispositions of investments.

The review process includes such diligence as the investment committee deems to be appropriate. The process generally includes a review of, among other things, market size, competitive environment, operating partner capabilities, revenue and profit projections, capital expenditure requirements, available financing, potential returns, and risks.

During the life of an investment, a principal is assigned responsibility for monitoring the investment and informing the Investment Committee as to performance against expectations over the holding period. The Investment Committee is responsible for reviewing and approving major matters, such as the sale of the asset or a capital raise/refinancing, on behalf of a Fund.

Investment opportunities presented to Corten which it believes in good faith are suitable and appropriate for a Fund and consistent with the investment objectives of that Fund will be allocated to that Fund to the extent it has available capital, net of reserves. The Firm will comply with the Fund Governing Documents when acting upon any investment opportunity. The Firm may also, if permitted by the applicable Fund Governing Document, present an investment opportunity to another Fund if the Firm determines in good faith that the investment opportunity is suitable and appropriate for the alternate Fund. Notwithstanding the foregoing, with the consent of the applicable Advisory Board, Corten may allocate investments to multiple Clients.

Neither the Firm nor any affiliate thereof may acquire, invest in or hold interests in any portfolio assets without the consent of the Advisory Board of the relevant Fund, provided that the foregoing restriction shall not apply to interests held by any such person through the Firm, Fund, or any related vehicle.

### **Investment Strategies**

Corten's investment strategy represents a disciplined framework for optimizing the Fund risk-adjusted returns. This strategy is grounded in a set of practices refined over almost three decades of investment experience and is aimed at finding value, creating value and protecting value throughout the lifecycle of every investment. Corten implements the same investment process for both common equity investments where Funds are the direct owner and joint venture/structured opportunities where Funds are the limited partner or hold a mezzanine/preferred equity investment – these investment themes and considerations are the lynchpin of any real estate investment regardless of positioning within the capital stack.

Corten expects to pursue only a small fraction of the opportunities that it reviews, and it expects to close only a select few of the opportunities that it pursues. Recognizing that a Fund has a finite amount of committed capital, the Firm will evaluate investment opportunities on both an absolute basis (to ensure investment criteria are met) and a relative basis (to select the best risk-adjusted returns within the given opportunity set). With the goal of optimizing portfolio construction and risk-adjusted returns, Corten's Investment Team responds to market conditions by (i) adjusting the relative weighting amongst its three primary asset classes as macroeconomic cycles evolve and (ii) moving both up and down the capital stack in order to mitigate idiosyncratic risk.

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

*The purchase of Fund interests involves certain risks and is suitable only for persons of substantial financial means who have no need for liquidity in their investment and who can bear the risk of potential loss of their investment. Anyone considering an investment in the Funds should carefully consider the following risk factors among the other risks described herein. The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the Funds advised by Corten. As a result of these factors, as well as other risks inherent in any investment or set forth elsewhere in the Fund Offering Documents, there can be no assurance that any Fund will meet its investment objectives or otherwise be able to successfully carry out its investment program. Investment returns may be unpredictable, and no assurances can be made that actual results will be equal to the goals herein. Accordingly, an investment in the Funds is not suitable as the sole investment vehicle for an investor. An investor should only invest in the Funds as part of an overall investment strategy and only if the investor is able to withstand total loss of the investment.*

### ***Past Performance not Indicative of Future Success***

The previous results of Corten or its affiliates in the management of one or more Funds are not necessarily indicative of the future results obtainable by the Firm. Actual results could differ materially from those previously realized by the Firm or its affiliates and neither the Funds nor the Firm, or its affiliates, make any representations or warranties with regard to any actual results. Prospective investors should not place undue reliance on the past performance or track record information of Corten and its affiliates.

### ***Real Estate Ownership in General***

The Fund's investments will be subject to the risks generally incidental to the ownership of real property, including: uncertainty of cash flow to meet fixed and other obligations; adverse changes in local market conditions, population trends, neighborhood values, community conditions, general economic conditions, local employment conditions, interest rates, and real estate tax rates; changes in fiscal policies; changes in applicable laws and regulations (including tax laws); and uninsured losses and other risks that are beyond the control of the Firm. There can be no assurance of profitable operations because the cost of owning the properties may exceed the income produced, particularly since certain expenses related to real estate and its development and ownership, such as property taxes, utility costs, maintenance costs and insurance, tend to increase over time and are largely beyond the control of the owner. Moreover, although the Fund expects to obtain insurance to cover most casualty losses and general liability arising from the properties, no insurance will be available to cover cash deficits from ongoing operations. Acquisitions and renovations may be financed through lines of credit and other forms of secured or unsecured debt financing. However, there can be no assurance that sufficient sources of financing will be available to fund such acquisitions and renovations or that such financing will be available on favorable terms.

### ***Current Real Estate Market Environment***

Corten anticipates that the current market environment will provide the Funds with opportunities to acquire investments on favorable terms and prices. However, the capital and credit markets are subject to volatility and disruption, and volatile economic conditions may negatively impact real estate fundamentals. Turmoil in the capital markets may constrain equity and debt capital available for investment in the real estate market, resulting in fewer buyers seeking to acquire properties, declines in tenant creditworthiness, increases in cap rates and lower property values. The returns to investors in the Funds' targeted investments are determined, in part, by: (i) the supply and demand for such investments and (ii) the existence of a market for such investments, which includes the ability to sell or finance such investments. During periods of volatility, the number of investors participating in the market may change at an accelerated pace. As liquidity or "demand" increases, the returns available to investors may increase. Conversely, a lack of

liquidity may cause the returns available to investors to decrease. There can be no guarantee, therefore, that the elements that determine real estate values will not weaken, and the real estate market may suffer declines.

In addition, the investment strategy for certain assets may rely, in part, upon the U.S. and/or local market conditions or economic rent growth during the term of the investment. No assurance can be given that market conditions will support rent growth since this will depend, in part, upon events and factors outside the control of the Funds.

Finally, the Funds expect to use leverage to acquire the investments. If the debt markets deteriorate, the Funds may not be able to obtain debt financing on attractive terms. As such, Corten may be forced to use a greater proportion of the Funds' offering proceeds as equity to finance acquisitions, reducing the number of investments the Funds are able to acquire. In addition, if the Funds use leverage to acquire investments and the value of the investments declines, the Funds could be forced to dispose of investments at inopportune times to repay the debt or use capital contributions in order to maintain compliance with debt covenants. Any of these circumstances may adversely affect the Funds' performance and ability to implement its investment strategy.

#### ***General Risks of Acquisition Activities***

The success of the Funds depends, in large part, on the availability of a sufficient number of investment opportunities that fall within the Funds' investment objectives and the ability of Corten to identify, negotiate, close, manage and exit those investment opportunities. Acquisitions of properties also entail general investment risks associated with any real estate investment. The Funds' acquisition activities and their success may be exposed to certain risks, including:

- i) The Firm may not be able to locate and complete investments which enable the Funds to invest all of its committed capital in opportunities that satisfy their investment objectives, realize the value of these investments or fully invest commitments;
- ii) The Funds may incur significant expenses in connection with the identification of investment opportunities and the investigation of other potential investments that are ultimately not consummated;
- iii) The Funds may be unable to acquire a desired property or company, or to acquire such property or company on desirable terms, because of competition from other well-capitalized real estate investors, including other real estate investment vehicles, publicly traded real estate investment trusts, public and private investment funds, hedge funds and other institutional investors, specialty investors (such as mortgage banks, pension funds, sovereign wealth funds and real estate operating companies), various types of financial institutions and their affiliates, family groups and wealthy individuals, some of which may have greater resources than the Funds;
- iv) Even if the Funds enter into an acquisition agreement for a property, such an agreement would typically be subject to customary conditions to closing, including satisfactory completion of due diligence investigations, which may be costly;
- v) Even if the Funds are able to acquire a desired property, competition from other real estate investors may significantly increase the purchase price paid;
- vi) The Funds may be unable to finance acquisitions on favorable terms;
- vii) Once acquired, a property may fail to perform as the Funds projected when analyzing such investments; and
- viii) The Funds' estimates of the costs of repositioning, re-tenanting or refurbishing acquired properties may be inaccurate.

The Funds may also acquire properties subject to known or unknown liabilities and with limited or no recourse. As a result, if liability were asserted against the Funds based upon such properties, the Funds might have to pay substantial sums to dispute or remedy the matter, which could adversely affect their cash

flow and returns. Unknown liabilities with respect to properties acquired could include, for example: liabilities for clean-up of undisclosed environmental contamination; claims by tenants, vendors or other persons relating to the former owners of the properties; and liabilities incurred in the ordinary course of business; and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties. As a result of the foregoing, even if suitable investments are made, the Funds' financial condition and results of operations could be materially and adversely affected, and the objective of the Funds may not be achieved.

### ***Real Estate Asset Types***

#### **1. Investments in Office Buildings**

*Acquisitions, Development and Renovations.* Acquisitions of office properties entail risks that investments will fail to perform in accordance with expectations. Estimates of renovation costs and costs of improvements to bring an acquired property up to standards established for the market position intended for that property may prove inaccurate. In addition, there are general investment risks associated with any new real estate investment.

In addition, the acquisition and renovation of office properties involves certain risks, including the possibility of environmental problems, construction cost overruns and delays, and uncertainties as to market demand or deterioration of market demand after acquisition or renovation.

A Fund also may review the possibility of developing and constructing office buildings and other commercial properties. Risks associated with a Fund's development and construction activities may include: (i) abandonment of development opportunities; (ii) construction costs of a property exceeding original estimates, possibly making the property uneconomical; (iii) occupancy rates and rents at a newly completed property may not be sufficient to make the property profitable; (iv) financing may not be available on favorable terms for development of a property; and (v) construction and lease-up may not be completed on schedule, resulting in increased debt service expense and construction costs. In addition, new development activities, regardless of whether they would ultimately be successful, typically require a substantial portion of management's time and attention. Development activities would also be subject to risks relating to the inability to obtain, or delays in obtaining, all necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations.

*Operations.* Office buildings are subject to a number of operating risks, including, among other things: (i) competition from other buildings and properties in the same geographic market; (ii) increases in operating and maintenance costs; (iii) dependence on key tenants; (iv) fluctuating lease and occupancy rates; (v) the financial stability of tenants and related risks of default by tenants experiencing financial problems; and (vi) adverse effects of general and local economic conditions. These factors could adversely affect a Fund's ability to generate revenues and make distributions to its Investors.

*Downturn in Tenants' Businesses.* A tenant may experience a downturn in its business, which may weaken its financial condition and result in its failure to make timely rental or other payments. In the event of default by a tenant, a Fund may experience delays in enforcing certain rights and may incur substantial costs in protecting its investment. The bankruptcy or insolvency of a major tenant also may adversely affect the income produced by a Fund's assets. If any tenant becomes a debtor in a case under the Bankruptcy Code, the tenant cannot be evicted solely because of the bankruptcy. In addition, the bankruptcy court might permit the tenant to reject and terminate a property lease. A Fund may be limited in its ability to collect revenues from the tenant for unpaid rent, and future rent would be subject to a statutory cap that might be substantially less than the remaining rent actually owed under the lease, resulting in rent not being paid in full. Any losses resulting from the bankruptcy of a tenant could adversely impact a Fund's financial

condition, results from operations, cash flows and the Fund's ability to satisfy its debt service obligations and pay distributions.

## 2. Investments in Apartments

Investment in apartments involves certain special risks. Apartments are particularly vulnerable to the risks that the population levels, economic conditions or employment conditions may decline in the surrounding geographic area. Any of these developments likely would have an adverse impact on the size or affluence of the tenant population in the area and a negative impact on the occupancy rates, rent levels and property values of apartment complexes in the area.

Unlike many other types of real estate investment, apartment complexes do not have tenants occupying large portions of the property whose lease payments provide reliable sources of income for extended lease terms. Instead, such properties will typically have individual residential tenants with very limited net worth and with lease terms that are typically one year or less. Apartments generally experience frequent tenant turnover due to factors such as transient populations, new competition in the area, and changes in the tenant's economic status. In addition to continuously needing to replace vacating tenants, tenant turnover at apartment complexes causes the property owner to incur significant fix-up costs in order to prepare a unit for new tenants.

## 3. Investments in Hospitality

*Acquisition and Development.* The acquisition and development of hotels entail risks that investments will fail to perform in accordance with expectations and that estimates of the cost of improvements necessary to market and acquire hotels will prove inaccurate, as well as general investment risks associated with any new real estate investment.

Risks associated with a Fund's hotel development and construction activities may include: (i) risks of construction delays or cost overruns that may increase project costs, (ii) new project commencement risks such as receipt of zoning, occupancy and other required governmental approvals and permits and (iii) the incurrence of development costs in connection with projects that are not pursued to completion.

*Hotel Operations.* Operating risks common to the hotel industry include, among other things: (i) competition for guests from other hotels, some of which may have greater marketing and financial resources than the Funds; (ii) increases in operating costs due to inflation and other factors, which increases may not have been offset in recent years, and may not be offset in the future by increased room rates; (iii) dependence on business and commercial travelers and tourism, which business may fluctuate and be seasonal; (iv) increases in energy costs and other expenses of travel, which may deter travelers; and (v) adverse effects of general and local economic conditions. These factors could adversely affect a Fund's ability to generate revenues and make distributions to its Investors.

*Operating Costs, Capital Expenditures and Required Renovations.* Hotels in general require ongoing renovations and other capital improvements, including periodic replacement or refurbishment of furniture, fixtures and equipment. If capital expenditures exceed a Fund's expectations, there can be no assurance that sufficient sources of financing will be available to fund such expenditures. The additional cost of such expenditures could have an adverse effect on cash available for distribution. In addition, a Fund may acquire hotels in the future that require significant renovation. Renovation of hotels involves certain risks, including the possibility of environmental problems, construction cost overruns and delays, uncertainties as to market demand or deterioration in market demand after commencement of renovation and the emergence of unanticipated competition from other hotels.



*Operating Hotels Under Franchise Agreements.* Hotels in which a Fund invests may be operated pursuant to franchise agreements. The continuation of such franchise agreements is subject to specified operating standards and other terms and conditions. Franchisers typically inspect licensed properties periodically to confirm adherence to operating standards. Action or inaction on the part of a Fund or any sub-partnership could result in a breach of such standards or other terms and conditions of such franchise agreements and could result in the loss or cancellation of a franchise license. It is possible that a franchiser could condition the continuation of a franchise license on the completion of capital improvements that a Fund determines are too expensive or otherwise unwarranted in light of general economic conditions or the operating results or prospects of the affected hotel. In that event, the Fund may elect to allow the franchise license to lapse. In any case, if a franchise is terminated, the Fund may seek to obtain a suitable replacement franchise or to operate the hotel independent of a franchise license. The loss of a franchise license could have a material adverse effect upon the operations, or the underlying value of the hotel covered by the franchise because of the loss of associated name recognition, marketing support and centralized reservation systems provided by the franchiser.

*Industry Seasonality.* The hotel industry is seasonal in nature. Generally, hotel revenues for business hotels are greater in the second and third quarters of a calendar year, although this may not be true for hotels in major tourist destinations. Revenue for hotels in tourist areas generally is substantially greater during the tourist season than other times of the year. Seasonal variations in revenue may cause quarterly fluctuations in a Fund's revenue from such assets.

#### 4. Investments in Mezzanine Debt and Preferred Equity

Investing in mezzanine loans may result in a greater interest rate and higher fees than first-priority investments, but subordinated debt investments such as mezzanine loans involve additional credit risks over senior-secured investments and will be subject to the rights of senior creditors. Upon execution, a mezzanine loan may be fully secured by the collateral of the borrower but may be non-recourse to the borrower. These loans may not be secured by a mortgage but may instead be secured by partnership interests or other collateral that may provide weaker rights than a mortgage. Yet, issuer's underperformance, market fluctuations, declining prices or an economic downturn may decrease the value of the collateral thereby exposing the mezzanine loan to the risk of being under-collateralized and a Fund's source of repayment will be limited to the value of the collateral. If the value of the borrower's collateral decreases, the available collateral may only be sufficient to cover more senior liens.

A Fund may also structure its investments as preferred equity instruments. Preferred equity will be generally subordinate to debt and will not be secured as is the case with investments in debt instruments. This subordination could increase a Fund's risk of loss.

#### 5. Investments in Development and Construction Projects

Risks associated with development and construction activities may include: (i) abandonment of opportunities; (ii) construction costs of a property exceeding original estimates, possibly making the property uneconomical; (iii) occupancy rates and rents at a newly completed property may not be sufficient to make the property profitable; (iv) financing may not be available on favorable terms for development of a property; and (v) construction and lease-up may not be completed on schedule, resulting in increased debt service expense and construction costs. In addition, new development activities, regardless of whether they would ultimately be successful, typically require a substantial portion of management's time and attention. Development activities would also be subject to risks relating to the inability to obtain, or delays in obtaining, all necessary zoning, land-use, building, occupancy, and other required governmental permits and authorizations.

### ***Competition for Investment Opportunities***

A Fund may be competing for investment opportunities with entities that have greater financial and other resources than the Fund. Those entities may be able to accept more risk than the Fund can prudently manage. Competition generally may reduce the number of suitable investment opportunities available to the Funds and increase the bargaining power of property owners seeking to sell. No assurance can be given that such competition will not adversely affect the Funds' ability to make investments and generate revenues.

### ***Illiquidity of Real Estate***

A Fund's investments will be relatively illiquid, limiting its ability to sell such investments quickly in response to changes in economic or other conditions. These restrictions on a Fund's ability to sell investments could have an adverse effect on its financial position, results from operations, cash flows, ability to satisfy its debt service obligations and repay indebtedness and ability to pay distributions.

### ***Regulation***

#### **1. Environmental Matters**

Under various foreign, federal, state and local environmental laws and regulations, a current or previous owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances or wastes, petroleum products or other pollutants or regulated materials, or threatened releases of such materials, at such property (collectively, the "Contamination") and may be held liable to a government entity or to third parties for property damage, natural resource damage and for investigation, clean up or monitoring (collectively "Response") costs incurred by such parties in connection with the Contamination. Such laws typically impose clean up responsibility and liability without regard to fault, or whether or not the owner knew of or caused the presence of the Contamination. The liability under such laws may be joint and several for the full amount of the Response costs incurred or to be incurred or Response actions undertaken or to be undertaken, although a party held jointly and severally liable may be able to obtain contributions from other identified, solvent, responsible parties for their fair share towards these costs. An owner-operator may also be held liable to third parties for personal injury or exposure related to any Contamination. The Response costs may be substantial and can exceed the value of the property. In connection with its ownership and operation of the properties, a Fund may be liable for such costs. The presence of Contamination, or the failure to properly remediate Contamination on such property may adversely affect the owner's ability to sell or rent such property or to borrow using such property as collateral.

Federal regulations require building owners and those exercising control over a building's management to identify and warn, via signs and labels, of potential hazards posed by workplace exposure to installed asbestos-containing materials ("ACM") and potentially asbestos-containing materials ("PACM") in their buildings. The regulations also set forth employee training, record keeping and due diligence requirements pertaining to ACM and PACM. Significant fines can be assessed for violation of these regulations. Building owners and those exercising control over a building's management may be subject to an increased risk of personal injury lawsuits by workers and others exposed to ACM as a result of the new regulations. The regulations may affect the value of a building containing ACM or PACM in which a Fund has invested. Certain federal, state and local laws and regulations also govern the removal, encapsulation, disturbance, handling and/or disposal of ACM when such materials are in poor condition or in the event of construction, remodeling, renovation or demolition of a building containing these materials. Such laws provide for liability for improper handling or a release to the environment of ACM and for fines to, and for third parties to seek recovery from, owners or operators of real properties for personal injury or improper exposure or notices associated with ACM.

In addition, recent studies have linked radon, a naturally occurring substance, to an increased risk of lung cancer. While there are currently no state or federal requirements regarding the monitoring for, presence of, or exposure to, radon in indoor air, the United States Environmental Protection Agency (“EPA”) and the Surgeon General recommend testing residential and other buildings for the presence of radon in indoor air, and the EPA further recommends that concentrations of radon in indoor air be limited to less than 4 picocuries per liter of air (the “Recommended Action Level”). The presence of radon in concentrations equal to or greater than the Recommended Action Level in a property may adversely affect a Fund’s ability to lease space at such property and the market value of such property and may subject a Fund to liability and defense costs for personal injuries claimed by any users of the Fund’s buildings.

Federal legislation requires owners and landlords of residential housing constructed prior to 1978 to disclose to potential tenants or purchasers, and to real estate brokers, any known presence of lead paint and lead paint hazards and allows for treble damages, fines and attorneys’ fees for failure to so notify. In addition, a Fund could be held liable under state laws for any injuries caused by ingestion of lead-based paint, or of dust or particles from lead-based paint, by children or others living at, or using the properties.

Under some state laws, the liability is without regard to fault, and may also require a Fund to remediate soil and groundwater contaminated with lead in and around the subject housing. Mold is a fungus that may grow within buildings if sufficient moisture is present, for instance as a result of leaking roofs, burst pipes, flooding or poor insulation in bathrooms. Mold is allergenic to certain people and also is capable of producing toxins that can be harmful to people. Mold also can injure other living things and can damage property. It is customary practice to promptly remediate water damage, which can result in mold, and any damage from mold growth, to prevent personal injury and property damage, and unsafe living conditions. If mold grows in a property that a Fund owns or operates, the Fund may be liable for any personal injury and property damage that results. Under state or local laws pertaining to health, housing, building standards and consumer protection, a Fund may be required to remediate mold and may be fined due to the presence of mold in a building, its tenants may be evicted, it may be liable for rent during the period when mold was present in the building, it may not be entitled to rent when mold is present and the building may be condemned and/or razed. Mold remediation may be difficult and expensive. It is difficult and expensive to obtain insurance to protect against liability, remediation costs or other damages pertaining to mold, and there may be no insurance coverage under existing policies. State and federal legislation pertaining to mold, including its remediation and disclosure, may be enacted in the next few years, and it is unknown what economic impact such legislation could have on building owners and operators.

If appropriate, prior to closing any property acquisition, the Firm will obtain such environmental assessments as may be prudent in order to attempt to identify potential environmental concerns at such properties. Except as otherwise may be appropriate, these assessments generally will be carried out in accordance with accepted industry practices and may include a physical site inspection, a review of relevant foreign, federal, state and local environmental and health agency database records, one or more interviews with appropriate site-related personnel, and review of other appropriate documentation. A Fund also may conduct limited subsurface investigations, and it also may test for radon, asbestos, lead-based paint or other potential contaminants where the results of the first phase of the environmental assessment or other information indicates possible contamination or where such procedures are recommended by a Fund’s consultants. These assessments and investigations may not include or identify all potential environmental liabilities or risks. Moreover, applicable environmental laws and regulations may change in the future, resulting in new or additional potential liabilities.

## 2. Americans with Disabilities Act

A Fund’s investments will be required to comply with Title III of the Americans With Disabilities Act (the “ADA”) to the extent that such properties are “public accommodations” and/or “commercial facilities” as

defined by the ADA. Compliance with the ADA requirements could require removal of structural barriers to handicapped access in certain public or common areas of properties. The ADA generally does not consider private residential portions of residential properties to be public accommodations or commercial facilities. To the extent that portions of residential properties such as a leasing office, lobby or common area are open to the public, compliance with the ADA is required in those portions. Non-compliance could result in imposition of fines or an award of damages to private litigants. If, under the ADA, one or more of a Fund's investments require substantial alterations and capital expenditures, including the removal of access barriers, it could adversely affect a Fund's financial condition and results of operations, as well as the amount of cash available for distribution.

### 3. The Fair Housing Amendment Act of 1988

The Fair Housing Amendments Act of 1988 (the "FHAA") requires apartment communities first occupied after March 13, 1990, to be accessible to the handicapped. Non-compliance with the FHAA could result in the imposition of fines or an award of damages to private litigants.

### 4. General Regulations

If at any time any property is not in compliance with material provisions of federal, state or local regulations affecting such property, a Fund might be required to take remedial action, which could include making modifications or renovations to such property. Federal, state and local governments may also enact future laws and regulations that could require a Fund to make significant modifications or renovations to such property. If a Fund were to incur substantial costs to comply with any regulation, the Fund's financial condition, results of operations, cash flows and ability to satisfy its debt service obligations and make distributions could be adversely affected.

A Fund's properties are subject to land use rules and regulations that govern the Fund's development, redevelopment and use of its properties. In particular, development and redevelopment projects may be subject to certain zoning and entitlement approvals from governmental agencies such as local zoning boards and planning boards, sewer authorities, and sometimes county, regional/state and/or federal governmental units. Apartment and single-family residential communities are often subject to various laws, ordinances and regulations, including regulations relating to recreational facilities such as swimming pools, activity centers and other common areas. Golf courses are subject to many ADA requirements and to regulations relating to the use and disposal of pesticides, herbicides, fertilizers and petroleum products. Restrictions on a Fund's ability to develop, redevelop or use such properties resulting from changes in the existing land use rules and regulations could have an adverse effect on its financial position, results from operations, cash flows, ability to satisfy its debt service obligations and repay indebtedness, and ability to pay distributions.

### ***Eminent Domain***

Municipalities and other government subdivisions may, in certain circumstances, seek to acquire certain assets of a Fund through eminent domain proceedings. While the Funds may seek to contest these proceedings which may be costly and may divert the attention of management from the operation of the Funds, there can be no assurance that a municipality or other government subdivision will not succeed in acquiring assets of a Fund. In such event, there is a risk that a Fund will not receive adequate compensation for the assets acquired, or that the Fund will not be able to recover all charges associated with divesting these assets.

### ***Cybersecurity Issues***

Cortem, the Funds, service providers, and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. Cortem has taken steps to evaluate and mitigate cybersecurity risks, but there can be no assurance that such steps and any policies

or practices will adequately address or prevent all types of cybersecurity risks. Such systems are subject to a number of different threats or risks that could adversely affect the Funds and their Investors. For example, unauthorized third parties may improperly attempt to access, modify, disrupt the operations of, or prevent access to Corten's systems. Third parties may also fraudulently attempt to induce employees or investors to disclose sensitive information in order to gain access to Corten's data or that of the Investors. A successful penetration or circumvention of the security of Corten's systems could result in the loss or theft of an Investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system, or costs associated with system repairs. Such incidents could cause Corten or the Funds to incur regulatory penalties, reputational damage, additional compliance costs or financial loss.

### ***Financing***

The acquisition and development of the investments may be financed in substantial part by borrowing, which increases the exposure to loss. The use of leverage involves a high degree of financial risk and may increase the exposure of a Fund or its investments to factors such as rising interest rates, downturns in the economy or deterioration in the condition of the collateral underlying such investments. The use of leverage will increase the amount of funds available to a Fund for investment but will also increase the risk of loss. The investments may be unsecured and subordinated to substantial amounts of senior indebtedness. The investments may not be protected by financial covenants or limitations upon additional indebtedness. Market fluctuations may significantly decrease the availability of and increase the cost of leverage. Principal and interest payments on indebtedness (including mortgages having "balloon" payments) will have to be made regardless of the sufficiency of cash flow from the investments. Mortgages requiring "balloon" payments may involve greater risks than mortgages in which the principal amount is fully amortized over the term of the loan, for the ability to repay the outstanding principal amount of a "balloon" loan may be dependent upon the ability to obtain adequate replacement financing, which will, in turn, be dependent upon interest rates and lenders' policies at the time of refinancing, economic conditions in general and the value of the underlying investments in particular. There is no assurance that replacement financing will be available to make "balloon" payments or that any replacement financing available will be on favorable terms. Lenders or other holders of senior positions would be entitled to a preferred cash flow prior to a Fund receiving a return. Since a Fund may engage in portfolio level financing, several investments may be cross-collateralized and subject to increased risk of loss. In addition, recourse debt may be incurred and may subject the investments of a Fund to additional risk of loss. A Fund's investment may be impaired by a smaller decline in the value of the investments than is the case in which investments are owned with a proportionately smaller amount of debt. Depending on the level of leverage and decline in value, if mortgage payments are not made when due, one or more of the investments may be lost (and a Fund's investment therein rendered valueless) as a result of foreclosure by the mortgagee(s). A foreclosure may also have substantial adverse tax consequences for Investors. Tax-exempt investors should note that the use of leverage by a Fund may create UBTI.

### ***Guarantees***

A Fund may be required to enter into guarantees of investment-level obligations or indemnities related to the investment with third parties. These guarantees and indemnities may provide for joint and several liability between the Fund and any parallel vehicle. If they do, it is possible that the Fund and any parallel fund would be required to pay amounts under these agreements that exceed their respective pro rata share (based on relative amounts invested) of the obligation or even the full amount of the obligation. To address this possibility, if they enter into joint and several guarantees or indemnities, a Fund and any parallel fund will enter into a cross-indemnity agreement between or among themselves pursuant to which each will indemnify the others to the extent one of them pays more than its pro rata share of any such obligations. However, there still would be a risk that a Fund and any parallel fund may be ultimately responsible for more than its pro rata share of any joint and several obligation.

### ***Hedging***

A Fund may utilize financial instruments such as forward contracts, options, swaps, caps, collars, floors, and other derivatives to seek to hedge against fluctuations in the relative values of its assets as a result of changes in the currency exchange rates, market interest rates and public security prices. While these transactions may reduce certain risks, the transactions themselves entail certain other risks. Hedging against a decline in the value of an investment does not eliminate fluctuations in the value of such investment or prevent losses if the value of such investment declines, but instead establishes other positions designed to gain from those same developments, thus offsetting the decline in such investment's value. These types of hedge transactions also limit the opportunity for gain if the value of such investment should increase.

The success of hedging transactions will be subject to the ability to correctly predict movements in and the direction of currency exchange rates, interest rates and public security prices. Therefore, while a Fund may enter into hedging transactions to seek to reduce these risks, unanticipated changes in currency exchange rates, interest rates or public security prices may result in a poorer overall performance for the Fund than if it had not engaged in any hedging transaction. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements of the investments being hedged may vary. Moreover, for a variety of reasons, a Fund may not have established a perfect correlation between hedging instruments and the investments being hedged. This imperfect correlation may prevent the Fund from achieving the intended hedge or expose it to risk of loss.

### ***Limitations on Obligations to Provide Capital***

If investments require capital in excess of required capital contributions to the particular asset, there may be no obligation to provide such funds (by loan or otherwise) even if the funds are needed to pay operating deficits, to meet cash requirements, to prevent foreclosure of a mortgage encumbering one or more properties, or for any other purpose. The cash available to an investment may be inadequate to meet its requirements. In that event, the investment could be lost as a result of a mortgage foreclosure, which likely would result in the loss of part or all of a Fund's investment and adverse tax and other consequences to the Investors.

### ***Loans Relating to New Construction Face a Variety of Risks***

Loans in construction situations may involve a higher degree of risk than other lending, to the extent that repayment is dependent upon successful completion of the project, or as a result of the lack of an operating history on the project upon which to base a loan's underwriting and difficulties in estimating construction costs and timing.

### ***Expedited Transactions***

Investment analyses and decisions by the Firm may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the Firm at the time of an investment decision may be limited and the Firm may not have access to detailed information regarding the investment. Therefore, no assurance can be made that the Firm will have knowledge of all circumstances that may materially and adversely affect an investment.

### ***Risk of Unsuccessful Exit Strategies***

Corten may cause a Fund to opportunistically sell, publicly list, distribute, or otherwise dispose of investments at any time. It is not possible to predict whether any particular exit strategy will be advantageous or available at the appropriate time. If a Fund fails to execute an exit strategy successfully prior to the liquidation of the Fund, the Fund may be forced to liquidate its assets on terms less favorable than anticipated, and the proceeds from these investments and the remaining investments may be materially and adversely affected and may be less than if such exit strategy had been executed successfully.

### ***A Fund May Hold Investments at the Date of the Termination of the Fund***

A Fund may invest in investments with maturity dates later than the date which the Fund will be dissolved, either by expiration of the Fund's term or otherwise. Although Corten expects that investments will either be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, a Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. In addition, a Fund may participate in a limited number of investments and, as a consequence, the aggregate return of the Fund may be materially and adversely affected by the unfavorable performance of a single investment.

### ***Investments Held by the Fund May Not be Diversified Across Markets and Product Types***

Lack of diversification across the portfolio may increase a Fund's exposure to adverse real estate or capital market conditions in a given region, property or product type.

### ***Potential Losses May Not be Covered by Insurance***

Each Fund intends to maintain insurance on its properties, including liability and fire and extended coverage, in amounts sufficient to permit the replacement of the asset in the event of a total loss, subject to applicable deductibles. Each Fund will endeavor to obtain coverage of the type and in the amount customarily obtained by owners of similar assets. There are certain types of losses, however, generally of a catastrophic nature, including, without limitation, earthquakes, floods, hurricanes, and acts of war or terrorism that may be uninsurable or not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations, and other factors may also make it infeasible to use insurance proceeds received by a Fund or the amount of insurance proceeds might not be adequate to restore the economic position of a Fund with respect to its investment in its affected properties. In addition, it may not be possible for a Fund to obtain all of the desired insurance coverage or to obtain such coverage at commercially reasonable rates. If a disaster that a Fund has not insured against occurs, the Fund could lose both its original investment and any future profits from its affected properties.

### ***Limited Number of Investments***

A Fund may participate in a limited number of investments and, as a consequence, the aggregate return of the Fund may be materially and adversely affected by the unfavorable performance of a single investment.

### ***Litigation***

In the ordinary course of its business, a Fund may be subject to litigation from time to time both as a plaintiff and as a defendant. Such litigation can arise as a result of issuer default, issuer bankruptcies, board participation and/or other reasons. In certain cases, issuers may bring claims and/or counterclaims against a Fund, its general partner, Corten and/or their respective principals and affiliates alleging violations of securities laws and other typical issuer claims and counterclaims seeking significant damages. The expense of defending against claims made against such entities by third parties and paying any amounts pursuant to settlements or judgments would be borne by a Fund to the extent that (a) the Fund has not been able to protect itself through indemnification or other rights against the investment entity, (b) the Fund is not entitled to such protections or (c) the investment entity is not solvent.

Litigation may also be commenced with respect to a property acquired by a Fund or its subsidiaries in relation to activities that took place prior to the Fund's acquisition of such property. In addition, at the time of disposition of an individual property, a potential buyer may claim that it should have been afforded the opportunity to purchase the asset or alternatively that such buyer should be awarded due diligence expenses incurred or statutory damages for misrepresentation relating to disclosures made, if such buyer is passed over in favor of another as part of a Fund's efforts to maximize sale proceeds. Similarly, successful buyers may later sue a Fund under various damage theories, including those sounding in tort, for losses associated with latent defects or other problems not uncovered in due diligence. The Fund may also be exposed to litigation resulting from the activities of tenants or their customers.

### ***Pandemics and Geopolitical Issues***

A public health crisis (such as the COVID-19 pandemic), geopolitical developments (such as the war in Ukraine, other wars, global superpower competition, sanctions, cyberattacks, embargoes and nationalization of assets), and other financial market disruptions (such as inflation, a rising interest rate environment or instability in the banking sector), can have unpredictable and adverse impacts on global, national and local economies, which can in turn negatively impact a Fund and its investment performance. Disruptions to commercial activity (such as the imposition of quarantines, shipping, flight or export bans, or other restrictions) or, more generally, a failure to contain or effectively manage any such crisis, may adversely impact the businesses of a Fund's portfolio companies. In addition, such disruptions can negatively impact the ability of the Adviser's personnel to effectively identify, monitor, operate and dispose of investments. Finally, such events may contribute to extreme volatility in financial markets. Such volatility could adversely affect the Adviser's ability to raise capital for a Fund, find financing for a Fund's portfolio companies or identify potential purchasers of a Fund's investments, all of which could have a material and adverse impact on a Fund's performance. The impact of any such crisis (or any such future event) is difficult to predict and presents material uncertainty and risk with respect to a Fund's performance.

### ***Market Volatility***

Volatile market conditions at various times have had a dramatic effect on real estate investing. In addition, terrorist attacks and other acts of violence or war may affect the operations and profitability of the Fund's physical facilities or the businesses of the Fund's tenants. Furthermore, certain losses resulting from these types of events are uninsurable. Such events could cause consumer confidence and spending to decrease or result in increased volatility in the United States and worldwide financial markets and economy. They also could result in a continuation of the current economic uncertainty in the United States and abroad. Any of these occurrences could have a significant impact on a Fund's operating results and revenues.

### ***Terrorist Attacks***

Terrorist attacks may materially adversely affect a Fund's operations. There can be no assurance that there will be no further terrorist attacks against the United States. These attacks may directly impact a Fund's physical facilities or the businesses of the Fund's tenants, including catastrophic events that would severely diminish the value of one or more of the Fund's investments. Some tenants may choose to relocate their businesses to other markets or to lower-profile office buildings within their current markets that may be perceived to be less likely targets of future terrorist activity. This could result in an overall decrease in the demand for office space in such markets generally or in a Fund's assets in particular, which could increase vacancies or necessitate that properties be leased on less favorable terms or both. In addition, future terrorist attacks could directly or indirectly damage a Fund's assets, both physically and financially, or cause losses that materially exceed insurance coverage. In addition, certain losses resulting from terrorist attacks may be uninsurable. As a result of the foregoing, a Fund's ability to generate revenues and the value of its assets could decline materially.

### **Potential Conflicts of Interest**

#### **1. Confidentiality Agreements.**

In the course of sourcing investments, Corten and the Funds will be required to enter into confidentiality agreements with third party firms that may prohibit the Funds from publicly disclosing sensitive information relating to the third-party firm, their investments and the portfolio companies. These arrangements could either restrict the information that the Funds are permitted to share with their Investors or could possibly result in liabilities for the Funds where an investor that is required or compelled to publicly release information regarding its investments, such as pursuant to the U.S. Freedom of Information Act ("FOIA") or other similar state or local laws, publicly discloses such information in response to an information request or otherwise. Corten may choose, but is not required, to decline such investment



opportunities in order to avoid the risk of exposing the Funds to these categories of liability. As a result, the Funds' investment flexibility may be constrained, which may adversely impact the aggregate returns realized by the Funds.

2. Time Commitment.

Senior management will dedicate the time it believes is necessary to manage the Funds but will spend some portion of their time on matters other than, or only tangentially related to, the Fund's business, including time spent on [charitable and public policy activities as well as service on the boards of directors of for-profit businesses]. Conflicts of interest can arise in allocating management time, services or other resources among the Funds and/or other investments and projects.

3. In-Kind Distributions.

If "in-kind" distributions are made to a Fund's investors of property other than cash, the amount of any such distribution will be accounted for at the fair market value of such property, as determined in accordance with procedures specified in the applicable Fund Governing Documents. An independent appraisal generally will not be required and is not expected to be obtained.

4. Broken Deal Expenses

Co-investors in one or more specific investments will not necessarily be required to share in the broken deal expenses, either with respect to a co-investment opportunity that is not consummated or with respect to other potential investments that may be offered to the Funds. This includes co-investors with whom Corten has pre-existing relationships, as well as co-investors that have participated in other completed transactions. Such co-investors participate in and benefit from the general sourcing of transactions by the Fund and Corten. However, to the extent that an investment sought by the Funds includes co-investors that have committed to underwrite the investment, such investors will bear their pro rata share of the expenses and in return will have a priority in the co-investment waterfall that supersedes any other arrangement described in the applicable Fund Governing Documents.

5. Tax Matters.

The Investors in the Funds may include both taxable and tax-exempt entities, as well as persons or entities that are organized in various jurisdictions and that otherwise may have conflicting investment, tax or other interests. The investors may have conflicting investment, tax and other interests with respect to their investments in the Funds. As a consequence, conflicts of interest will arise in connection with the decisions made by Corten, including with respect to the nature or structuring of investments that may be more beneficial for one Investor than for another Investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for a Fund, Corten will consider the investment and tax objectives of the Fund and its investors as a whole, not the investment, tax or other objectives of any investor individually.

6. Side Letters

As noted in Item 5 above, in connection with or as a condition to an investor's agreement to invest in a Fund, the Fund or its general partner may from time to time enter into a "side letter" or similar agreement with an institutional or other investor pursuant to which the Fund or its general partner grants the investor specific rights, benefits or privileges that are not generally made available to all investors. Such rights, benefits or privileges include waivers or discounts on management fees and/or carried interest, "most favored nation" clauses, preferential access to co-investment opportunities, the right to be excused from participating in certain investments made by a Fund, notice rights upon the occurrence of certain events, seats on a Fund's limited partner advisory committee, specialized or additional reporting rights, rights related to tax treatment, rights related to regulatory matters, rights related to immunities or indemnification, rights related to the ability of the investor to transfer its interest in the Fund, additional representations and warranties from the Fund, its general partner and/or Corten, modifications to the subscription agreement

and other benefits. While the ability of a Fund or its general partner to enter into a side letter or similar agreement affording preferential rights to certain investors is generally disclosed to other investors in the Fund, the terms of such “side letters” or similar agreements are generally not disclosed to other investors in the Fund, except to investors that have separately negotiated for the right to review such agreements.

7. Recall of Capital

Corten has the right to recall certain distributed amounts, including invested capital returned within 24 months of the initial call date and capital required to satisfy indemnification obligations that exceed available assets, in accordance with Fund Governing Documents. Accordingly, during the term of a Fund, an investor may be required to make capital contributions in excess of its commitment. Any such reinvestment would limit early distributions to investors, and to the extent such recalled or retained amounts are reinvested, an investor will remain subject to the investment and other risks associated with such investments. As a result, reinvestment could increase the risk of investing in a Fund. Additional investments resulting from recycling have the potential to increase investment returns to investors (and reduce the effective burden of management fees assessed on the basis of commitments during a Fund’s commitment period) to the extent such investments are profitable. However, there can be no assurance that any such investment will have a positive return. Further, any such additional investments will have the effect of increasing the management fee borne by investors following the investment period, and as a result Corten may face a conflict of interest with respect to such additional investments insofar as it is incited to deploy recycled capital in additional investments when it might not otherwise have done so.

8. Cross Fund Investing

Potential conflicts will arise if a Fund makes an investment in a property in which other Funds have invested. Decisions relating to actions to be taken may create conflicts of interest between holders of different types of securities in the same portfolio as to what actions the property should take. A conflict may also arise in allocating an investment opportunity if the potential investment could be made by more than one of Corten’s Funds. Corten is generally authorized to resolve such conflicts on a case-by-case basis in its good faith discretion, taking into account the interests of all of the Funds and also raising potential conflicts of interest with Investors and Advisory Boards as outlined in Fund Governing Documents. There can be no assurance that any such conflict will be resolved in favor of any particular Fund.

No guarantee or representation can be made that a Fund will achieve its investment objective or that investors will receive a return of their capital. All investing involves a risk of loss and the investment strategies pursued by the Funds could lose money over short or even long periods. Prospective and existing investors are advised to review the offering materials and other constituent documents for full details on each applicable Fund’s investment, operational and other actual and potential risks.

## **Item 9 – Disciplinary Information**

Neither Corten, nor any of its Partners, Investment Team members or supervised persons, have any disciplinary history to report.

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

Corten has no financial industry affiliates that are subject to relevant federal or state regulation, but it does maintain affiliations through common ownership that may provide services to Corten and/or underlying portfolio assets. Specifically, Corten has the right, but not the obligation, to engage BPG's construction (BPGS Construction), hospitality (PM Hotel Group), multifamily (Reside BPG) and/or office (BPG 360) affiliates for such services, and any engagement is executed at a pre-determined preferred rate.

Specific affiliates that would qualify under this arrangement include the following:

- BPG Real Estate Services LLC (a/k/a BPG|360) – commercial property management
- BPG Residential Services LLC – residential property management
- BPGS construction LLC – construction management
- Virtus Realty Advisors of Delaware LLC – commercial leasing
- Virtus Realty Advisors of Pennsylvania LLC – commercial leasing
- Diamond State Title LLC – Delaware title insurance
- Air Management and Design LLC – HVAC consulting
- Uphill Restaurant LLC – food and beverage services and operations
- Brandywine Protective Services LLC – security
- Pollin/Miller Hospitality Strategies, Inc.

### **Conflicts with Affiliates**

Affiliates of the Firm, including but not limited to affiliated general partners and Funds, and other BPG entities may be engaged in a variety of real estate development, management and investment activities in geographic areas or property types where the Funds may also invest. These activities of affiliates occur in the ordinary course of their respective businesses but may conflict with the interests of the Funds. In addition, members of the Firm's management team may be required to manage the activities of these affiliates, which may include significant involvement with those affiliates' existing projects. Members of the Firm's management team, on behalf of the Funds and in other capacities with affiliates, will have discretion in determining which investments will be made by affiliates and which may be offered or sold to the Funds. Accordingly, members of the Firm's management team may be influenced to refrain from certain investments even though participation might benefit the Funds. To help mitigate these risks, the Funds managed by Corten typically contain exclusivity clauses within the Funds' Offering Documents.

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

### **Summary of Code of Ethics and Personal Trading**

Corten maintains and enforces a Code of Ethics (the “Code”) as required by Section 204A-1 of the Investment Advisers Act of 1940, as amended (“Advisers Act”). The purpose of the Code is to ensure honest and ethical behavior by all supervised persons within Corten.

The Code applies to all “supervised persons,” which include all of Corten’s officers and employees who provide investment advice on behalf of Corten. Upon employment or affiliation and at least annually thereafter, all supervised persons sign an acknowledgement that they have read, understand and agree to comply with the Code. Corten has the responsibility to ensure that the interests of all clients are placed ahead of Corten and its supervised persons’ own investment interests. The Code is available upon request, and you may obtain a copy by emailing [info@cortenrealestate.com](mailto:info@cortenrealestate.com).

With certain limited exceptions, Corten and its supervised persons are prohibited from buying or selling Real Estate Investment Trusts (REITs) for their personal accounts without the express permission of the CCO and senior management. In addition, supervised persons must obtain written pre-clearance from the firm’s CCO for all transactions involving initial public offerings and private placements. Such requests will be denied by the CCO where there exists a conflict of interest that cannot be mitigated or promptly disclosed.

While supervised persons may at times be invested in the same securities as a client, the Code requires that all personal trading be conducted in a manner consistent with the firm’s fiduciary obligations to its Clients. In an effort to mitigate potential conflicts of interest, Corten maintains policies and procedures that seek to prevent supervised persons from benefiting from transactions placed on behalf of a Client.

The Code outlines the safeguards in place to monitor the personal security holdings of supervised persons. The firm maintains records of all personal securities transactions of all Corten supervised persons for “reportable securities.” Ownership of securities by a supervised person’s household family member is presumed be to be ownership by the supervised person.

Corten’s insider trading policies prohibit the firm and its personnel from trading, or recommending trading, for clients or themselves, in securities of an issuer while in possession of material, non-public information about the issuer, and from disclosing any such information to any person not entitled to receive it.

Corten is not required to devote its full time or any material portion of time to any particular investment activity it is currently involved in and may in the future become involved in other business ventures, including other investment strategies and funds whose investment objectives, strategies and policies are the same or similar. These other ventures will compete for the firm’s time and attention and might create additional conflicts of interest, as described below.

Without the prior approval of the CCO, supervised persons of Corten are prohibited from engaging in outside business activities with public or private corporations, partnerships, not-for-profit institutions, and other entities, and from participating in an investment club. All such activity, if approved, shall be conducted outside of Corten premises and working hours and not conflict with an employee’s overall employment responsibilities or productivity. Approved participation in an investment club would be conducted in compliance with the personal trading restrictions described in the Code. The activities

described above may create potential conflicts of interest to the firm, for example, if an employee becomes subject to material non-public information through the outside business activity. Corten has implemented policies in an effort mitigate any such potential conflicts.

#### **Other Conflicts of Interest**

Corten may have an incentive to favor one or more of its Funds with regard to the allocation of investment opportunities. The Firm will act in a fair and reasonable manner in allocating suitable investment opportunities among Funds; however, no assurance can be given that (i) a Fund participates in all investment opportunities in which other Funds participate, (ii) particular investment opportunities allocated to Funds will not outperform investment opportunities allocated to other Funds, or (iii) equality of treatment between all Funds will otherwise be assured.

## **Item 12 – Brokerage Practices**

The purchase and sale of hard real estate assets are effectuated without the participation of financial brokers or dealers. It is not anticipated that Corten will invest in brokered securities as part of its Fund strategies.

Corten does not currently, nor does the Firm anticipate, that it will in the future acquire any products or services with client brokerage commissions. Nor does it anticipate that it will in the future direct Client transactions to a broker-dealer. Corten does not currently participate in any relationships involving brokerage for Client referrals nor participate in any directed brokerage programs.

### **Item 13 – Review of Accounts**

Corten's Investment Team monitors the Funds on a regular basis. Specifically, the Investment Team is engaged in ongoing, active dialogue with property management companies, joint venture operating partners and other private real estate/equity fund managers regarding performance plans, capital expenditure programs, asset level financing, staffing, environmental and marketing issues throughout the life of each investment. The Firm's investment process and portfolio monitoring may be summarized as outlined below.

Investors in the Funds receive written quarterly and annual reports, as well as notices when investments are made and ultimately realized. A typical report includes (i) portfolio performance; (ii) valuations of the underlying investments; (iii) new investments made since the last report; (iv) balance sheet; (v) income statement; (vi) statement of cash flows; (vii) statement of partner's capital. Client accounts are reviewed by both the Corten Investment Team as well as the Firm's fund administrator on a real-time basis and its auditor on an annual basis.



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

If an investor is introduced to Corten by an unaffiliated solicitor (“Promoter”), the Firm may pay that Promoter a referral fee. Corten currently employs two unaffiliated third parties who are not Clients of the Firm to provide referrals specifically related to institutional investors, their consultants and other qualified purchasers. In consideration for such referrals and activities related thereto, the Firm has agreed to pay the Promoters a one-time or monthly retainer (the “Retainer”) plus a percentage of the capital committed by the relevant investors to the Funds (the “Incentive Payment”), which is in neither case more than 1.5%. The Incentive Payment is contingent upon the investor entering into an advisory agreement with Corten related to one or more Funds and would be made over an agreed upon period of time. Both the Retainer and Incentive Payment are obligations of Corten and may not be charged to the Funds.

The compensation arrangement between Corten and the Promoters creates an incentive for Promoter to refer investors to Corten, resulting in the Promoters being considered providers of an “endorsement” of the Firm’s advisory services. This could be considered a conflict of interest, but is mitigated by the fact that investors are not obligated to invest in a Fund. Further, investors do not pay higher fees as a result of these arrangements; however, comparable services and/or lower fees may be available through other firms. When the investor is introduced to Corten by a Promoter, the Promoter shall disclose the nature of the relationship and provide each prospective investor with detailed disclosure of the compensation arrangement and potential conflicts of interest.

## **Item 15 – Custody**

Corten is deemed to have custody of Fund assets because it has a related person that serves as the general partner or managing member to the Funds it advises. In addition, the Firm has the authority to deduct advisory fees from the Client's account. Therefore, Corten is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule").

With respect to the Funds, Corten satisfies certain obligations of the Custody Rule by complying with the "Pooled Vehicle Annual Audit Exception." Among other things, the Pooled Vehicle Annual Audit Exception requires that the Funds be subject to an audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that the Fund distribute its audited financial statements to all Investors within 120 days of the end of its fiscal year.

In instances where a Fund acquires a security in a private placement, Corten will maintain physical possession of, and safeguard the privately offered securities for its Funds in accordance with the Custody Rule's privately offered securities exception to the qualified custodian requirement. The privately offered security will be recorded on the books of the issuer or transfer agent in the name of the relevant Fund, and it will be transferable only with the prior consent of the issuer or holders of the outstanding securities of the issuer. If the privately offered security is certificated, the private stock certificate will contain a legend disclosing such restriction on transfer.

## **Item 16 – Investment Discretion**

As described in Item 4, certain Fund Offering Documents will grant Corten with discretionary authority to manage securities accounts on behalf of those Funds. With respect to such Funds, Investors will generally not have input as to the investment the Funds hold. Corten manages the Funds in accordance with the stated investment objectives as outlined in the Fund Offering Documents.

Conversely, certain other Fund Governing Documents outline investment guidelines, policies, limitations and restrictions agreed to with the respective Investor(s) at the outset of the advisory relationship, but do not grant Corten discretionary authority to independently manage securities on behalf of the relevant Client. This is generally true of unaffiliated co-investors who make investments in select assets through entities established by the Firm as well as select joint venture agreements.

## **Item 17 – Voting Client Securities**

As described in Item 8 above, the Firm plans to invest in real estate operating assets in the hospitality, multi-family and office sectors. Such investments do not typically include ownership of securities that provide the Firm or any Funds the right to vote as with publicly traded securities.

## **Item 18 – Financial Information**

Corten is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients and has not been the subject of a bankruptcy petition at any time since inception.