

## **Cirrus Real Estate Partners LP**

**555 Madison Avenue  
New York, NY 10022**

**March 2023**

This brochure ("Brochure") provides information about the qualifications and business practices of Cirrus Real Estate Partners LP ("CREP" or the "Firm"). If you have any questions about the contents of this Brochure, please contact us at 212-385-4040 or email Chief Compliance Officer ("CCO") Joseph McDonnell at [jmcdonnell@cirrusrep.com](mailto:jmcdonnell@cirrusrep.com).

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about CREP is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

This brochure was updated from the initial brochure dated October 2022 to reflect an increase in regulatory assets under management.

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#### **Item 4 – Advisory Business**

CREP is a private investment firm founded in 2020 and formed under the laws of the State of Delaware as a limited partnership. CREP is owned by Joseph McDonnell and Anthony Tufariello, as limited partners, and owned and controlled by Cirrus Real Estate Partners GP LLC (“CREP-GP”), as the general partner, which is indirectly wholly owned and controlled by Joseph McDonnell and Anthony Tufariello, each of whom brings a wealth of investment, operational and financial experience to CREP. The Firm primarily provides customized investment advisory services on a nondiscretionary and discretionary basis to investors through pooled investment vehicles (each, a “Fund” or a “Client”, and collectively, the “Funds” or the “Clients”). CREP enters into investment advisory agreements with Clients pursuant to which it offers the right to participate in any real estate credit and equity opportunities sourced by CREP. Generally, those investors CREP recommends and/or that elect to participate in such an opportunity then subscribe to a pooled investment vehicle, formed solely for the purpose of investing in such real estate credit and/or equity opportunity. Subject to the terms of the applicable Partnership Agreement, CREP has full discretion with respect to the management of such special purpose vehicle and the investment, including the manner and timing of exit.

The Firm provides investment advisory services to qualified, sophisticated, and institutional investors interested in real estate credit and equity opportunities. The Firm currently provides real estate investment advice with respect to development, transitional, and special situations real estate exposure through subordinated debt, whole loans, preferred equity, and structured equity interests.

Anthony Tufariello and Joseph McDonnell are Managing Members of entities which indirectly wholly own and control CREP-GP (the “MMs”) and Joseph McDonnell also serves as the CCO of the Firm. Mr. Tufariello and Mr. McDonnell are members of CREP’s investment committee (the “Investment Committee”).

CREP’s investment advisory services to the Client(s) consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments, and achieving dispositions of such investments. CREP’s advisory services to the Client(s) are detailed in the applicable private placement memoranda or other offering documents (each, a “Memorandum”), limited partnership or other operating agreements or governing documents (each a “Partnership Agreement”), and Investment Management/Advisory Agreements (each an “IMA”), which are further described below. Investors in the Client(s) participate in the overall investment program for the applicable Client but may be excused from a particular investment due to legal, regulatory, or other agreed-upon circumstances pursuant to the relevant Partnership Agreement or IMA, as applicable. The Clients (or their related General Partners or similar managing entity (a “General Partner”), as applicable) generally enter into side letters or other agreements (“Side Letters”) with certain investors that have the effect of establishing rights (including economic or other terms) under or altering or supplementing the terms of the relevant Partnership Agreement with respect to such investors. Each of the Clients is managed in accordance with the investment strategy and investment objectives detailed in the relevant Partnership Agreement and Memorandum, as applicable.

This brochure is not an offer to invest in a Client or Clients. Any such offer would only be made through the provisions of a Memorandum, Partnership Agreement, and IMA, as applicable. Information included in this Brochure is intended to provide a useful summary about CREP, but it is qualified in its entirety by information included in any Memorandum, Partnership Agreement, and/or IMA.

CREP does not participate in wrap-fee programs.

As of December 31, 2022, CREP managed \$281,644,000 in Client assets on a discretionary basis. Assets under management are calculated and presented in this Brochure according to the requirements of the Investment Advisers Act of 1940 and may differ from the calculation and presentation of assets for purposes of other disclosures made by CREP, or its Clients.

## **Item 5 – Fees and Compensation**

CREP's Clients (as defined above in Item 4 and further in Item 7 below) are generally qualified purchasers, as defined in section 2(a)(51)(A) of the Investment Company Act of 1940, as amended ("Investment Company Act"). As such, a detailed Client fee schedule is not included in this Brochure. However, most Clients pay some or all of the following fees and expenses.

As the investment adviser to the Clients, CREP will receive a management fee for the prior fiscal quarter subject to a defined minimum amount for each Client. The management fees are generally calculated as a percentage of committed or invested capital at various times during the life or term of the Client, as set forth in the applicable Partnership Agreement for the Client. In addition, in certain circumstances CREP receives compensation for management and other services performed in connection with co-investments made in portfolio companies of the Clients.

A full description of the calculation and terms of the management fees is provided in the relevant Client's Partnership Agreement and Memorandum. Management fees can vary by Client.

It is contemplated that the Clients will pay some or all of the following fees. Clients will generally pay an annual management fee, as specified in the applicable Partnership Agreement and Memorandum. The management fee will be paid out of current income and investment proceeds of the applicable Client and/or, at the discretion of the General Partner of the applicable Client, from drawdowns that will reduce unfunded commitments. The management fee during the investment period is expected to be equal to the sum of (i) 1.00% of aggregate unfunded investor commitments and (ii) 2.00% of the weighted daily average of the management fee base amount (as defined in the applicable Partnership Agreement and Memorandum). After the expiration of the investment period, the management fee will equal 2.00% of the weighted daily average of the management fee base amount.

Clients may use one or more credit facilities in order to make investments, pay management fees, or pay expenses through borrowings in lieu of, or in advance of, capital contributions, as further described in the applicable Partnership Agreement and Memorandum. Any such credit facilities may be secured by the capital commitments of Client investors or by the assets of the applicable Client.

In certain circumstances, CREP may waive or reduce management fees and carried interest for certain Client investors including, but not limited to, for example, employees and directors (current and former) and certain CREP affiliated entities. More detailed information about specific fees and expenses that Clients may pay is provided in the applicable IMA, Partnership Agreement, and/or Memorandum. Any such exemption from fees and/or carried interest may be made by a direct exemption, a rebate by CREP and/or its affiliates, or through other Clients that co-invest with a relevant fee-paying Client. Certain Client expenses may be subject to a management fee offset in accordance with the applicable IMA, Partnership Agreement and Memorandum.

The Clients generally invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the relevant Partnership Agreement and Memorandum, over the term. The relevant Client investors generally are not permitted to withdraw or redeem interests in the Clients.

Principals, directors, and/or other current or former employees of CREP generally receive salaries and other compensation derived from and in certain cases including a portion of the management fee, carried interest, or other compensation received by CREP or its affiliates.

CREP or an affiliate, usually the General Partner of the relevant Client, may also receive performance-based compensation and/or carried interest of up to 20% of profits from relevant Clients, as further described in the relevant Partnership Agreement and Memorandum. Performance based fees and/or carried interest can vary by Client. Please see Item 6 of this Brochure for more information on performance-based compensation and/or carried interest expected to be received from the Clients by CREP or its affiliate(s). With respect to performance-based compensation and/or carried interest that may be payable by certain Clients before the disposition of every investment made by such Client, such fees may be generally subject to a "clawback" depending on the final overall performance of that Client; alternatively, any loss incurred by the Client may be carried forward so that no performance-based compensation and/or carried interest is owed to CREP unless and until losses incurred by such Client during a prior period or periods have been recouped, subject to certain adjustments such as preferred returns for investors.

In addition to the fees described above, certain Clients may pay additional fees and expenses that will be outlined in the applicable Partnership Agreement and Memorandum for the relevant Client. Additional information related to the timing of the fees CREP charges its Clients is provided in the Partnership Agreement and Memorandum, which are also provided to investors in the Clients.

Affiliates of CREP may be engaged in services with respect to the Clients and their investments that would otherwise be performed by third parties. Those services include loan servicing and acting as a project monitor. For investments undergoing restructuring or that have been acquired through foreclosure or otherwise, those services include property management, leasing, development, and construction management. In connection with these activities, affiliates of CREP may receive certain fees, including arranging, brokerage, placement, syndication, solicitation, underwriting, agency, origination, sourcing, structuring, collateral management, advisory, commitment, facility, float, discounts, spreads, commissions, concessions, and other fees received as part of such businesses. Fee charged to Clients from affiliates will not be reviewed by independent third parties for reasonableness, which may be a conflict of interest. To mitigate this conflict of interest, the compensation for such services will be set in accordance with the terms set forth in the applicable Partnership Agreement and Memorandum, which include conflict-mitigating measures such as consent by the advisory board or a majority in interest of the unaffiliated limited partners of such Client, as applicable. Additionally, Clients may acquire loans and/or other credit instruments originated, structured, arranged, and/or placed by affiliated loan-origination and/or servicing businesses or other affiliates of CREP and in respect of which such businesses receive fees. Such fees will typically be borne by the debtors of such loans and/or credit instruments but will be in addition to any management fees or other compensation received by CREP from the Clients.

In addition to the management fee and performance-based compensation and/or carried interest payable to CREP, each Client bears certain expenses. As set forth more fully in the applicable Partnership Agreement and Memorandum of each Client, a Client generally bears all expenses

relating to the Client's activities, investments, and business (to the extent not reimbursed by a portfolio company owned by such Client), including fees, costs, expenses, liabilities, and obligations relating to the Client and/or its activities, business, and/or actual or potential investments. Expenses shared by Clients will be determined by CREP in their good faith discretion and allocated consistent with the policies and procedures of the Firm and the applicable Partnership Agreements of the Clients.

As described in the relevant Partnership Agreement and Memorandum, Clients will generally bear organizational and startup expenses (as further set forth in the relevant Partnership Agreement or IMA), including travel, printing, legal, capital raising, accounting, regulatory compliance (including the initial compliance contemplated by the Alternative Investment Fund Managers Directive or any similar law, rule, or regulation), any administrative or other filings, and other organizational expenses. Clients will also bear expenses of the type described in the preceding sentence to the extent incurred by a placement agent, if any.

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

As described in Item 5 above, certain Clients may pay a management fee and performance-based compensation and/or carried interest, which in certain cases may be subject to, or only in excess of, specified performance thresholds. The existence of performance-based compensation has the potential to create an incentive for CREP to make more speculative investments on behalf of a Client than it would otherwise make in the absence of such arrangement, although CREP generally considers a performance-based compensation to better align its interests with those of its Clients. Certain other Clients pay a management fee only. Managing assets for different Clients with different fee structures, including ones that may allow for the possibility of earning performance-based compensation and/or carried interest at the same time as others that do not, can create a conflict of interest for CREP because such an arrangement creates an incentive to favor accounts for which CREP has the ability to earn performance-based compensation and/or carried interest. Such situations give rise to potential conflicts of interest including the allocation of investment opportunities and transactions among Clients (i.e., cross trades).

Pursuant to the Partnership Agreement and Memorandum for each Client, the General Partner of such Client may be entitled to receive performance-based compensation and/or carried interest with respect to each investor of such Client, which is generally equal to a percentage of such investor's investment profits. The performance-based compensation and/or carried interest may be subject to the satisfaction of a preferred return or hurdle. The performance-based compensation and/or carried interest are expected, generally, to be paid out of proceeds realized from investments of the relevant Clients. Each Client's General Partner is an affiliate of CREP. Each Client's General Partner may waive or modify the performance-based compensation and/or carried interest distributions of any investor in its applicable Client.

A full description of performance-based compensation and/or carried interest distributions is provided in the relevant Client's Partnership Agreement and Memorandum.

## **Item 7 – Types of Clients**

As noted above, CREP provides investment advice directly to its Clients. The Clients may include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act. The investors participating in the Clients may include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing

plans, trusts, estates or charitable organizations, or other corporations or business entities and may include, directly or indirectly, principals or other employees of CREP and its affiliates and members of their families or other service providers retained by CREP.

With limited exception where permitted by applicable law, CREP requires that investors in its Clients be “qualified clients,” as defined in Rule 205-3(d) (1) under the Investment Advisers Act of 1940 (“Advisers Act”), and “qualified purchasers,” as defined in Section 2(a)(51) of the Investment Company Act, as amended.

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

### **Methods of Analysis**

The Firm uses a variety of methods and strategies to make investment decisions and recommendations. CREP employs a dynamic business model that allows it to invest in a comprehensive spectrum of commercial real estate opportunities. The Firm invests in a variety of commercial real estate opportunities on behalf of Clients based on the Clients’ investment objectives and risk appetite as well as market conditions. CREP maintains a multidisciplinary investment team with credit, acquisitions, development, risk management, asset management, origination, underwriting, capital markets, trading, and legal expertise across a broad spectrum of commercial real estate investment opportunities.

CREP’s investment approach generally draws on a number of underlying disciplines and strengths, including the following:

- Complete and experienced origination, underwriting, and closing teams with equity and credit experience sets
- A designated “high touch” asset management team with significant experience in special servicing, loan workouts, and real estate-owned management and disposition
- Significant expertise in distressed debt investment and workout situations
- Significant expertise in proprietary commercial real estate loan structuring and trading across a spectrum of product types and derivatives
- A network of business relationships
- A strong and disciplined credit culture
- A deep and discrete understanding of commercial real estate lending and credit as well as capital markets
- A deep and discrete understanding of the dynamic base factors that affect real estate performance and valuation
- An investment lens honed through the multiple-cycle experience of its senior management team

CREP’s maintenance and monitoring of Client portfolios typically includes dealing with operator, operating partner and borrower requests; preparing documentation; administering reserves agreements, post-closing undertakings, and procedures; conducting site inspections; monitoring loan document covenant compliance; monitoring leasing and lease-up activities; monitoring construction and construction progress; monitoring real estate market and sub-market conditions; and monitoring renewal and assignment to lender of interest rate caps and letters of credit.



### **General Investment Strategies**

Investment strategies used by CREP may include the purchase, sale, structuring, and origination of commercial real estate debt and equity-related investments, including but not limited to transitional whole loans, development whole loans, subordinate mortgage loans, mezzanine loans, bridge loans, preferred equity interests, structured equity interests, and equity interests.

### **Key Risks of Investment Strategies**

Below is a summary of potentially material risks for the investment strategies used by CREP, the methods of analysis used, and/or the particular types of investments that a Client may invest in. The following group of risk factors does not purport to be a complete list or explanation of the risks involved in an investment. Investors should ultimately refer to the applicable governing and offering documentation for detailed risk disclosures that specifically address the risks for each Client's investment strategies, methods of analysis, or types of investments.

All investing involves a risk of loss that investors should be prepared to bear, including the risk that the entire amount invested may be lost. The investment strategies offered by CREP could lose money over short or long periods of time. Identifying undervalued securities and other assets is difficult, and there are no assurances that CREP's investment strategies will succeed. CREP cannot give any guarantee that it will achieve the investment objectives it establishes for a Client or that any Client will receive a return of its investment.

### **No Assurance of Investment Returns and Portfolio Construction**

CREP cannot give Clients assurance that investments will generate returns or that returns will be commensurate with the risks of investing in the type of companies and transactions that fall within such Clients' individual investment objectives. Additionally, except as otherwise set forth in a Client's Partnership Agreement and Memorandum, CREP is not under any obligation to diversify accounts among a wide range of issuers or industries. Each Client may concentrate its portfolio investments by investing all of its assets in only a few issuers, industries, or countries. By investing in a limited number of portfolio investments, the aggregate returns realized by a Client may be substantially affected by the unfavorable performance of a small number of such portfolio investments. Accordingly, returns may be subject to more rapid changes than would be the case if the Client and/or CREP on behalf of its Clients were required to maintain a wide diversification among companies, industries, and types of securities.

### **Investment Focus Adjustments**

Clients may not be restricted in terms of the percentage of their capital that can be invested in a particular industry, geographical region, or type of investment. While a Client's Partnership Agreement and Memorandum contain a description of the types of investments that CREP has historically made and/or information about CREP's expectations with respect to such Client, many factors may contribute to changes in emphasis in the construction of such Client's portfolio, including changes in market or economic conditions and regulation and changes in the political or social situations in particular countries. There can be no assurance that the investment portfolio of any Client will resemble the portfolio of any prior Client.

### **Investments in Real Estate**

All of CREP's investment strategies involve, directly or indirectly, investments in real estate, primarily commercial real estate. Real estate values may be affected by a number of factors, including changes in the general economic climate; local conditions (such as an oversupply of space or a reduction in demand for space); the quality of management; competition based on rental rates; the attractiveness and location of properties; fluctuations in occupancy rates, rent schedules, and

operating expenses; the financial condition of tenants, buyers, and sellers of properties; the quality of property maintenance, insurance, and management services; changes in operating costs; the financial resources of tenants; vacancies; changes in tax, zoning, building, environmental, and other applicable laws; real property tax rates; changes in interest rates; and the availability of mortgage funds. Real estate values may also be affected by such factors as government regulations (including those governing usage, improvements, zoning, and taxes), interest-rate levels, the availability of financing, and potential liability under changing environmental and other laws.

#### Equity Ownership

In certain circumstances, CREP may take an equity position in a property-owning entity, including as a preferred equity investment or upon a foreclosure of a loan, on behalf of Clients. In such a case, the Client's interests will be subordinated to the general and secured creditors of the asset. This subordination could increase the Client's risk of loss. Moreover, acquisition of equity interests involves certain risks not present in real property loans or direct property ownership. For example, there is the possibility that other equity owners may have economic or business interests or goals that are inconsistent with those of the Client.

#### Investments in Real Estate Debt

In addition to the risks of borrower default (including loss of principal and nonpayment of interest) and the risks associated with real estate investments generally, real estate-related debt investments are subject to a variety of risks, including the risks of illiquidity, lack of control, mismanagement of or decline in value of collateral, contested foreclosures, the bankruptcy of the debtor, claims for lender liability, violations of usury laws, and the imposition of common law or statutory restrictions on the exercise of contractual remedies for defaults of such investments. Purchases of participations in real estate loans raise substantially the same risks as investments in real estate loans. Debt investments have special inherent risks relative to collateral value. In the event of default, the source of repayment is limited to the value of the collateral and may be subordinate to other lienholders (and the collateral value of the property may be less than the outstanding amount of the Client's investment).

#### Liabilities Associated with Acquisition of Property

Clients may acquire properties through foreclosure or interests in properties that are subject to liabilities or that have problems relating to environmental condition, state of title, physical condition, or compliance with zoning laws, building codes, or other legal requirements. In each case, the Client's acquisition of real estate may be without any recourse, or with only limited recourse, with respect to unknown liabilities or conditions. As a result, if any liability were asserted against the Client relating to those properties or if any adverse condition existed with respect to the properties, the Client might have to pay substantial sums to settle or cure it, which could adversely affect the cash flow and operating results of the Client.

#### General Risks of Real Estate Collateral

Making loans secured by real estate is subject to all of the risks inherent in investing in real estate and real estate-related investments as described above. There can be no assurance of profitable operations for any real estate property or the repayment of any debt investment that is secured by such property. The cost of operating a property may exceed the rental income it generates and may require Clients to advance funds to protect an equity investment, forego the receipt of interest income on debt investments, and/or dispose of commercial real estate collateral on disadvantageous terms.

### Concentration on the Real Estate Sector

A focus on the real estate sector may increase the volatility of the Clients' returns and expose Clients to the risk of downturns in the real estate sector to a greater extent than if their portfolio also covered other sectors of the economy.

### Risks of Renovating Property

The renovation, refurbishment, or expansion by the Clients or by a borrower under a mortgaged property involves risks of cost overruns and non-completion. Estimates of the costs of improvements to bring an acquired property up to standards established for the market position intended for that property may prove inaccurate. Other risks may include rehabilitation costs exceeding original estimates, possibly making a project uneconomical and disrupting subsequent leasing of the property. If such renovation is not completed in a timely manner or if it costs more than expected, the Clients or a borrower may experience a prolonged impairment of net operating income.

### Defects

The Clients' properties and properties underlying the Clients' investments may have design, construction, or other defects or problems that require unforeseen capital expenditures, special repair or maintenance expenses, or the payment of damages to third parties. Engineering, seismic, and other reports on which the Clients rely as part of their pre-acquisition due diligence investigations of these properties may be inaccurate or deficient, at least in part, because defects may be difficult or impossible to ascertain. Statutory or contractual representations and warranties made by various sellers of properties that the Clients acquire may not protect the Clients from liabilities arising from property defects. Furthermore, after selling a property in their portfolio, the Clients may continue to owe a statutory warranty obligation to the purchaser if any latent defects in such property are subsequently discovered.

### Uninsured Losses

The properties owned by the Clients or underlying the Clients' investments are generally expected to be covered by comprehensive liability, fire, flood, and extended insurance. There are, however, types of losses (such as from hurricanes, floods, wars, terrorist attacks, earthquakes, other natural or man-made disasters, catastrophic events such as a pandemic, or casualty events) that may be uninsurable or the cost of insuring against these losses may not be economically justifiable. If an uninsured loss occurs or a loss exceeds policy limits, the Clients could lose their invested capital and anticipated revenues from the affected properties, thereby reducing the Clients' cash flow. Such events could also have unforeseeable consequences and could have a material adverse effect on the Clients' investments. In general, losses related to terrorism are becoming harder and more expensive to insure against. Most insurers are excluding terrorism coverage from their all-risk policies. In some cases, insurers are offering significantly limited coverage against terrorist acts for additional premiums, which can greatly increase the total costs of casualty insurance for a property. As a result, not all of the Client's investments may be insured against terrorism. Furthermore, the Clients or their tenants may not maintain adequate insurance coverage against liability for personal injury and property damage in the event of accidents or other casualty events in connection with such properties.

### Litigation at the Property Level

The acquisition, ownership, and disposition of real properties, leasehold interests, and related assets entail certain litigation risks. Litigation may be commenced with respect to a property or leasehold interest acquired by the Clients in relation to activities that took place prior to the Clients' acquisition of such property or leasehold interest.

#### Inability to Refinance Investments

If the Clients make an investment with the intent of refinancing a portion of such investment, there is a risk that the Clients will be unable to successfully complete such a refinancing. This could lead to increased risk as a result of the Clients having a larger and longer-term investment than expected, as well as reduced diversification.

#### Risk of Eminent Domain

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

#### Investments in New Development

The Clients may acquire direct or indirect interests in real estate that is intended for development or in the process of being developed at the time the investment is made. Such investments may often be non-income producing. To the extent that the Clients invest in such assets, it will be subject to the risks normally associated with such assets and development activities. Such risks include, without limitation, risks relating to the availability and timely receipt of zoning and other regulatory or environmental approvals, the cost and timely completion of construction (including risks beyond the control of the Clients, such as weather or labor conditions or material shortages), and the availability of construction and permanent financing on favorable terms. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could have an adverse effect on the Clients. Properties under development or properties acquired for development may receive little or no cash flow from the date of acquisition through the date of completion of development and may experience operating deficits after the date of completion. In addition, market conditions may change during the course of development that make such development less attractive than at the time it was commenced.

#### Risks Involved in Leases

The Clients may engage in acquisition of real properties and related assets that are leased to tenants. Therefore, the financial failure of, or other default by, tenants under their lease is likely to cause a significant, if not complete, reduction in the operating cash flow generated by the property leased to the tenants and might decrease the value of that property. The success of the Clients' investments will be materially dependent on the financial stability of these tenants. Lease payment defaults by tenants will negatively impact the Clients' net income and reduce the amounts available for distributions to the Clients. In addition, the bankruptcy of a tenant could cause the loss of lease payments, an increase in the costs incurred to carry the property and related assets, or a rejection of the lease itself. In the event of a default, the Clients may experience delays in enforcing their rights as landlord and may incur substantial costs in protecting the investment and re-leasing the property. If a lease is terminated, there can be no assurance that the Clients will be able to re-lease the property for the rent previously received or sell the property without incurring a loss. In addition, revenues from certain of the Clients' major tenants and/or their guarantors could constitute a significant percentage of the Clients' base rental revenues. The default, financial distress, or bankruptcy of any of the tenants and/or guarantors of these properties could cause interruptions in the receipt of lease revenues and/or result in vacancies, which would reduce the Clients' revenues

and increase operating costs until the affected property is re-let and could decrease the ultimate sales value of that property. Upon the expiration or other termination of the leases that are currently in place with respect to these properties, the Clients may not be able to re-lease the vacant property at a comparable lease rate, or at all, or without incurring additional expenditures in connection with such re-leasing.

#### Management of the Clients' Properties

Property managers and tenants may be responsible for the maintenance and other day-to-day management of the properties. If a property is not adequately maintained in accordance with the terms of the applicable lease or agreement, the Clients may incur expenses for deferred maintenance expenditures or other liabilities once the relationship is terminated. Although the Clients will endeavor to monitor, on an ongoing basis, compliance by tenants and managers with respect to their obligations and other factors that could affect the financial performance of their properties, such monitoring may not in all circumstances ascertain or forestall deterioration in the condition of a property.

#### Properties Built to Suit a Particular Use or Tenant

Certain of the properties the Clients expect to acquire will be designed and built for a particular use or tenant. If the Clients own a property when the lease terminates and the tenant does not renew its occupancy under the lease, if the tenant defaults on its lease, or if the tenant rejects its lease pursuant to a bankruptcy proceeding, the property might not be marketable without substantial capital improvements. Improvements could require the use of cash that would otherwise be distributed to the investors in the applicable Clients. Attempting to sell the property without improvements may also result in a lower sales price.

#### Properties Subject to Ground Leases

The Clients may acquire leasehold interests with respect to properties that are the subject of a ground lease where third-party owners hold the fee interest in those properties (each, a "Fee Owner"). In such cases, the Clients' interest in such a property will be subordinate to the Fee Owner's interest in that property and the Clients' investment in the leasehold interest will be subject not only to the potentially competing interests of the Fee Owner but also to interests held by third parties such as mortgages or other liens (e.g., mechanic's liens) that encumber the Fee Owner's fee interest and that may be superior and potentially adverse to the interests of the Clients. A default by the Fee Owner under any of these competing interests and the enforcement or foreclosure of those interests by the holders thereof may also result in the termination or impairment of the Clients' leasehold interest. In addition, any bankruptcy or insolvency of the Fee Owner could potentially impair or terminate the Clients' leasehold interest. This risk is increased if the fee interest is itself subject to financing liens. In the event of the Fee Owner's bankruptcy, there can be no assurance that a tenant will not acquiesce in a rejection or disaffirmance of the lease by the Fee Owner or its trustee in bankruptcy or that the Fee Owner's bankruptcy trustee will not seek to sell the property free and clear of the lease.

#### Investment in Troubled Assets

The Clients may invest in distressed assets and portfolios of distressed assets, including real estate loans and assets, delinquent and charged-off commercial mortgage loans, and similar securities or instruments that involve a degree of financial risk and are experiencing or are expected to experience severe financial difficulties that may never be overcome. There is no assurance that CREP will correctly evaluate the value of the collateral (if any) in the loans and securities purchased by the Clients. In any reorganization or restructuring relating to an asset in which the Clients have invested, the Clients may lose their entire investment, may be required to accept cash or securities



with a value less than the original investment, and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from the Clients' investments may not compensate the Clients adequately for the risks assumed. Investments in properties operating under the close supervision of a mortgage lender or under bankruptcy or other similar laws are, in certain circumstances, subject to certain additional potential liabilities that may exceed the value of the Clients' original investment therein. For example, under U.S. law, in certain circumstances lenders that have inappropriately exercised control of the management and policies of a debtor may have their claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances under U.S. law payments to the Clients and distributions by the Clients to investors may be required to be returned if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment. Non-U.S. jurisdictions may present analogous or different credit issues.

#### Investments in Undervalued Assets

It is expected that the Clients will seek to invest in undervalued assets. The identification of investment opportunities in undervalued assets is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued assets offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Clients' investments may not adequately compensate the Clients for the business and financial risks assumed. The Clients may incur substantial losses if they have purchased assets based on the belief that they were undervalued by their sellers if they were not in fact undervalued at the time of purchase. In addition, the Clients may be required to hold such assets for a substantial period of time before realizing their anticipated value, and there is no assurance that the value of the assets will not decline during such time. Moreover, during this period, a portion of Clients' assets would be committed to those assets purchased, thus preventing the Clients from investing in other opportunities. In addition, the Clients may finance such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period.

#### Environmental Hazards

Under environmental laws enacted by federal and state governments, owners of property may be liable for the cleanup and removal of hazardous substances. As such, the Clients may be subject to a wide range of environmental, health, and safety laws, ordinances, and regulations, including, without limitation, those relating to the investigation, removal, and remediation of past or present releases of hazardous or toxic substances on sites where the Clients invest. The presence of such substances, the failure to properly remediate contamination from such substances, or the existence of such violation may adversely affect the Clients' ability to sell real estate they acquire or borrow using such property as collateral. Furthermore, under environmental laws enacted by certain governments, owners of property may have unlimited liability to, or be held responsible for the cleanup and removal of, hazardous substances even where the present owner did not know of or was not responsible for the presence of the hazardous substances on the property or where the property was contaminated prior to the time the owner took title. While tenants may be responsible for such environmental hazards in some cases, in the event that a tenant fails financially, liabilities related to such hazards may become an obligation of the Clients. The kinds of hazardous substances for which liability may be incurred include, inter alia, chemicals and other materials commonly used by small businesses and manufacturing operations. The costs of removal and cleanup of hazardous substances and wastes can be extremely expensive and, in some cases, can exceed the value of a property. If any property acquired by a Client through purchase or foreclosure was found to have an environmental problem, the Client could incur substantial costs and suffer a

complete loss of its investment in such property as well as of other Client assets. In addition, underground storage tanks, asbestos, mold, and other hazards not known today may become known at a later date. Changes in environmental laws or in the environmental condition of an asset, or the creation of conditions as a result of actions of tenants or others, may create unforeseen liabilities that did not exist at the time of acquisition. In addition to cleanup actions brought by governmental authorities and private parties, the presence of hazardous substances on a property may lead to claims of personal injury, property damage, or other claims by private plaintiffs.

#### Credit Risk

Debt investments are subject to the risk of non-payment of scheduled interest or principal by the borrowers with respect to such investments, which amounts may not be satisfied out of available collateral or satisfied in a timely manner. Certain investments in secured debt may be unperfected for a variety of reasons, including the failure to make required filings by lenders, and thus a Client may not have priority over other creditors. A Client's right to payment and any security interests may be subordinated to those of a senior lender. The principal amount of certain investments may remain outstanding and at risk until the maturity of the investment, in which case the relevant portfolio company's ability to repay the principal may be dependent upon a liquidity event or the long-term success of the company. The creditworthiness of portfolio companies may deteriorate as a result of a variety of factors that may adversely affect their business.

#### Interest-Rate Risk

Increases in interest rates decrease the likelihood of successful workouts of distressed debt and increase the likelihood of defaults and foreclosures. In addition, increasing interest rates (currently at or near historical lows) will generally cause outstanding fixed-rate debt securities to decline in value. In general, interest rate increases and rising inflation can be expected to materially adversely affect portfolios of real estate debt.

#### Credit Market Risks

Credit market challenges, combined with the ongoing correction in real estate market prices and reduced levels of real estate sales, could result in price reductions in real estate values, potentially adversely affecting the value of the Clients' investments. Declining real estate prices and higher interest rates have caused higher delinquencies and losses on certain mortgage loans in the past, which have exacerbated the then-current credit market's dislocations. Declines in real estate values, sales volumes, and financial stress on borrowers as a result of job losses, interest rate resets on adjustable rate mortgage loans, or other factors could have further adverse effects on buyers and sellers of real estate that could adversely affect Clients' investments. These types of credit market risks could have a material adverse effect on the Clients' investments and their overall performance.

#### Lower Credit Quality Loans

There are no restrictions on the credit quality of the Clients' loans. Loans arranged by or acquired by the Clients may be deemed to have substantial vulnerability to default in payment of interest and/or principal. Certain of the loans that the Clients may acquire or originate may have large uncertainties or major risk exposures to adverse conditions and may be considered predominantly speculative. Generally, such loans offer a higher return potential than better quality loans but involve greater volatility of price and greater risk of loss of income and principal. The market values of certain of these loans also tend to be more sensitive to changes in economic conditions than better-quality loans.

### Lower-Quality Collateral

There are no restrictions on the credit quality of the properties and/or other collateral securing the Clients' loans. While CREP may seek to overcollateralize loans secured by properties that it deems to be of lesser quality, loans arranged by the Clients may nonetheless have exposures to default in payment of interest and/or principal due to risks relating to such properties, and the market values of such properties also tend to be more sensitive to changes in economic conditions than better quality properties.

### Potential Early Redemption of Some Investments; Prepayment Risks

The terms of loans in which the Clients invest may permit the borrowers to voluntarily prepay loans at any time, either with no or a nominal prepayment premium. This prepayment right could result in the borrower repaying the principal on an obligation held by the Clients earlier than expected. This may happen when there is a decline in interest rates and/or when the borrower's improved credit or operating or financial performance allows the refinancing of certain classes of debt with lower-cost debt. The yield of the Clients' investment assets may be affected by the rate of prepayments differing from CREP's projections. In addition, prepayments may impede the Clients' ability to gain control of the borrower or its underlying assets. Assuming an improvement in the credit market conditions, early repayments of the debt held by the Clients could increase. To the extent early prepayments increase, they may have a material adverse effect on the Clients' investment objectives and profits and their ability to gain control of the borrower or its underlying assets. In addition, if a Client is unable to reinvest the proceeds of such prepayments received, the proceeds generated by the Clients will decline as compared to CREP's expectations.

### Risks Associated with Investments in Commercial Mortgages and Mezzanine Loans

Clients may be subject to risks associated with investments in commercial mortgage and mezzanine loans that are subject to delinquency, foreclosure, and loss that could result in losses to Clients. The commercial mortgage and mezzanine loans in which Clients may invest will generally be secured by commercial property and related assets and will be subject to risks of delinquency and foreclosure and risks of loss that are greater than similar risks associated with loans made on the security of other assets, such as single-family residential property. The ability of a borrower to repay a loan secured by an income-producing commercial property typically will be dependent primarily upon the successful operation of the property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower's ability to repay the loan may be impaired. Net operating income of an income-producing property can be affected by, among other things, the following: tenant mix; the success of tenant businesses; property management decisions; property location and condition; competition from comparable types of properties; changes in laws that increase operating expenses or limit rents that may be charged; any need to address environmental contamination at the property; changes in national, regional, or local economic conditions and/or specific industry segments; declines in regional or local real estate values and declines in regional or local rental or occupancy rates; increases in interest rates, real estate tax rates, and other operating expenses; and changes in governmental rules, regulations, and fiscal policies, including environmental legislation, acts of God, terrorism, social unrest, and civil disturbances.

Commercial mortgage loans generally are not amortizing or do not fully amortize, which necessitates the sale of the property or refinancing of the "balloon" amount at or prior to the maturity of the mortgage loan. Accordingly, investors bear the risk that the borrower will be unable to refinance or otherwise repay the mortgage at maturity, thereby defaulting on its obligation.



There may be limits to enforceability or to legal and financial recourse upon a default under the terms of the mortgage loan or applicable state law. Most commercial mortgage loans provide recourse only to specific assets, such as the property, and not against the borrower's other assets. Exercise of foreclosure and other remedies may involve lengthy delays and unforeseen expenses in the face of declining property values. In certain circumstances, the creditor may also incur environmental liability for conditions existing at or on the property.

Clients' subordinated debt and related investments will involve the risks attendant to real estate investments as well as additional risks attendant to investments in subordinated positions. Subordinated loans such as junior participations in mortgages and mezzanine loans (and participations therein) have a risk of credit loss that is significantly enhanced due to the subordinate nature of such investments. In the event of default, the net proceeds from a foreclosure or restructuring may not be sufficient to cover the expenses of foreclosure and payment in full of the debt. In such event, the holders of subordinated loans will realize a loss of up to all of their investment before the senior debt will suffer any loss.

#### Lender Liability Risks

Clients, to the extent they invest in debt instruments, may be exposed to lender liability risks, including equitable subordination. In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed, "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of certain of the Clients' investments, they could be subject to allegations of lender liability. In addition, under common law principles that, in some cases, form the basis for lender liability claims, if a lending institution (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower; (ii) engages in other inequitable conduct to the detriment of such other creditors; (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors; or (iv) uses its influence as an equity holder to dominate or control a borrower to the detriment of the other creditors of such borrower, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination." A Client could be subject to claims from creditors of an obligor such that the Client would be equitably subordinated.

#### Mortgage-Backed Securities

Certain Client investments may include mortgage-backed securities ("MBS"), including commercial mortgage-backed securities ("CMBS"). The investment characteristics of MBS differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that the principal may be prepaid at any time because the underlying loans or other assets generally may be prepaid at any time. The frequency at which prepayments (including voluntary prepayments by the obligors and liquidations due to default and foreclosures) occur on loans underlying MBS will be affected by a variety of factors, including the prevailing level of interest rates and economic, demographic, tax, social, legal, and other factors. Generally, mortgage obligors tend to prepay their mortgage loans when mortgage rates fall below the interest rates on their mortgage loans. Particular investments may experience outright losses, as in the case of an interest-only security in an environment of faster actual or anticipated prepayments. Also, particular investments may underperform relative to hedges that a portfolio manager may have constructed for these investments, resulting in a loss.

Mortgage loans on commercial properties underlying MBS often are structured so that a substantial portion of the loan principal is not amortized over the loan term but is payable at maturity. Repayment of the loan principal thus often depends upon the future availability of real estate financing from the existing or an alternative lender and/or upon the current value of the real estate. Therefore, the unavailability of real estate financing may lead to default. If borrowers are not able or willing to refinance or dispose of encumbered property to pay the principal and interest owed on such mortgage loans, payments on the subordinated classes of the related MBS are likely to be adversely affected. The ultimate extent of the loss, if any, to the subordinated classes of MBS may only be determined after a negotiated discounted settlement, restructuring, or sale of the mortgage note or after the foreclosure (or deed in lieu of foreclosure) of the mortgage encumbering the property and subsequent liquidation of the property.

#### Illiquidity of Investments

The market value of investments in real estate and real estate debt may fluctuate with, among other things, changes in market rates of interest, general economic conditions, operating conditions in particular property markets, supply and demand for real estate securities, the condition of financial markets, and the financial condition of the issuers of the investments. In addition, limited secondary market liquidity for some investments may have an adverse effect on the market value of those investments and on the ability to dispose of them. Partly as a result of the foregoing, as well as general market inefficiencies respecting credit-impaired investments, a portfolio valuation may not necessarily be indicative of actual results or amounts to be realized from the investments. Some investments may be subject to certain other transfer restrictions that may contribute to illiquidity.

The liquidity of the real estate securities market was severely restricted during the Global Financial Crisis. Any additional market slowdowns could further impair such liquidity.

#### Public Securities

Clients may invest in publicly traded debt and equity securities. Such investments are subject to the risks inherent in investing in public securities. CREP may be unable to obtain financial covenants or other contractual rights, including management rights, that it might otherwise be able to obtain in making a privately negotiated investment and may not have the same access to information in connection with public debt or equity investments, either when investigating a potential investment or after making an investment, as compared to a privately negotiated investment.

#### Private Equity Investments

Most private equity investments are highly illiquid and there can be no assurance that the Firm will be able to realize these investments in a timely manner. The realizable value of a highly illiquid investment at any given time may be less than its intrinsic value. Although certain of these investments may generate current income, the return of capital and the realization of gains, if any, with respect to most of these investments will occur only upon the partial or complete disposition of the investment. While an investment may be sold at any time, typically this will occur a number of years after the investment is made, and there can be no assurance that CREP will be able to dispose of an investment at the price and time it wishes to do so. Certain private equity investments may be in securities that are or become publicly traded. These investments may involve economic, political, interest rate, and other risks, any of which could result in an adverse change in their market price.

#### Bridge Financings

CREP may provide bridge financing in connection with one or more of its investments. Clients will bear the risk of any changes in capital markets that may adversely affect the ability of an issuer of

a portfolio investment to refinance any bridge financing investments. If the issuer were unable to complete a refinancing, Clients could have a long-term investment in a junior security or that junior security might be converted to equity.

#### Time Required for Maturity of Investments

Certain individual loans or bonds held by Clients may have terms longer than the term of a given Client and certain loans may have grace periods of several years. Furthermore, Clients may, in connection with collateral held by them acquire non-marketable common or preferred equity securities and other illiquid assets with equity participation features, which, to the extent that they have value at all, will likely not have realizable value for a significant period of time. Accordingly, it is unlikely that significant distributions to Clients will occur for a number of years from the date of the applicable capital contributions, and certain investments may need to be disposed of upon dissolution of a Client for less than their potential value.

#### Risk Surrounding New Opportunities

CREP may from time to time consider additional investment opportunities, including but not limited to advising new Clients and/or advising different types of investment vehicles. In addition, CREP may consider expanding into different geographic locations. The consideration of new investment opportunities and geographic expansion presents additional risk to investors with CREP.

#### Formation of New Affiliated Investment Clients

CREP affiliates may in the future form additional affiliated investment funds or arrange other accounts that follow an investment program that is substantially the same as (or that incorporates substantial portions of) the investment program of the Clients and/or may create additional conflicts of interest that may not be foreseeable. There may not be limitations on CREP's ability to form or sponsor such investment vehicle, funds, and/or accounts.

#### Co-Investments

CREP may, in its sole discretion, provide or commit to provide co-investment opportunities to one or more Client investors and/or other persons, including affiliates of CREP and other consultants, service providers, finders, other sponsors, and market participants, in each case on terms to be determined by CREP in its sole discretion. Conflicts of interest may arise in the allocation of such co-investment opportunities. The allocation of co-investment opportunities, which may be made to one or more persons for any number of reasons as determined by CREP in its sole discretion, may not be in the best interests of the Clients or any individual Client investor. In exercising its sole discretion in connection with such co-investment opportunities, the applicable General Partner may consider some or all of a wide range of factors, which may include the following: expressed interest in co-investment opportunities; the expertise of the prospective co-investor in the industry to which the investment opportunity relates; perceived ability to quickly execute on transactions; tax, regulatory, securities laws, and/or other legal considerations (e.g., qualified purchaser or qualified institutional buyer status); confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity; the size of the investment allocation and practicality of dividing it up among multiple co-investors; the ability of the prospective co-investor to invest an amount of capital that is consistent with the needs of the investment, taking into account the amount of capital reasonably expected to be needed (including for potential add-on acquisitions and other potential additional investments) and the maximum number of investors that can realistically participate in the transaction; any requirements of any third-party lenders as to the identity of any investors participating as co-investors, the creditworthiness of any co-investors, the number of co-investors, or other matters with respect to the investors in the transaction; whether the applicable General Partner believes that allocating

investment opportunities to an investor or person will help establish, recognize, strengthen, and/or cultivate relationships that have the potential to provide longer-term benefits to the Client or the applicable General Partner; whether the prospective co-investor has a history of consummating co-investment opportunities with the applicable General Partner; whether the prospective co-investor has the financial and operational resources and other relevant wherewithal to evaluate and participate in a co-investment opportunity; the likelihood that the prospective co-investor would require governance rights (including, but not limited to, board or observer rights, access to the management team of the underlying portfolio company, or material informational rights) that would complicate or jeopardize the transaction (or, alternatively, where the investor would be willing to defer to the applicable General Partner and assume a more passive role in governing the investment); whether the prospective co-investor has any interests in any competitor of the underlying investment; the size of the prospective investor's interest in the underlying investment and their capital commitment to the Client; whether the prospective co-investor has any known investment policies and restrictions, guideline limitations, or investment objectives that are relevant to the transaction, including the need for early or recurring distributions; the extent to which the prospective co-investor has previously been provided a greater amount of co-investment opportunities relative to other prospective co-investors; and other factors that the applicable General Partner considers important in connection with the specific transaction or investment.

The Clients may co-invest with third parties through partnerships, joint ventures, or other entities or arrangements. Such investments may involve risks not present in investments where a third-party is not involved, including the possibility that a third-party co-venturer or partner may at any time have economic or business interests or goals that are inconsistent with those of the Clients or may be in a position to take action contrary to the investment objectives of the Clients. In addition, the Clients may in certain circumstances be liable for actions of a third-party co-venturer or partner. There can be no assurance that the Clients' return from a transaction would be equal to and not less than the return of another party that was allocated a co-investment opportunity and that is participating in the same transaction.

Furthermore, decisions regarding whether and to whom to offer co-investment opportunities may be made by the relevant General Partner or its related persons in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities may, and typically will, be offered to some and not to other Client investors. When and to the extent that employees and related persons of CREP make capital investments in or alongside a Client, the relevant General Partner is subject to conflicting interests in connection with these investments. The relevant General Partner's allocation of co-investment opportunities among the persons and in the manner discussed herein may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to others.

#### Limited Amortization Requirements

From time to time, Clients will invest in debt that will typically have limited mandatory amortization and interim repayment requirements. A low level of amortization of any debt, over the life of the investment, will increase the risk that a portfolio company will not be able to repay or refinance the debt held by a Client when it comes due at its final stated maturity.

#### Participation on Creditors' Committees

From time to time, CREP will participate on behalf of a Client on committees formed by creditors to negotiate the management of financially troubled companies that may or may not be in bankruptcy, or CREP will seek to negotiate on behalf of a Client directly with the debtors with respect to restructuring issues. If CREP does join a creditors' committee on behalf of a Client, the participants

of the committee will be interested in obtaining an outcome that is in their respective individual best interests and there can be no assurance of obtaining results most favorable to the applicable Client in such proceedings. By participating on such committees, CREP will likely be deemed to have duties to other creditors represented by the committees, which might thereby expose the Clients to liability to such other creditors who disagree with CREP's actions.

On occasion, CREP will also be provided with material nonpublic information that would typically restrict CREP's ability to trade in the company's securities on a Client's behalf. While CREP and the Clients intend to comply with all applicable securities laws and to make judgments concerning restrictions on trading in good faith, CREP may trade in the company's securities on a Client's behalf while engaged in the company's restructuring activities. Such trading creates a risk of litigation and liability that has the potential to cause the Client to incur significant legal fees and potential losses.

#### Failure to Make Capital Contributions

Clients may be incapable of paying their obligations if an investor or limited partner does not fund its commitments to CREP and other investors' capital contributions and borrowings by such Client are insufficient to cover the defaulted capital contribution. As a result, such investment vehicle may be subject to significant penalties that could materially and adversely affect investor returns (including non-defaulting investors).

#### Availability of Suitable Investment Opportunities; Competition

The success of a Client's investment strategy will depend on the ability of CREP to source and perform due diligence on appropriate investment opportunities and to acquire these investments. The activity of identifying, completing, and realizing the types of investment opportunities targeted by CREP is highly competitive and involves a significant degree of uncertainty. Clients compete for investment opportunities with other private investment vehicles, including other Clients, as well as participants in the public debt markets, individuals, and financial institutions that include investment banks, commercial banks, and insurance companies; business development companies; strategic industry acquirers; hedge funds; operating companies; and other institutional investors investing directly or through affiliates. Such supply-side competition may adversely affect the terms upon which investments can be effected and/or exited by CREP. Moreover, private equity sponsors unaffiliated with CREP may be reluctant to present investment opportunities to CREP because of its affiliation with certain Clients.

#### Complex Transactions/Contingent Liabilities/Guarantees and Indemnities

CREP often pursues complex investment opportunities that may involve substantial business, regulatory, or legal complexity. Such complexity presents risks as such transactions can be more difficult, expensive, and time-consuming to finance and execute. It can also be more difficult to manage or realize value from the assets acquired in such transactions, and such transactions sometimes entail a higher level of regulatory scrutiny or a greater risk of contingent liabilities. Additionally, in connection with certain transactions, including transactions involving affiliates, CREP may be required to make representations about the business and financial affairs of a portfolio company, provide guarantees with respect to payments by portfolio companies and other third parties, and provide indemnities against losses caused by portfolio companies and other third parties. These arrangements may result in the incurrence of contingent liabilities by CREP and the Clients, even after the disposition of an investment, and ultimately in material losses.

#### Indemnification

CREP and its affiliates and each officer, director, partner, member, manager, shareholder, and employee of the foregoing, and each member of the advisory boards, if applicable, will be



indemnified and held harmless from losses sustained from any act or omission in connection with Client activities, absent bad faith, gross negligence, willful misconduct, fraud, or willful or reckless disregard of their duties and may receive advances for any fees, costs, and expenses incurred in the defense or settlement of any claim that may be subject to a right of indemnification. For example, in their capacity as directors of portfolio companies, the officers, directors, partners, members, managers, employees, and shareholders of CREP or its respective affiliates may be subject to derivative or other similar claims brought by shareholders of such companies. Fees, costs, and expenses and other liabilities resulting from such indemnification obligations will be paid or otherwise borne by the applicable Client(s).

The application of the foregoing standards may also limit the right of action for Client investors and/or limited partners in certain cases. Because of these considerations, even though such exculpation and indemnification provisions in a Client's governing documents will not act as a waiver on the part of such Client investors and/or limited partners of any of their rights under applicable U.S. securities laws or other laws, the application of the foregoing standards may result in such Clients bearing significant financial costs. Such costs may adversely affect returns to the applicable Client investors and/or limited partners and, if the Client's assets are insufficient to satisfy such indemnification obligations, its investors and/or limited partners may be required to return amounts distributed to them, subject to any limitations set in the governing documents.

#### Indemnification of Service Providers and Depositors

CREP may from time to time enter into transactions or arrangements with service providers and/or depositors in order to facilitate its purchase, management, and disposition of, in particular, non-performing loans and may be required to indemnify such service providers and/or depositors if any representations and warranties made to the original loan seller in connection with such arrangements are breached.

#### Regulatory Approvals

There can be no assurance that a portfolio company targeted by CREP will be able to (i) obtain all required regulatory approvals that it does not yet have or that it may require in the future, (ii) obtain any necessary modifications to existing regulatory approvals, or (iii) maintain required regulatory approvals. A delay in obtaining or failure to obtain and maintain in full force and effect any regulatory approvals, or amendments thereto, or a delay or failure to satisfy any regulatory conditions or other applicable requirements, could prevent a portfolio company from operating in accordance with a Client's expectations with respect to such company, the completion of a previously announced acquisition, or sales to third parties; could limit the portfolio companies' ability to engage in certain regulated activities; or could otherwise result in additional costs to a portfolio company and an adverse impact on any investment by a Client in such company.

#### Market and Economic Risks

Market, economic, and political conditions globally and in the jurisdictions and sectors in which Client investments are made or the portfolio companies operate, including factors affecting property values, rental rates, interest rates, credit availability, currency exchange rates, and trade barriers, may materially and adversely affect a Client's investments. Difficult market conditions and market volatility may adversely affect a Client by reducing the value or performance of its investments, by reducing its ability to raise or deploy capital, by reducing the availability and attractiveness of debt financing, or by reducing the ability to exit investments on attractive terms, each of which could negatively impact the returns to Client investors and/or limited partners. Investments made by Clients may involve a high degree of business and financial risk that can result in substantial losses.

### Underlying Exposure to the Consumer Market

A portion of the Clients' portfolios may be (directly or indirectly) exposed to the consumer market. The financial condition of consumers is difficult to assess and predict as many consumer borrowers have no or very limited credit history. There is a greater risk of default in relation to the consumer market that may have a direct impact on returns to the Clients.

### Inflation Risk

The market price of fixed-income investments generally falls as inflation increases because the purchasing power of the future income and repaid principal is expected to be worth less when received by the Client. Fixed-income investments that pay a fixed rather than a variable interest rate are especially vulnerable to inflation risk because variable-rate securities may be able to participate, over the long term, in rising interest rates that have historically corresponded with long-term inflationary trends. Most high-yield investments pay a fixed rate of interest and are therefore vulnerable to inflation risk.

If a company is unable to increase its revenue in times of higher inflation, its profitability may be adversely affected. Companies may have long-term rights to income linked to some extent to inflation. Typically, as inflation rises, a company will earn more revenue but also will incur higher expenses; as inflation declines, a company may not be able to reduce expenses in line with any resulting reduction in revenue. A rise in real interest rates would likely result in higher financing costs for portfolio companies and could therefore result in a reduction in the amount of cash available for distribution to the Clients or the value of the portfolio company.

### Fraudulent Conveyance, Lender Liability, Equitable Subordination, and Re-characterization

Investments in the debt of distressed companies could be subject to U.S. state and federal bankruptcy laws and state fraudulent transfer laws, which may vary from state to state, if the debt obligations relating to such investments were issued with the intent of hindering, delaying, or defrauding creditors or, in certain circumstances, if the issuer receives less than reasonably equivalent value or fair consideration in return for issuing such debt obligations. If the debt is used for a buyout of shareholders, this risk is greater than if the debt proceeds are used for day-to-day operations or organic growth. If a court were to find that the issuance of debt obligations held by the Clients was a fraudulent transfer or conveyance, the court could void or otherwise refuse to recognize the payment obligations under the debt obligations or the collateral supporting such debt obligations, further subordinate the debt obligations or the liens supporting such obligations to other existing and future indebtedness of the issuer, or require the Clients to repay any amounts received by them with respect to the debt obligations or collateral. In the event of a finding that a fraudulent transfer or conveyance occurred, the Clients may not receive any repayment on the debt obligations. Under Title 11 of the United States Code, as amended (the "Bankruptcy Code"), lenders engaging in certain types of inequitable or inappropriate conduct may have their claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. A lender's investment may also be re-characterized or treated as equity if it is deemed to be a contribution to capital or if the lender attempts to control the outcome of the business affairs of a company prior to its filing under the Bankruptcy Code. There can be no assurance that such claims will not be asserted against or will be successfully defended by CREP. In addition to placing representatives on creditors' committees, CREP may from time to time seek to place representatives on the boards of directors of certain companies in which it invests, or it may invest in portfolio companies in which certain other Clients or other affiliated investment vehicles already have representatives on the boards. While such representation may enable CREP to enhance the sale value of its debt investments in a company, such involvement may also prevent CREP from freely disposing of its debt investments and may subject it to additional liability or result in re-

characterization of its debt investments as equity. The above risks are enhanced to the extent a Client has a material equity stake in the relevant portfolio company.

#### Borrower Fraud; Breach of Covenant

Clients will seek to obtain structural, covenant, and other contractual protections with respect to the terms of its investments as determined appropriate under the circumstances. There can be no assurance that such attempts to provide downside protection with respect to its investments will achieve their desired effect, and potential Client investors and/or limited partners should regard such investments as being speculative and having a high degree of risk. Of paramount concern in originating or acquiring the Client investments is the possibility of material misrepresentation or omission on the part of borrower or other credit support providers or a breach of covenant by such parties. Such inaccuracy or incompleteness or breach of covenants may adversely affect the valuation of the collateral underlying the Client investments or the ability to perfect or effectuate a lien on the collateral securing the Client investment or otherwise realize on the Client investment. CREP will rely upon the accuracy and completeness of representations made by borrowers to the extent reasonable but cannot guarantee such accuracy or completeness.

#### Reliance on Management; Possibility of Fraud and Other Misconduct

Although it is CREP's intention to ensure that CREP has strong management teams, there can be no assurance that any CREP management team will be able to operate successfully. In addition, instances of fraud and other deceptive practices committed by the management teams of CREP may undermine the due diligence efforts of the Client. Additionally, misconduct by employees of CREP and their respective affiliates could cause significant losses to the Clients. Misconduct may include entering into transactions without authorization; the failure to comply with operational and risk procedures, including due diligence procedures; misrepresentations as to investments being considered by CREP; the improper use or disclosure of confidential or material nonpublic information, which could result in litigation; regulatory enforcement or serious financial harm, including limiting the business prospects or future marketing activities of such Clients; and non-compliance with applicable laws or regulations and the concealing of any of the foregoing. Such activities may result in reputational damage, litigation, business disruption, and/or financial losses to applicable Clients.

The success of CREP will depend in large part upon the skill and expertise of our professionals and those of our affiliates and there can be no assurance that any individual professional will continue to be associated with CREP. The ability to recruit, retain, and motivate qualified professionals is dependent in part on our ability and that of our affiliates to offer attractive incentive opportunities. There is competition among alternative asset firms, financial institutions, private equity firms, investment managers, and other industry participants for hiring and retaining qualified investment professionals. If legislation were to be enacted to treat carried interest as ordinary income rather than capital gain, the amount of taxes that such professionals would be required to pay with respect to their carried interest would materially increase, thereby adversely affecting our ability and that of our affiliates to offer such attractive incentive opportunities. Should any of our professionals join or form a competing firm, become incapacitated, or in some other way cease to participate in investment activities, CREP's performance could be adversely affected.

#### Time and Attention of the Investment Committee and CREP Investment Professionals

The members of the Investment Committee and other CREP investment professionals will devote such time and attention to the conduct of the Clients' business as such business shall reasonably require. However, there can be no assurance, for example, that the members of the Investment Committee or such investment professionals will devote any minimum number of hours each week



to the affairs of the Clients or that they will continue to be employed by CREP. In the event that members of the Investment Committee cease to be actively involved with the Clients, Clients will be required to rely on the ability of CREP to identify and retain other investment professionals to conduct the Clients' business.

#### Reliance on CREP Professionals

The success of the Clients is substantially dependent on the senior investment professionals of CREP, including members of the Investment Committee. Should one or more of these individuals become incapacitated or in some other way cease to perform duties for CREP and its related persons and on behalf of the Clients, the Clients' performance could be materially adversely affected through a diminished capacity to obtain investment opportunities, to structure and execute the Clients' potential investments, and/or to execute the Clients' business plans. Neither the Clients nor CREP currently intend to maintain key-man life insurance with respect to any of such persons.

#### Legal and Regulatory Risks

The regulatory considerations affecting the ability of Clients to achieve their investment objectives are complicated and subject to change. In the United States and other jurisdictions, the private funds industry has, over the last several years, been subject to criticism by some politicians, regulators, and market commentators. The recent negative perception of this industry in certain countries could make it harder for funds sponsored by alternative management firms, such as CREP, to successfully bid for and complete investments. This increased political and regulatory scrutiny of the private funds industry was particularly acute during the Global Financial Crisis. For example, the U.S. Congress passed into law sweeping financial regulatory reform legislation as a direct response to this crisis, and it is now falling to the U.S. Department of Treasury, the SEC, and other U.S. regulatory agencies to implement these reforms. Such reforms require, among other things, increased registration and regulation of alternative management firms and disclosure with respect to such firms and the funds they sponsor that could impact CREP's management. Such increased regulatory burdens and reporting requirements may divert the attention of personnel and the management teams of issuers and may furthermore place CREP at a competitive disadvantage to the extent that CREP or its affiliates or issuers are required to disclose sensitive business information. There is, therefore, the risk that burdensome, existing or new laws (including tax laws) or regulations or changes in applicable laws or regulations or in the interpretation or enforcement thereof specifically targeted at the private funds industry or other related regulatory developments could adversely affect private fund managers and their clients.

#### Enhanced Scrutiny and Regulations of the Alternative Investment Industry

In response to the Global Financial Crisis, there have been unprecedented legislative and regulatory actions taken by numerous governments and their agencies, including the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"). The Dodd-Frank Act is comprehensive in scope (including the so-called "Volcker Rule," providing significant changes to the structure of federal financial regulation and new substantive requirements that apply to a broad range of market participants, including private investment funds). Significantly, the Dodd-Frank Act also mandates significant changes to the authority of the Federal Reserve and the SEC, as well as enhanced oversight and regulation of banks and non-bank financial institutions. This enhanced oversight and regulation and the need for significant additional rule-making by various governmental bodies have created uncertainty in the financial markets and, in particular, the private funds industry. Many of the regulators to which CREP is expected to be subject globally, including governmental agencies and self-regulatory organizations, are empowered to conduct investigations and administrative proceedings that can result in fines, suspensions of personnel, or other sanctions, including censure, the issuance of cease-and-desist orders, or the suspension or

expulsion of applicable licenses or members. Even if an investigation or proceeding did not result in a sanction or the sanction imposed against CREP were small in monetary amount, the adverse publicity relating to the investigation, proceeding, or imposition of these sanctions could harm CREP's reputation, which may adversely affect the Clients' investment performance by hindering their ability to obtain favorable financing or consummate a potentially profitable investment. There is also a material risk that regulatory agencies in the U.S., European Union, and elsewhere will continue to adopt burdensome new laws or regulations (including tax laws or regulations), change existing laws or regulations, or enhance the interpretation or enforcement of existing laws and regulations. Any such events or changes could occur during CREP's term and may adversely affect its ability to operate and/or pursue certain investment strategies. Such risks are often difficult or impossible to predict, avoid, or mitigate in advance. In addition, as alternative asset managers become more influential participants in the U.S. and global financial markets and economy generally, the alternative investment industry has been subject to criticism by some politicians, regulators, and market commentators. Recently, various federal, state, and local agencies have been examining the role of placement agents, finders, and other similar private equity service providers in the context of investments by public pension plans and other similar entities, including investigations and requests for information. Moreover, as a result of highly publicized financial scandals, investors have exhibited concerns over the integrity of the U.S. financial markets. There has been an active debate nationally and internationally over the appropriate extent of regulation and oversight of private investment funds and their managers. Any changes in the regulatory framework applicable to the Firm may impose additional expenses, require the attention of senior management, or result in limitations to the manner in which CREP's business is conducted.

#### Pay-to-Play

A number of U.S. states and municipal pension plans have adopted so-called "pay-to-play" laws, regulations, or policies that prohibit or restrict the activities of individuals or entities seeking to do business with state entities, including those seeking investments by public retirement funds, or require them to disclose payments to and/or contracts with state officials. The SEC has adopted rules prohibiting investment advisers from providing advisory services for compensation to a government client for two years after the adviser or certain of its executives, employees, or agents makes a contribution to certain elected officials or candidates. If CREP, any of its employees or affiliates, or any service providers acting on its behalf fail to comply with such laws, regulations, or policies, it could adversely affect CREP and the Clients.

#### Tax Risks

An investment in a Client involves complex U.S. federal income tax and non-U.S. tax considerations that will differ for each investor depending on the investor's particular circumstances. There can be no assurance that the structure of a Client or of any other investment will be tax-efficient for any particular Client investor and/or limited partner. Prospective Client investors and/or limited partners are urged to consult their own tax advisers with reference to their specific tax situations.

#### Material Nonpublic Information

CREP investment professionals may acquire confidential or material nonpublic information concerning an entity in which Clients have invested or propose to invest, and the possession of such information may limit CREP's ability to buy or sell particular securities of such entity on behalf of Clients, thereby limiting the investment opportunities or exit strategies available to Clients. In addition, holdings in the securities of an issuer by CREP may affect the ability of Clients to make certain acquisitions of or enter into certain transactions with such issuer.

### Cybersecurity

Increased reliance on internet-based programs and applications to conduct transactions and store data creates growing operational and security risks. Targeted cyber-attacks or accidental events can lead to breaches in computer and data-system security and subsequent unauthorized access to sensitive transactional and personal information held or maintained by CREP, its affiliates, and third-party service providers or counterparties. Any breaches that occur could result in a failure to maintain the security, confidentiality, or privacy of sensitive data, including personal information relating to investors and the beneficial owners of investors, and may lead to theft, data corruption, or overall disruption in operational systems. Criminals may use data taken in breaches in identity theft, loan procurements, or payments under false identities, as well as other crimes that have the potential to affect the value of assets in which CREP invests. The information and technology systems of CREP may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages, and catastrophic events such as fires, tornadoes, floods, hurricanes, and earthquakes. These risks have the potential to disrupt CREP's ability to engage in transactions, cause direct financial loss and reputational damage, or lead to violations of applicable laws related to data and privacy protection and consumer protection. Cybersecurity risks also necessitate ongoing prevention and compliance costs.

Prospective Client investors and/or limited partners are strongly urged to carefully review these risks and those outlined in any relevant Memorandum or other offering documents and to consult with their own financial, legal, and tax advisers before investing.

### Allocation of Investments between and across CREP Clients

CREP is committed to allocating investment opportunities among its clients in a manner that, over time, is on a fair and equitable basis, and CREP has established policies and procedures to guide the determination of such allocations. Those policies and procedures seek to mitigate the potential that CREP will allocate investment opportunities to the Clients in a self-interested manner.

To the extent that any Clients (including any co-investment vehicle(s) formed to invest in one or more identified or future transactions) established by CREP or its affiliates have investment objectives or guidelines that overlap, in whole or in part, investment opportunities will generally be allocated (in compliance with the conditions described in the applicable Partnership Agreement and Memorandum) first to the Clients over which CREP has discretion and among such discretionary accounts on a basis that the CREP believes to be fair and reasonable in its sole discretion (which is generally pro rata based on available capital and may include on a rotational basis), subject to the following considerations: (i) any applicable investment objectives, parameters, limitations, and other contractual provisions relating to the Clients and any fund, vehicle, or account (including any co-investment vehicle(s) formed to invest in one or more identified or future transactions) established by CREP or its affiliates ("Other Vehicles"); (ii) legal, tax, accounting, regulatory, and other considerations; and (iii) such other factors deemed relevant by the CREP (including, without limitation, the investment focus of the relevant Client and such Other Vehicles; the size, type, quality, liquidity, and other terms of the investment; the sector, geography/location, expected return, expected distribution rates, anticipated cash flows, expected stability, or volatility of cash flows; leverage profile, risk profile, portfolio concentration, and diversification considerations; and avoiding allocation that could result in de minimis or odd lot investment). To the extent that an eligible investment opportunity exceeds the desired allocations to a Client or Other Vehicles with discretion, CREP intends to offer such excess allocation to Other Vehicles in which CREP does not have investment discretion.

Allocations of various investment types are reviewed on a risk-related basis as part of CREP's compliance procedures.

#### Investing in Pre-Existing Investments Held by Affiliates

The Clients may invest in entities or assets in which other CREP affiliates hold an investment. Any investment by the Clients in an entity in which CREP affiliates have a pre-existing investment (or vice versa) could be viewed, especially in hindsight, to have been made based on a non-arm's-length valuation. Similarly, other CREP affiliates may later invest in entities in which the Clients have invested, which may have an effect (either positive or negative) on the market price of the Clients' investments. In circumstances in which the Clients make an investment in an entity in which other CREP affiliates have a pre-existing investment, the Clients expect CREP to make business decisions relating to such investment (such as, for example, financing or hedging interest rate, currency, or credit risk) independently of the analogous decisions made with respect to such investment by such other CREP affiliates. This may result in situations where CREP chooses not to hedge certain risks that other CREP affiliates do hedge or the possibility that the Clients are exposed to risks of financing (for example, possible margin calls) on an investment when other CREP affiliates are not.

#### **Item 9 – Disciplinary Information**

CREP and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company.

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

Neither CREP nor any of its management persons is registered, or has an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or associated person of any of the foregoing entities. Aside from the investment advisory and General Partner relationships between CREP and the General Partner of the Clients (as described in Item 5), neither CREP nor any of its management persons has a relationship material to the business of CREP or the Clients with any related person reportable under this Item. CREP does not recommend or select other investment advisers for our clients in return for direct or indirect compensation from such advisers.

As stated in Item 8, "Allocation of Investments between and across CREP Clients," CREP or its affiliates may establish Clients or Funds. As stated in Item 8, "Investing in Pre-Existing Investments Held by Affiliates," CREP or its affiliates may invest in the same opportunities as Clients or Funds.

#### Investing in Pre-Existing Investments Held by Affiliates

The Clients may invest in entities or assets in which other CREP affiliates hold an investment. Any investment by the Clients in an entity in which CREP affiliates have a pre-existing investment (or vice versa) could be viewed, especially in hindsight, to have been made based on a non-arm's-length valuation. Similarly, other CREP affiliates may later invest in entities in which the Clients have invested, which may have an effect (either positive or negative) on the market price of the Clients' investments. In circumstances in which the Clients make an investment in an entity in which other CREP affiliates have a pre-existing investment, the Clients expect CREP to make business decisions relating to such investment (such as, for example, financing or hedging interest rate, currency, or credit risk) independently of the analogous decisions made with respect to such investment by such other CREP affiliates. This may result in situations where CREP chooses not to hedge certain risks that other CREP affiliates do hedge or the possibility that the Clients are

exposed to risks of financing (for example, possible margin calls) on an investment when other CREP affiliates are not.

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

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

CREP's Code of Ethics (the "Code") sets forth a standard of business conduct expected of all CREP employees, reflecting CREP's fiduciary obligations, supervisory requirements, and duty to comply with applicable federal securities laws. Employees are provided with a copy of the Code and are required to sign and acknowledge that they have read and understand it on an annual basis.

The Code requires CREP's employees to periodically report their personal securities holdings and transactions to the CCO or his designee. CREP generally prohibits purchases by employees of individual securities without prior approval. Short selling of individual securities is generally prohibited by CREP unless approved by the CCO. Employees are permitted to purchase and sell certain exempt securities (as that term is described under the Advisers Act, including mutual funds, index funds, exchange-traded funds, direct obligations of the U.S. government, money market funds, and similar instruments) without prior approval. Some clients may potentially invest in the same or similar instruments. Any exceptions to these policies must be expressly approved by the CCO or his designee.

The Code includes restrictions designed to supervise the giving or receiving of gifts and entertainment and employees' outside business activities. The Code also includes restrictions on certain political contributions and related solicitation activities.

CREP will provide a copy of the Code to any investor or prospective investor upon request.

### **Cross Trades**

To the extent that CREP is trading on behalf of two or more Clients and in limited circumstances, CREP may cross trade securities between its Clients. Such cross trades will be executed either (i) by an independent broker-dealer on an agency basis at the current fair market value as determined by such broker-dealer and/or as otherwise consistent with CREP's fiduciary obligations or (ii) through a private transaction that is consented to by all applicable Clients or advisory committees for such Clients. Cross trades will not be executed for any client where such trade would not be permitted under applicable law (e.g., under the Employee Retirement Income Security Act of 1974 ("ERISA")).

### **Principal Transactions**

To the extent that CREP were to engage in principal transactions, CREP would need to ensure that any such transactions are conducted in accordance with applicable regulations and do not unfairly disadvantage any Client. A principal transaction is deemed to occur when an investment advisor, acting for its own account or an account of an affiliate, trades with a Client investor's and/or limited partner's account. Thus, a principal transaction would arise, for example, if a trade occurs between two or more Clients, depending on the percentage ownership held by CREP (and its affiliates) in a Client at the time of the transaction. When applicable, trades effected between such accounts must be approved in advance by the CCO, who will ensure that such trading is conducted properly. Under no circumstances will a principal trade occur in any account subject to ERISA.



### **Material Nonpublic or Confidential Information**

The Code includes policies and procedures concerning “inside information” (the “Insider Trading Policies”) that are designed to prevent the misuse of material nonpublic information. The Insider Trading Policies prohibit employees from trading for Clients or themselves, or recommending trading, in securities of a company while in possession of material nonpublic information (the “Inside Information”) about the company and from disclosing such information to any person not entitled to receive it.

By reason of CREP’s business or investment activities, it may acquire material nonpublic or confidential information or otherwise be restricted in its investment activities and, in such event, may not be free to act upon such information. Moreover, due to such confidential information and/or restrictions, CREP may not initiate a transaction for a Client that it otherwise might have initiated, and a Client may, as a result, be required to maintain a position that it otherwise might have sold or be required to refrain from acquiring a position that it otherwise might have acquired.

### **Additional Considerations**

From time to time, various potential and actual conflicts of interest may arise from the overall advisory, investment, and other activities of CREP, its affiliates, and their personnel. For example, the Code contains provisions for reviewing and monitoring outside business activities of CREP employees. CREP has established policies and procedures to monitor and resolve conflicts and will endeavor to resolve conflicts with respect to investment opportunities in a manner it deems equitable to the extent possible under the prevailing facts and circumstances.

## **Item 12 - Brokerage Practices**

### **Trading and Execution**

CREP does not currently engage in brokerage activities on behalf of its Clients. In the future, CREP anticipates that it will engage in such transactions on behalf of the Clients. To the extent that CREP engages in securities transactions executed through broker-dealers, CREP intends to follow certain best execution guidelines. In general, CREP anticipates that it will have the authority to select prime brokers, executing brokers, and similar brokers on behalf of certain Clients. In seeking best execution, CREP may consider several factors that include total price, net of commissions; the capital position of the broker; the ability to consummate and clear trades in an orderly and satisfactory manner; the broker’s inventory and the availability of the security in question; consistent quality of service; the risks taken in positioning a block of securities; the broad market coverage resulting in a continuous flow of information regarding bids and offers; and research and investment ideas and any execution services provided by the broker. Accordingly, although CREP will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for Client transactions. The commission and/or transaction fees charged by a broker may be higher or lower than those charged by other brokers. If CREP were to engage in brokerage activities on behalf of its Clients, CREP will periodically evaluate the execution performance of brokers executing its transactions. CREP does not receive soft dollar benefits or client referrals from broker-dealers in connection with client transactions.

### **Aggregation and Allocation**

CREP anticipates that it will generally execute transactions for Clients on an aggregated basis when it believes that to do so will allow it to obtain best execution and to negotiate more favorable commission rates or avoid certain transaction costs that might have otherwise been paid had such orders been placed independently. When aggregating orders across Client accounts that are managed on a *pari passu* basis, the order and subsequent fills will generally be allocated among

such Clients based on a pre-set monthly weighting largely proportionate to such participating clients' relative assets under management (including available cash balances). To the extent CREP allocates a trade among any two or more Clients that are not managed *pari passu*, then a determination will be made prior to entering in such transaction as to the relative allocations of all participating clients. Reasons for allocating among Clients may include (but are not limited to) a client's investment guidelines and restrictions, available cash, liquidity requirements, leverage targets, the rebalancing of total risk exposure across all clients, tax or legal reasons, and in order to avoid odd-lots or in cases when a normal allocation would result in a *de minimis* allocation to one or more clients. No client will be favored over any other client with respect to an aggregated order.

### **Item 13 – Review of Accounts**

Generally, portfolios are monitored by investment professionals such as analysts and asset managers, as well the Investment Committee, on a periodic basis. Content of regular reports that are provided to Clients and/or Client investors and/or limited partners regarding their accounts include portfolio information, account values, performance detail, updates on CREP, updates on market conditions, and other financial information regarding their accounts. Certain Clients may ask for specific analyses or reports that other Clients will not receive, possibly enabling such Client to better assess the prospects of CREP. In addition, reports are generally written but could also include oral reports—for example when CREP provides a Client with one-on-one presentations and account updates. Clients and their investors and/or limited partners may be provided with information about CREP in response to questions and requests and/or in connection with due diligence meetings and other communications. Such information will not be distributed to other Clients or prospective Clients and their investors and/or limited partners who do not request such information. Each Client (including its investors and / or limited partners) is responsible for asking such questions as it believes are necessary in order to make its own investment decisions and must decide for itself whether the limited information provided by CREP is sufficient for its needs.

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

CREP does not compensate any third parties for Client referrals. CREP may however, enter into arrangements with marketing representatives or selling agents or other third parties whereby it agrees to pay a portion of its fees to such other parties in connection with the introduction of investors.

Broker-Dealers and other counterparties, may provide CREP a variety of services, including capital introduction services. While this creates an incentive to maintain the relationship with such counterparties, CREP will not be required to direct any volume of business in return for these services.

### **Item 15 – Custody**

CREP is deemed to have custody of the Funds' assets as a result of its authority over such assets. The Funds' financial statements are subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and the audited financial statements of the Funds will be distributed to each investor within 120 days of the Funds' fiscal year end. The Funds' audited financial statements are prepared in accordance with U.S. generally accepted accounting principles.

**Item 16 – Investment Discretion**

CREP manages client accounts on a discretionary and nondiscretionary basis. On discretionary accounts, CREP will typically have the authority to choose which investments are purchased or sold, the quantities of each investment to be purchased and sold, and the broker through whom transactions are executed. CREP's authority over discretionary accounts and the limitations of each Client account will be outlined in the applicable Partnership Agreement and Memorandum.

**Item 17 – Voting Client Securities**

The strategies and investment opportunities currently recommended are not likely to be subject to proxy votes. Where CREP has the discretion to make decisions regarding corporate actions or proxies, if any, in connection with investments held by its Clients, CREP will adopt proxy voting policies and procedures pursuant to Rule 206(4)-6 under the Adviser Act. CREP's policies and procedures will be reasonably designed to ensure that proxies and corporate actions are determined in the best economic interest of the Clients and to avoid conflicts between the interests of CREP and its Clients, as determined by CREP in its discretion. CREP will refrain from voting proxies where CREP believes that voting would be inappropriate.

A copy of CREP's proxy voting policy and information with respect to any specific proxy votes if applicable submitted on behalf of the relevant Client may be obtained by contacting our CCO.

**Item 18 – Financial Information**

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

**Item 19 – Requirements for State-Registered Advisers**

Not applicable.