



MORRISON
STREET
CAPITAL

4949 Meadows Road, Suite 490
Lake Oswego, Oregon 97035

Telephone: 503-952-0700
Email: msfunds@morrisonstreetcapital.com
www.morrisonstreetcapital.com

Form ADV Part 2A

March 27, 2023

This brochure provides information about the qualifications and business practices of Morrison Street Capital. If you have any questions about the contents of this brochure, please contact us at 503-952-0700 or by email at msfunds@morrisonstreetcapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Morrison Street Capital also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

Material Changes to this Brochure occurring during 2022 include the following:

- **Fees and Compensation. Updated to provide additional information about the management fees that investors will bear with respect to a new fund.**

In the future, a summary of any material changes to this and subsequent Brochures will be provided to you within 120 days of the close of our business' fiscal year. We may also provide you with additional updates or other disclosure information at other times during the year in the event of any material changes to our business.

You may request the most recent version of this brochure by contacting Marcus Parker, Chief Compliance Officer at 503-952-0747 or mparker@morrisonstreetcapital.com.

This Brochure has been compiled to satisfy a regulatory requirement and is not an attempt to advertise.

Item 3 – Table of Contents

Item 2 – Material Changes	ii
Item 3 – Table of Contents	iii
Item 4 – Advisory Business	1
Item 5 – Fees and Compensation	1
Item 6 – Performance-Based Fees and Side-By-Side Management	2
Item 7 – Types of Clients	2
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	3
Item 9 – Disciplinary Information	7
Item 10 – Other Financial Industry Activities and Affiliations	7
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	7
Item 12 – Brokerage Practices	8
Item 13 – Review of Accounts	10
Item 14 – Client Referrals and Other Compensation	10
Item 15 – Custody	10
Item 16 – Investment Discretion	10
Item 17 – Voting Client Securities	11
Item 18 – Financial Information	11

Item 4 – Advisory Business

Morrison Street Capital, LLC (the "Adviser" or "We") provides investment advisory and other services to an affiliated group of private equity funds. The Adviser has been in business since 2002, and is now owned by Norris Beggs & Simpson Companies, LLC ("NBSC"), which is managed by Rance Gregory, Marcus Parker, and Jan Robertson. Prior to changing its name on November 1, 2011, the Adviser was formerly known as NBS Real Estate Capital, LLC.

The Adviser serves as the management company for certain U.S. collective investment vehicles. The Adviser currently acts as the investment manager of four distinct privately placed closed-end investment vehicles (collectively, the "Funds"). The Funds are also collectively referred to herein as "Clients". Each of the Funds are structured as limited partnerships. The limited partners are the investors in each Fund. The general partner for each Fund is a unique entity owned by an affiliated group of individuals the majority of whom are employed by and/or owners of the Adviser or Norris, Beggs & Simpson Companies, LLC. The general partner entities for each Fund make a co-investment alongside the limited partners and receive pro-rata distributions in accordance with that investment. In addition, for certain Funds the general partners receive a share of the profit in excess of a stated preferred return paid to the limited partners (discussed in more detail in Item 6 – Performance-Based Fees and Side-By-Side Management). The general partners do not have employees, and do not provide investment advisory services. Instead, each general partner engages the Adviser to provide those services for the Funds.

The Adviser only provides advisory and management services with respect to commercial real estate and commercial real estate related securities and only provides these services to the Funds. The limited partnership agreements of the Funds generally restrict investments to various forms of commercial real estate investments including direct equity ownership, structured equity ownership, preferred equity, mezzanine debt, B-notes, whole loans, commercial mortgage-backed securities, REIT preferred securities and other commercial real estate related debt securities. In addition to these limitations, each limited partnership agreement imposes investment guidelines that specify the types of investments that may and may not be purchased for the Fund. The guidelines specify: (1) the specific types of investments or product types that may or may not be purchased for the Fund's account; (2) the permitted geographic location of the investments; (3) concentration and leverage limits; (4) the maximum term of investments; and (5) the risk and return profile of individual instruments and the Fund as a whole. As of December 31, 2022, the Adviser had \$485,565,148 in regulatory assets under management in the four 3(c)5 pooled investment vehicles it advises. We manage all of these assets on a discretionary basis. We do not currently manage any separate accounts for third parties.

We do not currently negotiate specific terms of investment discretion or investment guidelines for any individual investor of a Fund that differs from the terms applicable to other investors in the same Fund. All investment decisions are made at the Fund level and are based on Fund-level investment guidelines, and we do not consider the investment objectives and strategies of a Fund's individual investors. Accordingly, the investors in each of the Funds are not considered to be clients of the Adviser.

Throughout this brochure, we disclose several conflicts of interest and provide summaries of a number of our policies and procedures designed to detect and address these and other conflicts. We encourage Fund investors, and prospective Fund investors, to review our policies and procedures and inquire directly with us about our conflicts. Our compliance policies and procedures are available for review in our offices. In addition, conflicts of interest and specific risks are identified in the offering materials of Funds that we manage. Please request a copy of the relevant Fund's most current offering materials for a description of other conflicts and risks that might exist.

Item 5 – Fees and Compensation

With respect to our Clients, the Adviser is compensated with a management fee (either as a percentage of equity commitments or a percentage of assets under management). For certain Funds, the general partner entity receives incentive income, amounting from 15% to 20% of the realized profit in excess of a preferred return paid to the Fund investors, subject to certain limitations and a clawback guaranty. In some cases, this incentive income is paid as investments are realized, subject to a true up. In other cases, the incentive income is paid only when the Fund is fully realized. For other Funds, the Manager may receive an incentive fee based upon the performance of the Fund in excess of a threshold return, subject to a cap.

Funds

Typically, Funds pay the Adviser a management fee that ranges from 1.25% to 1.75% annually based upon either 1) the total commitments of the Fund for the entirety of the investment period and thereafter on remaining invested equity or 2) the gross asset value of the Fund (depending on the terms of the specific Fund's limited partnership agreement). The management fee is either billed monthly in arrears or quarterly in advance, depending upon the Fund. The management fee is paid from a Fund's available cash, through netting of a distribution, through a draw on a line of credit, or (for certain Funds) by way of a capital call to Fund investors in accordance with the Fund's limited partnership agreement.

Additional Expenses

Our fees are exclusive of out-of-pocket brokerage commissions, transaction fees, custodial fees, costs and expenses of the Adviser and the Funds incurred in connection with the pursuit, purchase and sale of investments, due diligence, deal marketing, conference sponsorship fees and advertising, travel, legal and compliance expenses, accounting and audit fees, insurance, litigation and indemnification expenses, taxes, fees or other charges, expenses of the investment committee and advisory committee, administrative expenses and reporting costs, and other related costs and expenses, all of which are incurred by the Client. The Adviser is responsible for ordinary expenses related to its business including compensation of its employees, rent, and other regular overhead and day-to-day expenses. Please refer to Item 12 for additional information regarding the factors we consider in selecting broker-dealers for Client transactions, and in determining the reasonableness of their compensation.

The fact that the incentive income received by the general partners is based on the performance of the Funds may create an incentive for the general partners to cause the Funds to make investments that are more speculative than would be the case in the absence of performance-based payments. However, this incentive may be tempered somewhat by the fact that losses will reduce the Fund's performance and thus reduce the incentive income, and by the fact that owners of the general partner entities make a commitment to each Fund, side-by-side with the Fund limited partners.

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

All performance-based income is calculated and paid in accordance with Section 205 and Rule 205-3 under the Investment Advisers Act of 1940.

Our side-by-side management issues are lessened because of the cycle our Funds generally follow—at any given time, only one Fund investing in a given strategy will be in the “investment” phase. Our Funds generally follow a cycle of 1) capital sourcing, 2) investment, and 3) disposition of portfolio holdings. Typically, we do not begin investments for a new Fund until all other existing Funds with similar strategies have substantially completed their investment phase, and as such, we infrequently face conflicts that would involve differing treatment of different Fund clients. In some cases, the investment phases of two distinct Funds with similar strategies may overlap. We maintain an investment allocation policy which considers general priority, specific risk and return characteristics of each such Fund, overall investment type exposures, investment holding periods, geographic market exposure and liquidity of the Funds.

Because all Clients pay us roughly equivalent performance-based fees in Funds with similar strategies, we generally believe that we do not face conflicts related to the side-by-side management of accounts which do pay performance-based fees along with accounts that do not. However, we recognize that conflicts related to side-by-side management may exist for other reasons.

Item 7 – Types of Clients

As noted in Item 4 above, we provide portfolio management services to the Funds (which are organized as domestic limited partnerships). We do not advise Fund investors, or any other individuals or entities. Investors in the Funds must be "Accredited Investors" or "Qualified Purchasers" in accordance with sections 3(c)(1), 3(c)(5) or 3(c)(7) of the Investment Company Act of 1940 and Regulation D of the Securities Act of 1933. The minimum commitment from each investor generally ranges from \$25,000 to \$5,000,000, depending on the specific Fund.

The investment management contracts between the Funds and the Adviser may be terminated by the General Partner of each respective Fund at any time upon 90 days prior written notice and in some cases immediately upon cause.

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

We employ two distinct commercial real estate focused investment strategies in managing Client assets, which include:

- Investment in commercial real estate debt and debt securities (including mezzanine debt, B-Notes, whole loans, commercial mortgage-backed securities (CMBS), REIT preferred securities, and other commercial real estate debt securities).
- Investment in commercial real estate equity (including direct, structured, and preferred equity investments).

Investment in commercial real estate debt and debt securities

For investment in commercial real estate debt, our investment methodology entails fundamental analysis of the underlying property, ownership (borrower), the specific market, and the tenants. This includes analysis and review of public records, private financial information, leases, research reports and other property and market data. The diligence process includes property/site visits and market tours as well as interviews with tenants and other market participants. An underwriting model is developed that summarizes our best estimate of investment performance under various scenarios.

For Commercial Mortgage-Backed Securities (CMBS Bonds) (and other similar securities), our investment methodology entails fundamental analysis of the collateral real estate underlying the specific security structure. This analysis includes review of the underlying property, borrower, the specific market, and the largest tenants. That review includes analysis and review of public records, data provided by the trustee through subscription-based services such as Trepp & Bloomberg, research reports and other property and market data. The diligence process includes the creation of a loss underwriting model and analysis of the performance of a specific security under several scenarios.

For REIT preferred securities (and other similar securities), our investment methodology entails fundamental and financial analysis of the parent REIT. This analysis includes a review of the REITs portfolio composition, product type and geographic concentrations and an evaluation of the financial statements to consider the implied value and current performance of the commercial real estate portfolio.

Specific terms and conditions of investments are restricted by the investment guidelines set forth in the limited partnership agreement of each Fund. These guidelines set forth the primary investment targets with respect to geography, product type, investment type, property life cycle, risk, concentration, leverage, returns, holding periods, as well as other limits. Investments which fit the Funds objectives and fall within the limits in the investment guidelines are ultimately proposed to an investment committee which is responsible for reviewing and approving Fund investments and dispositions.

Investment in commercial real estate equity

For investment in commercial real estate equity, our investment methodology entails fundamental analysis of the underlying property, ownership (sponsor or partner), the specific market, and the tenants. This includes analysis and review of public records, private financial information, leases, research reports and other property and market data. Fundamental analysis is considered when determining specific investment structure (direct, structured, or preferred). The diligence process includes property/site visits and market tours as well as interviews with tenants and other market participants. An underwriting model is developed that summarizes our best estimate of investment performance under various scenarios.

Terms and conditions of security investments are restricted by the investment guidelines set forth in the limited partnership agreement of each Fund. These guidelines set forth the primary investment targets with respect to security type, geography, risk, concentration, leverage, returns, holding periods, as well as other limits. Investments which fit the Funds objectives and fall within the limits in the investment guidelines are ultimately proposed to an investment committee which is responsible for reviewing and approving Fund investments and dispositions.

Primary Risks

Investing in commercial real estate and/or commercial real estate debt securities involves risk of loss that the Funds and the investors should be prepared to bear. The material risks associated with investing in a Fund are disclosed in the Fund's private placement memorandum and subscription materials.

General Real Estate Risks

An investment in a Fund requires a long-term commitment, with no certainty of return. There may be little or no cash flow. Most of a Fund's investments will be highly illiquid. Some of the investments will be relatively speculative. There can be no assurance whether or when a Fund will be able to realize a return on its investments. Consequently, investments may require a lengthy holding period. Certain Fund investments may be the most junior in a complex capital structure, and thus subject to the greatest risk of loss. Certain Fund investments may be in properties with high levels of debt. Leveraged investments are inherently more sensitive to declines in revenues and to increases in expenses. Since a Fund may only make a limited number of investments, and since a Fund's investments generally will involve a high degree of risk, poor performance by a few investments could severely and adversely affect total returns. If a Fund makes an investment in a single transaction with the intent of refinancing or selling a portion of the investment, there is a risk that the Fund will be unable to successfully complete such a financing or sale. This could lead to increased risk because of an extended holding period and potentially a requirement to invest additional capital.

Cyclical Nature of Real Estate Markets

Real estate markets are highly cyclical. Factors affecting real estate markets include the supply and demand for real estate properties, tenant demand, interest rates and availability of financing, and general and local economic conditions. Our typical Fund targets investments with three- to seven-year investment periods, although some will fall on either side of that range. The ability of a Fund to sell its investments, obtain repayment of loans it makes and to meet its investment objectives will depend in large part on the strength of the commercial real estate markets during that time period. As such, there is no assurance that the mountain and western United States commercial real estate markets will be strong enough to enable each Fund to meet its investment objectives.

Competitive Nature of the Fund's Business

The business of the Funds is highly competitive. Although the manager's principals have been successful in identifying suitable investments in the past, the Funds compete for quality investment opportunities against other groups, including private investors and developers, direct investment firms, private equity funds, tenant-in-common syndicators, merchant banks and REITs. Some of these investors have access to more capital, and sometimes lower-priced capital than the Funds, and may have investment objectives that allow the group to outbid the Funds for investments. The Funds may be unable to identify and close a sufficient number of attractive investment opportunities for the Funds to meet their investment objectives.

CMBS bonds and similar commercial real estate debt securities

Commercial real estate debt securities are complex and involve credit, liquidity, prepayment and market pricing risks. For example, CMBS bonds are backed by a pool of commercial real estate mortgage loans. Payments on the mortgage loans and CMBS bonds are generally not insured by the federal government or any other agency. CMBS bonds are subject to the risk of loss arising out of delinquent payments on the mortgage portfolios that are not absorbed by more junior classes of bonds. This means that the Fund is more likely to suffer risk if it purchases relatively junior bonds. If mortgage portfolio losses are severe enough, even investment grade bonds can suffer losses. CMBS bonds are also subject to the risk that periods of low prevailing interest rates are likely to result in increasing rates of prepayment on the mortgage loan portfolio. The accelerated payments to the Fund on the bonds could occur at a time when the Fund may be unable to reinvest the principal payments at the same or higher yield. Other commercial real estate debt securities are similarly subject to the performance of the underlying collateral real estate and the subordination related thereto, as well as interest rate risk and potential prepayment. CMBS bonds and commercial real estate debt securities

are also subject to risks related to the level of concentration of the underlying loans based on product type, geography and other factors. Deterioration in a specific real estate market, local economy or product type could have a disproportionately high adverse effect on related given security. Most securities are rated by one or more national rating agencies. Changes to ratings can affect the market price of securities and may result in mark-to-market adjustments being made by the Fund. The mortgage portfolio securing a CMBS bond is administered by a servicer, and commercial real estate debt securities similarly have internal or independent management structures. The General Partner and Manager will have no control or influence over the administration of the loans underlying the security and no ability to take or influence actions with respect to distressed or defaulted mortgages. These servicers or managers have discretion to grant extension of the loans and alter payment terms. These extensions and alterations may have the effect of delaying full payment and decreasing yield to maturity of the security.

REIT Preferred and similar commercial real estate debt securities

REIT preferred securities are complex and involve credit, liquidity, interest rate and market pricing risks. REIT preferred securities are generally callable any time after 5 years from their issue date at their notional amount. As a result, a security purchased at a premium can be repaid at the notional amount, leading to a yield to call which is lower than their stated coupon. Callable securities could be repaid at a time when the Fund may be unable to reinvest the proceeds at the same or higher yield. REIT preferred securities are subject to the credit risk of the parent REIT, which in turn is impacted by the performance of the underlying real estate assets, the management team's ability, and the concentration of the portfolio (by property type, geographic location, etc.) Deterioration in a specific real estate market, local economy or product type could have a disproportionately high adverse effect on related given security. Approximately half of all REIT preferred securities are rated by one or more national rating agencies. Changes to ratings can affect the market price of securities and may result in mark-to-market adjustments being made by the Fund. REIT preferred securities are senior in balance sheet priority to the common stock and junior to the debt of the Parent REIT. The General Partner and Manager will have no control or influence over the management or portfolio composition of the parent REIT and no ability to take or influence actions with respect to any potential suspension of dividend payments.

Additional Risks (these risks and certain others are discussed in each Fund's private placement memorandum in more detail)

- The transactions are unspecified. Even if the investments of the Funds are ultimately successful, they may not produce a realized return or any cash flow to the Partners for a period of several years.
- The Funds may invest in non-performing or other assets utilizing leveraged capital structures. By their nature, these investments involve a high degree of financial risk, and there can be no assurance that the Funds rate of return objectives will be realized or that there will be any return of capital.
- In connection with the disposition of an investment, the Fund may be required to make representations typical of those made in connection with the sale of similar assets. These arrangements may result in contingent liabilities, which might ultimately have to be funded by the investors.
- Most of the Fund's investments will be illiquid. The possibility of partial or total loss of capital will exist and investors should not subscribe unless they can readily bear the consequences of these losses.
- There is no assurance that the investment guidelines of the Funds will be appropriate in light of future, unanticipated changes to the real estate investing marketplace.
- While diversification is an objective of the Fund, there is no assurance as to the degree of diversification that will be achieved by geographic region, product type or investment type.
- The Fund may co-invest with third parties through funds, joint ventures, development projects or other entities. Such investments may involve risks not present in investments where a third party is not involved, including the possibility that a co-venturer or partner of the Fund may at any time have economic or business interests or goals which are inconsistent with those of the Fund, or may be in a position to take action contrary to the Fund's investment objectives. In addition, the Fund may be liable for actions of its co-venturers or partners.

- Under various federal, state and local laws and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in the property.
- There may be certain types of losses that are either uninsurable or not economically insurable. Should an uninsured loss or a loss in excess of insured limits occur, the Fund could lose both its invested capital as well as anticipated future revenue from the property and would continue to be obligated on any mortgage indebtedness or other obligations related to the property.
- The Interests have not been registered under the Securities Act of 1933 or any state securities law. There is no public market for the Interests and none is expected to develop. Investors may not withdraw capital from the Fund.
- The success of the Fund depends substantially on the skill and expertise of the management team. There can be no assurance that these individuals will remain throughout the term of the Fund. The loss of key personnel, particularly Rance Gregory, could have a material adverse effect on the Funds.

Valuation of Holdings

For valuation purposes, we generally use the fair value method of accounting. Equity investments are held at cost for the first year of ownership (unless management determines that an impairment of value exists in which case an adjustment is made), thereafter, equity investments are marked to market. Debt investments (mezzanine loans, preferred equity, B-Notes and whole loans) are marked to market quarterly beginning with the first quarter end following acquisition or origination. Valuations for both Equity and Debt investments are completed quarterly based upon the best available information as of 30 days prior to the end of the quarter for which the investment valuation is published, unless a material change is warranted. CMBS Bonds and similar commercial real estate debt securities are valued in accordance with the CMBS Valuation Policy and Procedures. REIT preferred and other similar debt securities are valued daily in accordance with the closing price of the security as reported by the applicable Fund custodian or prime broker.

Equity investments

The valuation of Equity Investments requires use of discounted cash flow analysis as well as a comparable sales approach.

Preferred Equity and Mezzanine Loans

Preferred Equity and Mezzanine Loans are valued using a discounted cash flow analysis based upon a discount rate equal to the accrual interest rate at which we would originate the same investment at the date of the valuation. Other valuation inputs include broker indications of value and comparable sales for similar assets.

CMBS bonds and similar commercial real estate debt securities

CMBS bonds and similar debt securities are valued using a discounted cash flow approach based upon a market discount rate for comparable securities and estimates of value by custodians and trading relationships.

REIT preferred and similar commercial real estate debt securities

REIT preferred and similar debt securities are valued in accordance with the closing price of the security as reported by the applicable Fund custodian or prime broker.

Management Fee Calculation

We charge management fees based upon either 1) total commitments during the investment period of each Fund, and thereafter on commitments remaining with respect to unrealized investments or 2) based upon the gross asset value of the Fund.

Item 9 – Disciplinary Information

Form ADV Part 2 requires investment advisers to disclose legal or disciplinary events involving the firm or our partners, officers, or principals that are material to your evaluation of our advisory business or the integrity of our management. At this time, we have no information to report that is applicable to this item.

Item 10 – Other Financial Industry Activities and Affiliations

The Adviser has a number of material relationships with its affiliates. Each of MSC Funding V, MSC Funding VI, LLC, MSDO Funding, MSDO Funding II and MSIF Funding are affiliates of the Adviser. Each of these affiliates serves as a general partner to a specific Fund.

Norris, Beggs & Simpson Companies, LLC is the sole owner of the Adviser. NBS Companies, LLC owns two additional affiliate entities: 1) NBS Real Estate Consulting, LLC, which performs general commercial real estate consulting services, and 2) Morrison Street Research publishes monthly newsletters, special reports and white papers focusing on current real estate, capital markets and economic trends to serve clients of its affiliated companies, Morrison Street Capital and NBS Real Estate Consulting. Several principals of NBS Companies serve as investment committee members for the Funds and are individually members of the general partnership entities of each Fund. The manager will not engage NBS Real Estate Consulting, LLC at the expense of the Funds.

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

Code of Ethics and Personal Trading.

We strive to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust, and we have adopted a Code of Ethics (the "**Code**") to help us meet these standards. The Code incorporates the following principles:

- Standards of Conduct
 - Confidentiality
 - Prioritization of Client interests.
- Compliance with Laws
 - Federal Securities Laws
 - Personal Trading Prohibitions and Monitoring

Fund investors, and prospective investors may review a copy of the Code by contacting us at the address or telephone number listed on the first page of this document.

Participation or Interest in Client Transactions.

The members of the General Partners, which include affiliates of the Adviser, participate in profits and losses associated with the Fund investments through the General Partners' interest in the Funds. Such persons do not have, and are prohibited from holding, other ownership interests in any of the Fund's portfolio investments.

Personal Trading.

Subject to the Code, as described above, we and our partners, principals, employees, and other affiliates may engage in real estate investment activities for our own account or for family members and friends. These activities may involve the purchase and sale of real estate investments that are similar to those purchased or sold for Client accounts.

Gifts and Entertainment.

Brokers, counterparties, service providers and other third parties with whom we do business occasionally provide gifts and entertainment to our principals and employees. We and our affiliates may enter into business transactions and relationships on behalf of a Client with the donors of such gifts and entertainment. Such gifts and entertainment create a conflict of interest in our selection and retention of these donors as service providers for Clients. To address this conflict, we have adopted policies and procedures to: 1) monitor gifts and entertainment given and received by our principals and employees; and 2) limit the value of gifts and entertainment given and received. We also have policies and procedures in place to help us monitor, and limit, the political contributions that our principals and employees make to public officials and candidates for elected office in accordance with the requirements of Rule 206(4)-5 under the Investment Advisers Act of 1940.

Disclosure of Portfolio and Other Information.

We sometimes provide portfolio holdings information to entities that have been engaged by the Fund to enter into asset-level or Fund level financing arrangements. In addition, we sometimes provide portfolio holdings information to existing Fund lenders to allow them to fulfill their regulatory compliance. We make reasonable efforts to preserve the confidentiality of the information we provide, such as by entering into non-disclosure agreements, but we cannot ensure that the entities we provide information to will fulfill their confidentiality obligations.

Item 12 – Brokerage Practices

General Brokerage Practices

Multi-strategy commercial real estate investment / Exclusive investment in commercial real estate debt / equity

Based on the nature of commercial real estate investing, we generally do not make use of securities broker-dealers in the traditional sense for buying and selling portfolio investments on behalf of the Funds; rather, most Fund investments are made through privately negotiated arrangements or through mortgage or real estate investment brokers. Nonetheless, in implementing transactions for a Fund, we take into account the full range of applicable factors when hiring third party service providers or other intermediaries, including but not limited to:

- Specific Product and Market Expertise
- Borrower / Buyer / Seller contacts and database
- Prior successful dealings
- Current listings / workload
- Cost

On behalf of the Funds we may engage banks, lenders, real estate brokers, legal and tax experts, environmental experts, insurance professionals and other service providers. The Funds pay these service providers through commissions or other service fees. We believe that analysis of the value of the services rendered by these service providers involves a number of factors, and that price is not the ultimate factor that determines whether we achieve “best execution” in selecting service providers.

Commercial Mortgaged Backed Securities (CMBS Bonds, REIT preferred securities and other commercial real estate debt securities

We allocate portfolio transactions for Client accounts to broker-dealers on the basis of best execution available—i.e., execution in a manner that the Client’s total cost or proceeds in each transaction is most favorable under the circumstances. We consider a variety of factors regarding broker-dealers in seeking best execution, including but not limited to:

- | | |
|--------------------------------------|-------------------------------------|
| ▪ Buyer/Seller contacts and database | ▪ Experience with specific security |
| ▪ Past performance | ▪ Security availability |

Clients should expect that their securities transactions will generate a substantial amount of brokerage commissions and other costs, all of which is borne by the Client, and not us. We have complete discretion to decide what broker-dealers or other counterparties will be used in executing transactions for Clients, and we negotiate the rates of compensation that Clients will pay.

In addition to using brokers as “agents” and paying resulting commissions, we sometimes cause Client accounts to buy or sell securities directly from or to dealers acting as principals at prices that include mark-ups or mark-downs, and may also cause Client accounts to buy securities from underwriters or dealers in public offerings at prices that include compensation to the underwriters and dealers.

Research and Other Soft Dollar Benefits

The Adviser does not pay for research or execution services with “soft” or commission dollars.

Trade Aggregation

When buying and selling CMBS Bonds and/or other commercial real estate debt securities for Clients, we may aggregate multiple transactions into one order so that eligible Clients may receive best available cost, efficiency and terms. Each Client that participates in an aggregated order participates at the average price. In assembling an aggregated order in specific securities (including privately offered investments and securities for which market quotations are not readily available) we consider the appropriateness of the investment for each Client based on their risk tolerances and objectives.

Other Brokerage Practices, Issues, and Conflicts:

Allocation of Our Time and Resources. Generally, we are not subject to specific obligations or requirements concerning the allocation of our time, efforts, resources, or investment opportunities to any particular Client. We are not obligated to devote any specific amount of time to the affairs of any Client and are generally not required (other than as specified in the limited partnership agreements of each Fund) to accord exclusivity or priority to any Client in

the event of limited investment opportunities. Our personnel devote time to the affairs of our Clients as they, in their discretion, determine to be necessary for the conduct of our business.

Transactions between Funds and Fund investors. On one prior occasion, one of our Funds engaged in a transaction with a Fund investor. The terms of that transaction were negotiated on an arm's-length basis. Any future transactions between the Fund and a Fund investor will also be negotiated on an arm's-length basis. Nevertheless, we and our affiliates may be subject to a conflict of interest when determining such terms because of the participation by our affiliated general partner in the Fund's profits.

Item 13 – Review of Accounts

We review Client accounts and portfolios on an ongoing basis. This review is carried out by our personnel and in certain cases our investment committee.

We provide Fund investors with a quarterly written statement regarding their account covering (1) funded and remaining commitment, (2) distributions broken out by return of capital and investment earnings, (3) net income and realized gain/loss for the quarter and inception-to-date, (4) unrealized gain/loss for the quarter and inception-to-date, (5) quarterly and inception-to-date returns and (6) remaining fair market value of the investors account at quarter end.

Item 14 – Client Referrals and Other Compensation

Registrant does not currently engage a solicitor or other third party provider to refer prospective clients.

Item 15 – Custody

We provide Fund investors with the Fund's annual audited financial statements prepared by an independent public accountant within 90 days of the end of each calendar year. In addition to these financial statements, we provide custody/prime brokerage statements with respect to any CMBS bonds and commercial real estate debt securities in which the Funds invest. We urge investors to compare the statements received from the Funds custodians with the statements they receive from us. Statements that we provide may vary from the statements received from Fund custodians due to differences in the timing on posting transactions, accounting procedures, or due to the Adviser's reported values for those securities.

Manager derived values (As noted in the Funds financial statements)

With respect to CMBS bonds and commercial real estate debt securities, the Adviser employs an extensive valuation method which includes gathering price inputs from a number of external sources including multiple trading relationships, third party pricing services, the pricing and trading of comparable securities, and the Fund's custodian. These multiple data points are evaluated in conjunction with an underwritten cash flow to create a value for a given security. Given the relative lack of liquidity in the real estate securities market, we believe this multi-source comparative approach produces a less biased (more accurate) value than by relying exclusively on a single source. The Funds' auditor was involved in the creation of the Funds' valuations policies and concurs with the process. From time to time there will be differences between the values we determine and those indicated by the Funds' custodian. In all cases, we will rely on the values produced by the current policy.

Item 16 – Investment Discretion

We generally receive and exercise discretionary authority to manage investments on behalf of Clients. As noted in Item 4 above, Clients impose limitations on this discretion through investment guidelines reflected in the Fund's limited partnership agreement.

We have established certain policies and procedures to govern our investment discretion. These policies address due diligence and investment level underwriting at the acquisition or origination of an investment, as well as the monitoring and management of held investments. In accordance with each Funds partnership agreement, the board

of each general partnership entity has appointed an investment committee which is responsible for the investment activities of the Funds. The investment committee shall 1) approve each investment, 2) approve each liquidity event (disposition), and 3) provide guidance on other matters brought before it by the general partner of each Fund. Investment committee approval generally requires a majority of its members.

Item 17 – Voting Client Securities

Adviser does not purchase, on behalf of any of its clients, any securities as to which the holder thereof has voting rights. If any such securities are acquired in the future, Adviser will vote in a manner that serves the best interests of the Client.

Item 18 – Financial Information

Form ADV Part 2 requires investment advisers such as Adviser to disclose any financial condition reasonably likely to impair the ability to meet contractual commitments to clients. At this time, we have no information to report that is applicable to this item.