



Form ADV Part 2A Brochure

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This brochure provides information about the qualifications and business practices of Hudson Americas L.P. (“HAM”), the filing adviser, and its relying adviser, Hudson Advisors L.P. (“HAL”). Together, HAM, its relying adviser and its participating affiliates (listed in Item 10) are referred to herein as “Hudson.” If you have any questions about the contents of this brochure, please contact us at 214-754-8400. 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 Hudson is also available on the SEC’s website at: www.adviserinfo.sec.gov. Registration as an investment adviser does not imply a certain level of skill or training.

Item 2: Material Changes

This brochure, dated March 30, 2023, contains material changes from Hudson’s previous annual update, dated March 31, 2022, namely governance (Item 4), certain additional risks (Item 8) and conflicts (Item 11), as well as legal and regulatory developments (Item 9). In addition, Hudson routinely makes updates throughout the brochure to enhance the description of its business practices, compliance policies, and procedures, as well as to respond to evolving industry best practices.

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Item 4: Advisory Business

A. Organization

Founded in 1995, Hudson is a globally integrated alternative investment manager, asset manager, and service provider focused on residential real estate, commercial real estate, credit, equity, and other financial assets. Hudson provides investment advisory and related services to private funds (collectively the “Funds”) and certain related investment vehicles and separately managed accounts as discussed under “Advisory Clients” below (which Hudson refers to, collectively with the Funds, as its “Clients”) from offices in North America, Europe, Asia, and Latin America.

Hudson provides investment advice and services with respect to a broad range of financial and other investment assets in various U.S. and non-U.S. jurisdictions, subject to the specific objectives and restrictions of each Client. These assets include, but are not limited to:

- Equity and debt investments in value-oriented assets, including corporate, commercial and single family residential real estate and consumer debt;
- Direct and indirect equity investments in real estate and real estate-related assets;
- Control investments in financially-oriented and other operating companies;
- Securitized products, such as residential mortgage-backed securities (“RMBS”), collateralized debt obligations (“CDOs”) (the underlying assets of which generally consist of RMBS), commercial mortgage-backed securities (“CMBS”), and other asset-backed securities (“ABS”); and
- Single-family rental (“SFR”) homes in targeted areas of the United States.

The sole limited partner of HAL is Hudson Advisors Holdings L.P. The majority limited partner of Hudson Advisors Holdings L.P. is Hudson LP Holdings LLC. The general partner of Hudson Advisors Holdings L.P. is Hudson Advisors GenPar LLC, which is also the general partner of HAL. Hudson Advisors GenPar LLC is owned by Hudson LP Holdings LLC. The sole member of Hudson LP Holdings LLC is Hudson LP Holdings Ltd. The Hudson LP Holdings Trust is the 100% shareholder of Hudson LP Holdings Ltd. Minot Nevada PTC, Inc. serves as trustee for The Hudson LP Holdings Trust. Minot International Ltd. is the 100% shareholder of Minot Nevada PTC, Inc., and The Minot Purpose Trust is the 100% shareholder of Minot International Ltd. Conyers Trust Company (Bermuda) Limited serves as trustee for The Minot Purpose Trust. HAL directly or indirectly owns 100% of the filing adviser HAM.

B. Advisory Clients

Hudson provides investment advisory and related services to the Funds and certain related investment vehicles in addition to separately managed accounts.

1. Lone Star

Lone Star Global Acquisitions, Ltd. (“LSGA”), a related person of Hudson and an SEC-registered investment adviser, is the primary adviser to a family of closed-end private Funds (the “Lone Star Funds”). LSGA, Lone Star Americas Acquisitions, Inc. (“LSAA”), and LSAA’s relying advisers and participating affiliates are collectively referred to in this brochure as “Lone Star.” The general partners of the Lone Star Funds (the “LS General Partners”) are affiliates of Lone Star.

Hudson was originally established to provide support to Lone Star and the Lone Star Funds. Hudson continues to provide investment advisory services (including, without limitation, asset management and underwriting) and administrative and support or ancillary services to the Lone Star Funds, which remain its largest group of Clients. Further information regarding Lone Star and its services may be found in Items 4 and 10 and in the Form ADV Part 2 brochure for Lone Star.

From time to time, Lone Star raises capital around particular or multiple investment strategies or themes, or establishes, for a specific investment, investment vehicles through which certain persons generally invest alongside one or more Lone Star Funds (each, a “Co-Investment Vehicle”). Co-Investment Vehicles do not include the Employee Co-Investment Vehicles (as defined below). The investors in Co-Investment Vehicles may consist of investors in the respective Lone Star Fund(s) as well as investors that have not invested in the respective Lone Star Fund(s).

Certain of those persons designated as “Principals” in the Lone Star Fund’s Governing Documents (as defined below) and certain officers, directors, executives, members, contractors, and employees of Hudson, Lone Star, and their affiliates (“Key Employees”) are given the opportunity to participate with the Lone Star Funds in investments by the Lone Star Funds through employee co-investment vehicles (each, an “Employee Co-Investment Vehicle”). Certain Employee Co-Investment Vehicles are treated as Clients of Hudson.

2. SFR Fund

On March 5, 2021, Hudson Single-Family Rental GP LLC (the “SFR Fund General Partner”) held the initial closing of the Hudson Single-Family Rental Fund L.P. (collectively with its subsidiaries and parallel vehicles, and any related collective investment vehicles, the “SFR Fund”), a perpetual life, open-ended, commingled fund with a primary investment objective to achieve attractive, risk-adjusted returns by assembling or otherwise acquiring and renting individual, and/or portfolios of, single-family rental homes in targeted areas of the United States. The SFR Fund General Partner is a related person of Hudson. HAL has entered into an asset management agreement with the SFR Fund pursuant to which HAL provides the

SFR Fund advisory, portfolio and investment management, investment committee, and investor relations services, subject to the oversight of the SFR Fund General Partner.

3. Family Accounts

HAL provides investment advisory services to certain accounts related to members of senior management of Lone Star and Hudson or their families (“Family Accounts”) through separately managed accounts. Except as provided in the applicable agreements with the Client, organizational or offering documents, advisory committee consents, and/or side letter agreements negotiated with the Client’s investors (collectively, together with any amendments, supplements and/or restatements and relevant advisory committee meeting consents, the “Governing Documents”) of the Lone Star Funds, the Family Accounts generally do not engage in transactions related to other Hudson Clients and do not invest in the same types of assets as other Clients.

C. Description of Services

1. Advisory Services

Hudson provides a variety of discretionary and non-discretionary advisory services to Clients with respect to current or potential investments. Hudson conducts underwriting, due diligence, and analysis of specific assets and portfolios of assets. With regard to the Lone Star Funds, Hudson provides due diligence and underwriting services and advises Clients on acquisition and disposition strategies, including transaction structuring and financing, and assists with implementation of approved transactions. Hudson’s underwriting/due diligence and analysis services with respect to potential Lone Star Fund investments supports Lone Star’s evaluation and execution of such investments, including (i) underwriting and valuation of potential investments, (ii) market assessments/research, (iii) development of models for evaluating potential investments, (iv) detailed business plan formulation, (v) capital expenditures assessment and planning, (vi) corporate governance and board structuring, (vii) assistance with negotiation and documentation of deal/financing terms, (viii) employment arrangements and management incentive plans, and (ix) full financial reviews and analysis and transaction execution, which includes a complete bottom-up, asset-based due diligence evaluation of the potential transaction. In some cases, certain of these services will be undertaken before a specific investment target has been identified. Hudson also advises the Lone Star Funds on asset management strategies as well as overall portfolio composition and investment strategy. Hudson manages and resolves Client assets in accordance with a business plan that Hudson develops that includes an initial acquisition plan which contains a summary of the investment, potential action items to maximize income growth, and a plan to assimilate the acquisition into Hudson’s asset management program. Hudson’s asset management services include a broad range of asset management activities across all asset types relevant to the Lone Star Fund. For certain Lone Star Funds, operating company oversight (if any) is classified as an asset management service, and for other Lone Star Funds,

it is classified as an ancillary service (see below). Hudson tailors its non-discretionary advisory services to the investment strategies and objectives of each Client.

Hudson provides a variety of services to the SFR Fund, including advisory, portfolio and investment management, investment committee, and investor relations services, subject to the oversight of the SFR Fund General Partner. Hudson identifies the selection criteria for sourcing SFR assets for the SFR Fund and originates assets for inclusion in a portfolio of SFR homes. Once a target SFR asset or portfolio has been identified, the underwriting team will evaluate the merits and risk associated with the investment by performing an in-depth analysis of the target SFR asset's characteristics to determine how well it meets Hudson's investment criteria ("buy box") for the relevant target metropolitan statistical areas ("MSAs") to assess the suitability of the investment. An investment committee will, among other things, approve the target MSAs, the amount of the SFR Fund's capital to be allocated to such target areas, the SFR Fund's buy box for such target areas, along with any incurrence of leverage, and will approve the acquisition of portfolios of SFR assets as they arise in the standard course of business.

In addition, Hudson monitors asset and portfolio performance on behalf of the SFR Fund. Hudson conducts a detailed periodic review across the portfolio to provide the formal framework for internal valuation and review, continuously assesses the SFR Fund's portfolio to explore disposition and financing opportunities, and executes asset dispositions.

Hudson provides services to certain Lone Star Funds with respect to corporate debt under the name LStar Capital.

2. Administrative and Support or Ancillary Services

Hudson provides certain administrative and support or ancillary services to Clients and their investments that work in tandem with advisory services and include, among others, legal, compliance, audit, accounting, fund administration and support (including investor capital calls, advisory committee material preparation, quarterly investor report preparation, investor portal maintenance and access, research supporting fundraising, preparation of investor due diligence materials, and marketing material preparation), reporting, cash management, hedging, tax, risk management advice, communications, information technology development and support, and other similar and related services. Certain investor relations services that Hudson provides to the SFR Fund are provided via the Lone Star investor relations team. As part of Hudson's administrative and support or ancillary services, it advises on the fair value of Client investments and also provides periodic financial reports on Client investments, as discussed in Item 13. Hudson also provides certain ancillary or administrative and support services directly to Lone Star in connection with Lone Star's business and general operations.

D. Investment Process

As noted above, Hudson maintains an investment committee for the SFR Fund that is responsible for, among other things, approving the target MSAs, the amount of the SFR Fund's capital to be allocated and the buy box for such target areas, any incurrence of leverage and the acquisition of portfolios of SFR assets as they arise in the standard course of business.

E. Assets Under Management

As of December 31, 2022, Hudson managed on a discretionary basis a total of approximately \$43,291,172,855 of Client assets. Please note that this figure has not been subject to audit.

Item 5: Fees and Compensation

Hudson generally receives fees, directly or indirectly, from Clients for services provided. Hudson is also generally entitled to be reimbursed by Clients for expenses paid on their behalf. Common Hudson fee and expense arrangements are discussed below. The specific fee and expense terms for each Client are subject to negotiation with the Client and are detailed in the Governing Documents of the relevant Client. Fees paid by Clients are indirectly borne by their investors.

Hudson typically bills fees for its services on a monthly or quarterly basis in arrears and generally does not bill in advance. In limited circumstances, Hudson fees may be payable in advance. If Hudson did not perform the applicable services for the entire quarter, Hudson would return or rebate funds consistent with the terms of the applicable agreement. A Client may invest in assets directly or indirectly through partnerships, limited liability companies, corporations, or other entities that hold the assets (collectively, the "Fund Entities"). Hudson's fees are billed to the applicable Client and/or Fund Entity.

As further discussed below, each Client generally bears all expenses related to its investments, including the broker's commissions, clearance charges, due diligence expenses (related to consummated or unconsummated investments), loan servicing fees, travel expenses, taxes, other expenses incident to the purchase, maintenance and sale of investments by such Client, charges incurred in connection with the custody of investments, outside legal and accounting fees, insurance and litigation expenses, and any taxes, fees, or other governmental charges levied against the investment. Item 12 - "Brokerage Practices" - discusses Hudson's practices for choosing brokers and certain other counterparties.

A. Fees and Expenses Payable by the Lone Star Funds

1. Advisory Services

Hudson provides investment advisory services (including, without limitation, asset management and underwriting) to the Lone Star Funds, the relevant Lone Star Fund Entity, and/or to the applicable operating company owned by one or more of the Lone Star Funds

(“Portfolio Company”). Hudson fees for underwriting/due diligence and analysis services for certain Lone Star Funds are based on a cost plus methodology, and for other Lone Star Funds the relevant fees are charged at market-based rates.

For asset management services provided to the Lone Star Funds and related Clients, Hudson receives an asset management fee. Hudson fees for asset management services are negotiated periodically and will vary within the applicable maximum asset management fee limits, as defined in the Lone Star Funds’ Governing Documents. Hudson’s fees are billed to the applicable Lone Star Fund, to the Lone Star Fund Entity that directly or indirectly owns the applicable investment, and/or to the applicable investment.

Hudson’s fees and investment business plans for Lone Star Fund investments are periodically reviewed and adjusted and are, therefore, subject to change. Lone Star and Hudson periodically benchmark the asset management fee limits against fees charged by third-party service providers.

2. Administrative and Support or Ancillary Services

Hudson fees for administrative and support or ancillary services for certain Lone Star Funds are based on a cost plus methodology and for other Lone Star Funds the relevant fees are charged at market-based rates.

3. Expenses

Clients are typically required to cover expenses related to their investments and the operations of the entities involved, including the offering and sale of interests to prospective investors and the organization of the Client. Client expenses include recurring and regular items, as well as extraordinary expenses which may be difficult to budget or forecast. As a result, the amount of expenses ultimately borne by one or more of the Clients may exceed expectations. The specific types of expenses payable by each Client are subject to negotiation with the Client and are detailed in the applicable Governing Documents or services agreements. To the extent that Client expenses are initially incurred by Hudson rather than paid by Clients or Fund Entities directly, Clients will reimburse Hudson for such expenses. With regard to the Lone Star Funds, please reference the Lone Star Form ADV for information relating to expenses borne by the Lone Star Funds.

While the general operating expenses of the LS General Partners, Lone Star, Hudson, or their affiliates (including payroll and other overhead costs and taxes) are not paid or reimbursed directly by the Lone Star Funds, Hudson and its affiliates may seek reimbursement from a Lone Star Fund for such expenses as are permitted to be reimbursed under such Lone Star Fund’s Governing Documents. To the extent such overhead and Employee Co-Investment Vehicle costs are incorporated into Hudson’s fees and rates and such overhead costs are incorporated into the fees and rates of other affiliated service providers, such costs will be borne by certain of the Lone Star Funds and will not offset fees charged to the Lone Star Funds.

B. Fees and Expenses Payable by the SFR Fund

1. SFR Fund Management Fee

Each limited partner in the SFR Fund bears a management fee (the “SFR Fund Management Fee”) to be paid on a quarterly basis in arrears. The SFR Fund Management Fee is a percentage of the SFR Fund’s net asset value attributable to each limited partner’s investment in the SFR Fund. The net asset value is the fair value of the SFR Fund’s net assets, taking into account both the fair value of the SFR Fund’s liabilities as determined by the SFR Fund General Partner, plus the unamortized balance of any organizational and offering expenses of the SFR Fund (the “Net Asset Value”). The SFR Fund Management Fee compensates Hudson for advisory, portfolio and investment management, investment committee, and investor relations services for the SFR Fund. Hudson may at any time elect to defer, reduce, waive or otherwise modify payment of all or any part of any installment of the SFR Fund Management Fee with respect to one or more investors; provided that any such deferral, reduction, waiver, or modification will not increase the SFR Fund Management Fee payable by any other investor.

2. Other Fees and Expenses

With regard to the SFR Fund and as described further in the SFR Fund Governing Documents, whether the SFR Fund makes any profits or not, the SFR Fund is responsible for, and pays or reimburses the SFR Fund General Partner or its affiliates for, the expenses of the SFR Fund, including, without limitation:

- all costs and expenses pertaining to the offering and sale of units in the SFR Fund to prospective investors and the organization of the SFR Fund and the SFR Fund General Partner, including without limitation, any: legal; printing; capital raising; accounting; regulatory compliance; administrative; filing; transportation; pre-marketing; and other organizational and offering expenses, which may include certain in-house legal, compliance and other back office expenses;
- all expenses incurred in connection with the SFR Fund’s operations, including, without limitation, the fees and costs incurred in engaging various affiliated and non-affiliated parties to provide specialized property recovery, renovation, construction management, appraisal, valuation, insurance, development, marketing, broker, asset management, consulting and related services, including, without limitation, Hudson, Hudson Homes Management LLC (together with its subsidiaries, “Hudson Homes”) and their respective affiliates;
- costs, fees and expenses of legal counsel, tax advisors, brokers, auditors, accountants, administrators, bookkeepers, custodians, depositaries (including costs, fees and expenses related to appointments or changes of a depositary, representative or paying agents appointed pursuant to applicable laws and the implementation

thereof), banks, agents, consultants, compliance firms and other outside advisors or service providers;

- fees, costs and expenses associated with the formation and maintenance of the SFR Fund's subsidiaries, including all costs, fees and expenses incurred to qualify or maintain a subsidiary's status as a real estate investment trust;
- all expenses incurred with respect to the purchase, holding, ownership, management, hedging (including fees, costs, and expenses of hedging and related risk management services to be rendered by employees of Hudson for the SFR Fund), financing, refinancing, sale or proposed sale of any assets (even those not consummated), and including SFR Fund Management Fees and property management fees;
- costs of property management, investment and fund accounting software and services (including, without limitation, any acquisition software platforms and tenant web portals) or other administrative or reporting tools (including subscription-based services) for the benefit of the SFR Fund;
- costs of preparing, distributing, compiling and filing (each, as applicable) financial statements and other reports (including the costs of licensing, implementing and maintaining any web portal, extranet tools or other reporting tools), tax returns, Schedule K-1s to the limited partners or any administrative, compliance, legal, tax or regulatory filings, registrations or reports (including any filings, registrations or reports pursuant to laws in jurisdictions in which the SFR Fund invests, has investors domiciled or otherwise located in or otherwise does business), any taxes, fees or other governmental charges levied against the SFR Fund, expenses incurred in connection with any tax audit, investigation, settlement or review of the SFR Fund, or other information, including fees and costs of any third parties related to the foregoing;
- the costs of prosecuting or defending any legal action for or against the SFR Fund, the SFR Fund General Partner, Hudson, Hudson Homes or their affiliates, in each case, so long as such legal action relates to the SFR Fund, its business, investments, assets or operations;
- principal and interest on and fees, expenses, costs and other amounts payable in respect of or arising out of all permitted borrowings made by the SFR Fund;
- all costs and expenses, including premiums, related to risk management services and insurance for the SFR Fund, including services rendered by employees of Hudson for the SFR Fund in connection with obtaining insurance to protect the SFR Fund, its affiliates, the SFR Fund General Partner, the other parties entitled to indemnification and the limited partners in connection with the SFR Fund (provided, that to the extent Hudson provides insurance to the SFR Fund directly, Hudson may charge all such costs and expenses, including premiums, so long as such amounts

are consistent with the amounts that would be payable to outside insurance providers under arm's-length agreements for substantially similar insurance coverages);

- costs and expenses relating to the SFR Fund's indemnification of parties entitled to indemnification pursuant to the Governing Documents;
- fees, costs and expenses related to in-house legal, compliance, SFR Fund administrative services and other back office services (as more fully described below) to be rendered by employees of Hudson for the SFR Fund (including associated overhead expenses of such employees), all of which will be charged to the SFR Fund at market-based rates;
- all expenses of dissolving and liquidating the SFR Fund and its subsidiaries;
- expenses related to travel associated with investigating and evaluating investment opportunities or making, monitoring, managing or disposing of the SFR Fund's investments;
- extraordinary expenses, including, without limitation, any changes to the management structure and operation of the SFR Fund and the terms of the SFR Fund Governing Documents, the SFR Fund's management agreement and any agreement with any other provider of services to or in respect of the SFR Fund as the SFR Fund General Partner or Hudson considers to be necessary or desirable (provided, that such changes or amendments are not primarily for the benefit of the SFR Fund General Partner or Hudson);
- unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer by a limited partner;
- the cost and expense of any indebtedness of the SFR Fund, any subsidiary, Hudson, the SFR Fund General Partner, or any of its affiliates on behalf of the SFR Fund (including any credit facility, letter of credit or similar credit support), including the repayment of principal and interest with respect thereto, or seeking to put in place any such indebtedness;
- the cost and expense of any guarantees (in connection with indebtedness or otherwise) made by or for the benefit of the SFR Fund, any subsidiary, Hudson, the SFR Fund General Partner, or any of its affiliates on behalf of the SFR Fund, including the repayment of principal and interest with respect thereto, or seeking to put in place any such guarantee; and
- any other fees, costs or expenses that the SFR Fund General Partner determines in good faith are properly chargeable to the SFR Fund as a result of its operations, including, without limitation, any expenses expressly set forth in the SFR Fund's Governing Documents.

As described above, the SFR Fund bears fees, costs and expenses related to a number of in-house back office services, including associated overhead expenses of certain employees, in each case and as applicable, including in connection with capital raising activities and for the ongoing operations of the SFR Fund, all of which will be charged to the SFR Fund at market-based rates. Back office services include, without limitation, in-house legal (including tax structuring services), compliance, SFR Fund administrative services (including the preparation of capital calls, distribution notices and certain SFR Fund reporting), the preparation of reports generally (including, without limitation, quarterly, annual or periodic reports pertaining to financial information, taxes, environmental, social and governance issues, investments and/or other SFR Fund or portfolio-level information), the preparation of tax returns, services related to portfolio or investment valuation, accounting, auditing, regulatory filings (including for state, federal and non-U.S. jurisdictions), liquidity management, hedging and related risk solutions, insurance (for the SFR Fund or its investments), compliance with any debt or securitization-related requirements, and treasury services, in each case, rendered by employees of Hudson for the SFR Fund. Travel, accommodation and related expenses described herein and charged to the SFR Fund include, without limitation, air travel (including business or first class), car services, meals and hotels incurred in holding, developing, identifying, evaluating, negotiating, making, structuring, acquiring, monitoring, selling and otherwise disposing of investments (including fees for attendance of industry conferences, the primary purpose of which is sourcing investments) and otherwise in connection with the business of the SFR Fund. If Hudson Homes, Hudson or the SFR Fund General Partner or one of their affiliates or designees incurs SFR Fund expenses in connection with its duties as an agent of the SFR Fund, such party will be entitled to reimbursement for an amount equal to such expenditure by way of additional consideration for the management services or other services provided.

C. Shared Fees, Costs, and Expenses

From time to time, a general partner, Lone Star, or Hudson will be required to decide whether fees, costs, and expenses are to be borne by a Client or an affiliate, on the one hand, or Lone Star, Hudson, a general partner, or one or more Clients or Co-Investment Vehicles, on the other, and, if so, whether and how certain costs and expenses should be allocated among those parties. With the exception of certain co-investment-related expenses, expenses that are attributable to or for the benefit of multiple Clients or Co-Investment Vehicles will generally be allocated on a pro rata basis on the relative size of the Client's or Co-Investment Vehicle's participation in an investment opportunity, but may be allocated in a different manner if the general partner determines in good faith that doing so is more equitable or appropriate under the circumstances. Each of the general partner, Lone Star, and Hudson will make such allocation judgments in its fair and reasonable discretion, notwithstanding its interest in the outcome, and may make corrective allocations should it determine that such corrections are necessary or advisable. There can be no assurance that a different manner of allocation would not result in one or more Clients bearing more (or less) expenses. If the expenses incurred in connection with a particular matter should be borne in part by a Client and in part by such Client's general partner or Lone

Star or Hudson, then such expenses will be allocated among such parties as determined by such Client's general partner, Lone Star, and Hudson in good faith to be equitable.

These allocation decisions create conflicts of interest for Hudson in some instances, as the allocation of such fees, costs, and expenses may impact the performance of different Clients, as well as management fees and profits interest and incentive allocations. As Hudson is an affiliate of LSGA and the LS General Partners, it has an interest in the allocation among Lone Star Funds. Hudson, in conjunction with its Clients, allocates such expenses in good faith and consistent with its Clients' policies. Hudson has implemented policies and procedures designed to ensure that expense allocations are equitable and consistent with the requirements of the applicable Governing Documents. Certain expenses shared by one or more Clients may be initially paid by a single Client, which is reimbursed by other Clients for their appropriate share of the relevant expenses.

D. Fees and Expenses Relating to Co-Investment Vehicles and Employee Co-Investment Vehicles

Fee and expense arrangements for investors in Co-Investment Vehicles are often different from those of investors in the Lone Star Funds, and management fees, Hudson or other affiliated servicer fees, profits interest, costs and expenses, and other amounts may be reduced or waived for the benefit of one or more Co-Investment Vehicles and/or co-investors.

A Client may bear the full amount of any upfront payment or expense of any co-investment. While unlikely, it is possible that if a Client initially funds such payment or expense, the co-investors could default on their obligation (if any) to reimburse the Client. In addition, in the event that a Co-Investment Vehicle or other similar vehicle is created to invest alongside a Client in connection with a particular investment, expenses incurred solely for the benefit of the Co-Investment Vehicle or the co-investor(s), as well as expenses incurred in connection with making and holding an investment, may be borne by a Client and not by the Co-Investment Vehicle or co-investor(s). A Client may bear these expenses whether or not an investment is consummated; however, it is particularly likely to occur when a co-investment contemplated for a proposed transaction is ultimately not consummated, in which case, the full amount of any co-investment-related expenses relating to such proposed but unconsummated transaction will be borne by the Client and not by the Co-Investment Vehicle or other co-investor(s). Co-investment-related expenses include but are not limited to, organization and formation and other expenses; underwriting costs; Hudson fees; legal, accounting, advisory, consulting or other third-party expenses; any travel and travel-related expenses; all fees, costs and expenses of lenders, investment banks and other financing sources in connection with arranging financing for a proposed investment (including commitment fees); any break-up fees, reverse termination fees, topping, termination or other similar fees; extraordinary expenses such as litigation costs, settlements, and judgments and other expenses; and any deposits or down payments of cash or other property which are forfeited in connection with a proposed investment that is not consummated. Even if a co-investment is consummated, the general

partner of a Client may agree with potential co-investors that a Client will bear more than its pro rata share of certain co-investment expenses.

Employee Co-Investment Vehicles do not pay any fees to Lone Star, profits interest, or other Lone Star Fund-level expenses, but do bear a portion of the expenses associated with the investment and Unconsummated Transaction (as defined below) expenses incurred by the corresponding Client(s). Employee Co-Investment Vehicles do not pay any fees directly to Hudson, but receive distributions from the underlying investments net of fees paid to Hudson, transaction costs, and other fees and expenses allocated to the investment. Further information regarding the Co-Investment Vehicles, Employee Co-Investment Vehicles, and Unconsummated Transaction expenses is discussed in Item 11 - “Conflicts of Interest.”

E. Family Accounts

Hudson typically charges fees for services provided to Family Accounts using hourly billing rates based on the cost of providing the services plus a specified margin. The cost of such services is not borne by other Hudson Clients.

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

Each LS General Partner, which is a related person of Hudson, receives a “profits interest”, which is a certain percentage of the actual returns of each investment made by the relevant Lone Star Fund provided that certain performance hurdles are achieved. Certain associated persons of Lone Star and Hudson have interests in one or more of the LS General Partners and receive a portion of such profits interest. Payment of the profits interest will generally occur on an investment-by-investment basis after all capital contributed for such investment is returned and a specific preferred return on such investment is realized and paid to the relevant Lone Star Fund’s limited partners. The specific structure of each Lone Star Fund’s profits interest is detailed in its Governing Documents.

In accordance with the Governing Documents of the SFR Fund, the SFR Fund General Partner is entitled to share in the profits of the SFR Fund via an incentive allocation if the appreciation of the Net Asset Value of the units held by a particular limited partner in the SFR Fund over a specified period of time exceeds a specified hurdle amount during such period (after accounting for any losses during any prior periods). For each limited partner, the incentive allocation equals (i) a portion of such limited partner’s excess profits (i.e., a portion of the limited partner’s share of any increases in the Net Asset Value of the SFR Fund) over the hurdle amount, and (ii) a certain percentage of any remaining excess profits attributable to such limited partner. Certain associated persons of Lone Star and Hudson have interests in the SFR Fund General Partner and are entitled to a portion of such incentive allocation.

Item 7: Types of Clients

Hudson's primary Clients are the Lone Star Funds, the SFR Fund, and their respective affiliates. Hudson may also provide services to financial institutions, corporate and public pension Funds, sovereign wealth funds, university endowments, foundations, other private funds, and operating companies.

Interests in the SFR Fund are offered pursuant to applicable exemptions from registration under the U.S. Securities Act of 1933, as amended and the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act"). Investors in the SFR Fund are generally "qualified purchasers" as defined in the Investment Company Act, and may include, among others, high net worth individuals, banks, thrift institutions, pension and profit sharing plans, trusts, estates, charitable organizations, university endowments, corporations, limited partnerships and limited liability companies or other entities.

Hudson does not have a minimum size for the SFR Fund, but minimum investment commitments have been established for investors in the SFR Fund. The SFR Fund General Partner may in its sole discretion permit investments below the minimum amounts set forth in the Governing Documents of the SFR Fund.

As noted in Item 4, Hudson provides investment advisory services to certain Family Accounts through separately managed accounts.

See Item 4 – "Advisory Business" – for a further description of the types of clients serviced by Hudson.

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

A. Methods of Analysis

With regard to the Lone Star Funds, Hudson leverages its transactional experience and a global platform to provide due diligence and analysis, asset management and administrative and support or ancillary services to the Lone Star Funds and their assets. Specifically, when evaluating potential investment opportunities or markets, Lone Star generally engages Hudson to complete a preliminary underwriting of investment opportunities or market assessment followed, as appropriate, by a full financial review and valuation, which includes a complete bottom-up, asset-based due diligence evaluation of the transaction. In connection with the acquisition of an investment by the Lone Star Funds, Hudson prepares an initial acquisition plan that contains a summary of the investment, potential action items to maximize value (including, but not limited to, as applicable, potential future add-on investments, physical or operational improvements, lease-up, repositioning work, capital structure optimization or financial optimization), and a plan to assimilate the acquisition into Hudson's asset management program. Lone Star is not involved in the day-to-day asset management of the Clients' investments, but rather provides strategic oversight and advice with respect to the asset

management and exit strategy of Fund investments. Senior management of Hudson, with strategic oversight and investment advice from Lone Star, advises on the appropriate exit, based on the ongoing analysis of buy versus hold scenarios in an effort to achieve overall maximum risk-adjusted returns. In analyzing the optimal exit strategy of each asset, a variety of possible disposition alternatives are considered based on a given asset's underlying characteristics.

With regard to the SFR Fund, Hudson's investment committee, among other things, identifies the selection criteria for sourcing SFR assets. Once a target SFR asset or portfolio has been identified, Hudson's underwriting team evaluates the merits and risk associated with the investment by performing an in-depth analysis of the target SFR asset's characteristics to assess the suitability of the investment. The investment committee of the SFR Fund is responsible for, among other things, approving the markets to be targeted by the SFR Fund and the investment criteria for such markets, the amount of capital to be allocated, the incurrence of leverage and the acquisition of portfolios of SFR assets as they arise. Hudson monitors asset and portfolio performance on behalf of the SFR Fund. Hudson conducts a detailed periodic review across the portfolio to provide the formal framework for internal valuation and review and values the portfolio to explore financing and (where applicable) disposition opportunities and executes asset dispositions.

B. Investment Strategies

1. Lone Star Opportunity Funds

The Lone Star Opportunity Funds ("Opportunity Funds") target opportunistic investments in a broad range of financial and other investment assets predominantly consisting of assets other than commercial real estate investments. The Opportunity Funds will invest, directly or indirectly, in single asset transactions or portfolios of assets. Subject to the leverage limitations set forth in the relevant Governing Documents, an Opportunity Fund, directly or through Fund Entities, may use a substantial amount of direct or indirect leverage in connection with its investments.

2. Lone Star Real Estate Funds

The Lone Star Real Estate Funds ("Real Estate Funds") target opportunistic commercial real estate investments and for certain Lone Star Funds opportunistic and value-add commercial real estate investments through the acquisition of a broad range of financial and other investment assets in single asset transactions or portfolios of assets. The Real Estate Funds may use a substantial amount of direct or indirect leverage in connection with their investments, subject to any leverage limitations set forth in a relevant Real Estate Fund's Governing Documents.

3. Lone Star Residential Mortgage Funds

The Lone Star Residential Mortgage Funds ("Residential Mortgage Funds") target investments in assets predominantly comprised of, or relating to, U.S. single family residential real estate and related assets. The Residential Mortgage Funds directly or through

Fund Entities, are expected to deploy a substantial amount of direct or indirect leverage in connection with their investments, including through the use of securitizations.

4. Lone Star Value Add Funds

The Lone Star Value Add Funds (“VA Funds”) target investments that the applicable LS General Partner has determined, in its sole discretion, consist of commercial real estate investments with value-add characteristics, in each case, that the applicable LS General Partner expects will generate a gross internal rate of return below the opportunistic target return of the Real Estate Funds. VA Funds may finance their investments in a manner that creates a substantial amount of direct or indirect leverage.

5. SFR Fund

The primary objective of the SFR Fund is acquiring and renting individual and/or portfolios of SFR homes in targeted areas of the United States. The SFR Fund targets investments in SFR assets in metropolitan statistical areas within the United States that Hudson, in its discretion, identifies as appropriate for SFR Fund investments based on a variety of factors, including demographic and housing fundamentals and general market conditions.

C. Risks

All investments involve the risk of loss that Clients and their underlying investors should be prepared to bear. Not all possible risks are described below, and the risks described below may not be applicable to all Clients. A more detailed discussion of the risks relating to an investment in one of the Lone Star Funds or the SFR Fund can be found in the applicable Client’s Governing Documents.

- 1. Opportunistic Investment Strategy.** The opportunistic investment strategy utilized by Hudson on behalf of certain Clients generally does not incorporate consideration of other investments held in a Client’s investment portfolio. Accordingly, portfolio risk controls such as value at risk metrics, investment diversification across regions or industries or avoidance of risk concentration at the investment portfolio level are typically not considered when assessing the merits of a potential investment. Instead, certain Clients are agnostic as to location and asset type and such Clients’ investment strategy focuses on single asset transactions or portfolios of assets that a general partner expects will collectively generate fund level returns on a levered basis over the life of the relevant Client that are consistent with the Client’s opportunistic investment strategy. This opportunistic investment strategy may result in a significantly higher risk profile for those Clients compared to a strategy that actively diversifies investments across type, sector, location, and/or other risk factors.
- 2. Limited Number of Investments.** Clients may participate in a limited number of investments or a limited number of asset classes and, as a consequence, the aggregate return of Client portfolios may be substantially adversely affected by the unfavorable performance of even a single investment. In addition, while a Client’s Governing Documents may provide

limitations on the size of an investment that is an individual asset or a portfolio of assets (which portfolio of assets may include a single company comprised of separate subsidiaries and/or divisions engaged in multiple product lines, segments and/or geographies), such limitations may be waived by an advisory committee of investors created pursuant to a Client's Governing Documents ("Advisory Committee"). Further, to the extent a Client participates in a limited number of investments, the diversification of the Client's investments across asset classes and geographic regions could be limited. A Client limited to primarily one product line, such as a Residential Mortgage Fund, is particularly susceptible to this risk.

- 3. Troubled Assets.** Clients may make investments in secured and unsecured non-performing loans or other value-oriented or deep-value assets, including but not limited to, operating companies, non-performing and sub-performing corporate debt, consumer debt, and single-family residential real estate-secured debt that involve a significant degree of legal and financial risk and, particularly in the international context, political risks. Furthermore, investments in assets operating in workout modes or under bankruptcy reorganization laws may, in certain circumstances, be subject to certain additional potential liabilities that may exceed the value of a Client's original investment. For example, under certain circumstances, lenders who have inappropriately exercised control of the management and policies of a debtor may have their claims subordinated or disallowed or counterclaims may be filed, and lenders may be found liable for damages suffered by various parties as a result of such actions. In addition, under certain circumstances, payments to the Client and distributions by the Client to investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment. Moreover, particularly with respect to international investments in secured and unsecured non-performing loans or other troubled assets, there are additional risks and uncertainties related to litigation, bankruptcy, and other laws and regulations affecting the rights and remedies of Clients, which can create additional financial risks to Clients.
- 4. Real Estate-Related Assets.** Certain Clients may make investments in real estate assets and real estate-related investments, including debt secured by real estate assets or operating companies with significant real estate assets. Such assets are subject to various risks associated with the real estate industry generally. Risks include, but are not limited to, those associated with the burdens of ownership of real property; general and local economic conditions; environmental, zoning and building laws and regulations (including changes thereto); environmental liabilities; casualty or condemnation losses; regulatory limitations on rents; rules imposed by homeowner associations; decreases in asset values; changes in the appeal of assets to tenants; changes in supply of and demand for competing assets in an area (as a result, for instance, of overbuilding); fluctuations in the average occupancy, operating income and room rates for hotel assets; foreclosure and eviction moratoriums; the financial resources of tenants; changes in (including increases in) interest or other borrowing rates and changes to the availability of debt financing, which may render the sale or refinancing of investments difficult or impracticable; energy and supply shortages and disruptions; various uninsured or uninsurable risks; natural disasters; political events; other governmental rules

and fiscal policies, including changes thereto (such as rent control); inability to complete renovations on advantageous terms; volatility of property income, laws protecting tenants and tenant relief laws; redevelopment risks; eminent domain risks; failure of subcontractors or defects in components obtained from building supply companies; environmental hazards; changes in real property tax rates and operating expenses; increased mortgage defaults; negative developments in the economy or political climate that depress travel activity; contingent liabilities on disposition of assets; acts of God; pandemics or health emergencies; terrorist attacks; war; the availability of certain construction materials; and other factors that are beyond the control of Hudson. Because real estate, like many other types of long-term investments, historically has experienced significant fluctuation and cycles in value, specific market conditions may result in occasional or permanent reductions in the value of the investments or the collateral therefor. Developments in global and local financial and real estate markets over the past few years, and new developments in those markets, if they occur, may result in reductions in the value of real property interests. No assurance can be given that real estate or real estate-related assets can be acquired or disposed of at favorable prices or that the market for such assets will either remain stable or, as applicable, recover or improve, since this will depend, in part, upon events and factors outside the control of Hudson. In addition, there can be no assurance that current market conditions may not deteriorate during the life of a Lone Star Fund or SFR Fund, which could have a materially adverse effect on the assets of such Fund. Actual or perceived trends in real estate markets do not guarantee, predict or forecast future events, which may differ significantly from those implied by such trends. There can be no assurance that Hudson's view of the market will materialize.

The real estate assets included within Client investments may be or become non-performing after acquisition for a wide variety of reasons. Such non-performing real estate investments may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial write-down of such assets. However, even if an asset is performing as expected, a risk exists that, upon maturity of financing, replacement "takeout" financing will not be available or will not be available on attractive terms.

It is possible that Hudson, affiliated service providers or other servicers to the relevant Client would find it necessary or desirable to foreclose on some of the collateral securing one or more investments, but such remedy may not be available in the jurisdiction where the property is located, or if available, may not be comparable to a foreclosure action in the United States. Even if foreclosure is an option, the foreclosure process can be lengthy and expensive. At any time during the foreclosure proceedings, the borrower may file for bankruptcy, which may have the effect of further delaying the foreclosure process. Under certain circumstances, payments to the relevant Clients and distributions by the Clients to their partners may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment. If foreclosure litigation were brought against a Client with respect to such Client's investments, such litigation could create

a negative public image of the Client or the collateral property and may result in disrupting ongoing leasing and management of the property.

5. **Credit Risks.** A Client's investments could lose money if the issuer or guarantor of a fixed income security is unable or unwilling, or is perceived by market participants, ratings agencies, pricing services or others, as unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. Securities are subject to varying degrees of credit risk, which are often reflected in their credit ratings. The downgrade of the credit of a security held by a Client may decrease its value. "Opportunistic" assets, such as those invested in by certain Lone Star Funds, are generally considered to have significant credit risk. With respect to the financing strategies and hedging services that may be employed with respect to Clients, Clients may also be subject to the risk that a counterparty to a financing arrangement or derivatives contract may be unable or unwilling to honor its obligations as a result of the counterparty's financial condition or insolvency.
6. **Mortgage-Backed Securities.** Certain Clients may invest in mortgage-backed securities, including subordinated tranches of such securities. In general, risks pertaining to mortgage loans (and the type of property securing such mortgage loans), would similarly pertain to any mortgage-backed security in which Clients invest. Some or all of the mortgage-backed securities acquired or held by Clients may not be rated, may be rated lower than investment grade securities, or their rating may be withdrawn or downgraded, by one or more nationally recognized statistical rating organizations. The majority of the mortgage-backed securities acquired by certain Clients are typically lower-rated or unrated, and the original ratings of many of these securities were withdrawn or downgraded to levels that are significantly below investment grade. Lower-rated or unrated mortgage-backed securities in which Clients may invest have speculative characteristics that can involve substantial financial risks. Securities rated lower than "B" can be regarded as having extremely poor prospects of ever attaining any real investment standing and may be in default. Existing credit support and the owner's equity in the property may be insufficient to protect Clients from loss. If a Client invests in subordinated mortgage-backed securities in particular, the Client will be first in line among debt holders to bear the risk of loss from collateral delinquencies and defaults. To the extent that the mortgage loans that underlie specific mortgage-backed securities are prepayable, the value of such mortgage securities may be negatively affected by increasing prepayments, which generally occur when interest rates decline. With respect to commercial mortgage loans in which certain Clients may invest, these are typically not prepayable or are subject to prepayment penalties or interest rate adjustments.
7. **Leveraged Buyouts.** A Client may structure an operating company investment as a leveraged buyout, in which the acquisition is financed using substantial amounts of debt secured by the target company's cash flows or other assets. These investments are particularly sensitive to adverse economic factors and other risks associated with leverage generally, which magnify their volatility and may substantially increase the Client's risk profile. In the event an operating company is unable to generate sufficient cash flow to meet

the payment obligations associated with the related acquisition financing, the value of the Client's equity position in such operating company could be significantly reduced or even eliminated. In addition, such investments are subject to risks generally associated with investments in operating companies, including, without limitation, the possibility that the operating company's management may have economic or business interests or goals which are inconsistent with those of the applicable Client. Further, the exercise of control over an operating company, which often results from a leveraged buyout, imposes additional risks of liability for environmental damage, product defects, failure to supervise and other types of related liability. If such liabilities are to arise, the Client may suffer a loss on its investment.

- 8. Finance Companies and Other Regulated Institutions.** Certain Clients may invest in finance companies or other regulated institutions, which operate in a highly competitive environment and are subject to extensive regulation. An investment in such a company or institution may be subject to regulatory consent from the regulator(s) of such company or institution, which may not be granted, or may take substantial time to obtain, or may be granted subject to compliance by the Client with conditions imposed by the regulator(s) on the Client. As a condition to such regulatory consent, the applicable regulator will likely perform due diligence on the Client and its limited partners. If requested by the regulator, the Client will be required to provide information about the limited partners including information regarding the identities of the underlying beneficial owners. It is also possible that limited partners may have to provide additional information to the Client in order to enable it to respond to the applicable regulator. Finance companies compete for loans, deposits, and other financial services with other finance companies including commercial banks, savings and loan associations, credit unions, mutual funds, insurance companies, brokerage and investment banking firms, and various other non-bank competitors, many of which may be subject to a lesser degree of governmental regulatory oversight and periodic examination than their competitors. Investments in certain types of finance companies or institutions that provide secured and unsecured loans are highly speculative and subject to various risks, including adverse changes in national or international economic conditions; adverse local market conditions; changes in availability of debt financing; changes in interest rates, governmental rules, and fiscal policies; risks due to dependence on cash flow; risks and operating problems arising out of acts of God and other unanticipated events; uninsurable losses; and other factors that are beyond the control of a Client, its general partner (if any), Hudson, or Lone Star. In the event a finance company or similar institution forecloses on the properties, if any, securing its loans, such company would need to operate those properties, thus being subject to environmental and other risks associated with the ownership and operation of real property. Furthermore, there can be no assurance that such company would be able to sell such properties at a price that would result in a return on the loans.
- 9. Leverage.** A Client may employ a substantial amount of leverage in connection with its investments, including for certain Clients through the use of securitizations. Such Clients' ability to achieve or surpass target rates of return on the investments depends on its ability to access sufficient financing sources on desirable terms. Clients utilize various types of

financing, which may include repurchase agreements, loan facilities, swaps, and multi-tiered credit arrangements, and for certain Clients securitizations, many of which contain inherent risks. For example, the SFR Fund may, from time to time, borrow (including guaranteeing indebtedness), directly or indirectly through any intermediate entity or subsidiary, on a joint and several and cross-collateralized basis among the entities comprising the SFR Fund, on a secured or unsecured basis. Leverage may subject the SFR Fund and/or certain assets to restrictive financial and operating covenants, which may impair the SFR Fund's ability to finance its future operations and capital needs and/or limit its flexibility to respond to changing business and economic conditions.

Clients typically obtain one or more general facilities for funding expenses and working capital, to bridge capital calls, to provide interim bridge financing and capital, and/or for other permitted purposes and may from time to time procure one or more working capital facilities in order to fund expenses, to provide general working capital to the Clients, to finance investments, and/or for other permitted purposes. Further information regarding Lone Star and its use of leverage may be found in the Form ADV Part 2 brochure for Lone Star.

A Client's investments are typically financed by initially borrowing under a Client's general facility and/or third-party financing, subsequently to be replaced in full or in part with investment level financing that is secured by the specific investment that is being financed. This leverage will increase the exposure of such investments to adverse economic factors, such as significantly rising interest rates, increased risk spreads, severe economic downturns, or deterioration in the condition of the investment or its corresponding market. Generally, the presence of leverage in a Client's investments will magnify their volatility and may substantially increase the Client's risk profile. In the event a specific investment is unable to generate sufficient cash flow to meet a principal or interest payment required to maintain the financing arrangement or a margin call related to an investment, the value of a Client's equity position in that investment and other investments of the Client could be significantly reduced or even eliminated. There are generally no limitations in the Governing Documents on the amount of leverage certain Clients can use with respect to any particular transaction. In using leverage, a Client's investments may be subject to terms and conditions that include restrictive financial and operating covenants, which may impair the Client's ability to finance or otherwise pursue the investment's future operations or otherwise satisfy additional capital needs.

To the extent there is not ample availability of financing for leveraged transactions (e.g., due to adverse changes in economic or financial market conditions or a decreased appetite for risk by lenders), a Client's ability to consummate certain transactions could be impaired. Principal and interest payments on indebtedness (including mortgages having "balloon" payments) will have to be made regardless of the sufficiency of cash flow from investments. Mortgages requiring "balloon" payments may involve greater risks than mortgages where the principal amount is fully amortized over the term of the loan, since the ability to repay the outstanding principal amount of a "balloon" loan may be dependent upon the ability to

obtain adequate replacement financing, which will, in turn, be dependent upon interest rates and lenders' policies at the time of refinancing, economic conditions in general and the value of the investments in particular. There is no assurance that replacement financing will be available to make "balloon" payments or that any replacement financing available will be on favorable terms.

The amount and terms of financing available to a Client or its investments, as applicable could affect the returns generated by the Client and the ability to structure potential transactions. While Hudson will take the availability and terms of financing into consideration when identifying, assessing, and structuring potential investments, a decrease in the ability of a Client to leverage the investments could adversely affect the returns generated by the Client and could result in fewer investments being made, therefore reducing the diversification of the portfolio. If interest rates rise, as anticipated, the cost of financing will increase. Further, deterioration in the ability of a Client to leverage the investments could result in the aggregate return of the Client being substantially adversely affected.

The SFR Fund General Partner may use credit facility leverage for working capital, including to fund management fees payable to Hudson and other expenses of the SFR Fund, to finance investments, to bridge capital calls, to provide interim bridge financing and capital, and for other similar purposes. In some cases, the use of credit facility leverage may delay calling capital from limited partners, which may increase the internal rate of return of an investment. It may also increase the probability of the SFR Fund General Partner receiving an incentive allocation. In addition, the existence of credit facility leverage (which may be secured in part by a pledge of the SFR Fund General Partner's right to call for capital contributions) may impair a limited partner's ability to transfer its units as a result of restrictions imposed on such transfers by lenders. The SFR Fund will pay interest expenses and other expenses incurred in relation to the credit facility leverage. As a general matter, use of leverage in lieu of drawing down capital commitments amplifies returns (either negative or positive) to limited partners.

In connection with any credit facility leverage used by a Client, the borrowers thereon (and investors) may be required to make certain representations and warranties to one or more lenders. The borrowers thereon (and the investors) may also be required to indemnify the lenders pursuant to any credit facility in case any such representations and warranties are inaccurate. These arrangements may create contingent liabilities of the Client and/or its subsidiaries, for which the LS General Partners or the SFR Fund General Partner may establish reserves or escrow accounts in which the limited partners would be required to fund a pro rata share. Additionally, if one or more banking institutions, which are a party to such credit facility, fails to fund a request (or any portion of such request) by a Client to borrow money, the Client's ability to make investments, fund operations and pay debt service could be reduced, each of which could adversely affect the Client's operations.

In addition, the extent to which the SFR Fund or other Client or their investments uses leverage may have other important consequences to investors, including but not limited to

the following: (i) greater fluctuations in the value of the net assets of the Client, (ii) use of cash flow (including capital contributions) for debt service and related costs and expenses, rather than for additional investments, distributions or other purposes, (iii) increased interest expense on variable-rate borrowings if interest rate levels were to increase, (iv) in certain circumstances, prematurely disposing of investments to service a Client's debt obligations, and (v) limitation on the flexibility of a Client to make distributions to its investors or sell assets that are pledged to secure the indebtedness. There can be no assurance that Clients will have sufficient cash flow to meet their debt service obligations. As a result, Clients' exposure to losses may be increased due to the illiquidity of their investments generally.

As discussed above, the Clients and their investments, as applicable, expect to use a variety of financing sources including, without limitation, repurchase agreements and, for certain Clients, securitizations. The repurchase agreements used for financing purposes will generally have various terms ranging from a month or less to five or more years. Securitizations are expected to provide long term financing, the structures of which may be re-levered to improve effective leverage. An inability of a Client or its investments to re-lever or obtain take-out financing for Client's investments at the end of the term of a given financing arrangement may have an adverse impact on the aggregate returns of such investment. Further, in the event that any given financing arrangement is terminated prior to its expected term, a Client may not be able to refinance the underlying investment in a timely manner, or on the same terms as the prior financing arrangement, or on any terms.

In addition to the enhanced portfolio volatility and risk that may arise from the use of leverage, financing instruments are generally subject to credit risks with respect to the counterparty. Financing transactions typically involve the transfer of legal title, pledge, or other encumbrance of the underlying investment of the Client. Repurchase agreements may require the transfer of title to the underlying assets and may reduce the options available to resolve any issues with the counterparty involved in such repurchase agreements. The number of potential counterparties offering financing of the type desired by a Client and its investments may be very limited, which may result in less attractive terms and conditions, and concentrations of financings with such counterparties. Accordingly, the insolvency or bankruptcy of a financing counterparty may result in legal action that impairs the value or marketability of the underlying investment, or a Client's ownership rights. There can be no assurance that the Client will recover all or any of the economic value of the investment under such circumstances, and any such recovery may require the payment of substantial legal costs.

- 10. Lack of Liquidity.** Many Client investments are highly illiquid, and there can be no assurance that the Clients will be able to realize returns on or liquidate these investments in a timely manner. While certain investments of the Clients may generate current income, the return of capital and the realization of gains, if any, with respect to certain other investments will generally occur only upon the partial or complete disposition of such investment. While an investment may be sold at any time, typically this will not occur until a number of years

after the investment is made. A Client's assets are expected to be relatively illiquid in that there may not be ready buyers available and willing to pay fair value at the time the Client desires to sell. Moreover, an investment that initially consists of an interest in assets may be exchanged, contributed or otherwise converted into private or publicly-traded stock of a corporation, interests in a limited liability company or other interests or assets (and vice-versa), and any such exchange, contribution or conversion will likely not constitute a disposition as determined by the applicable general partner of the type that results in investors receiving distributions, whether in-kind or otherwise. Clients generally will not be able to sell their investment publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In some cases Clients may be prohibited by contract or regulatory requirements from selling investments for a period of time. In addition, the types of investments held by Clients may be such that they require a substantial length of time to liquidate.

Hudson actively manages the cash and credit arrangements of Clients with the goal of efficiently matching available liquidity to anticipated obligations. There can be no assurance, however, that sufficient liquidity will be available to Clients on favorable or any terms in all situations. In the event of a margin call or other loan repayment at a time when a Client does not have sufficient cash assets to cover such call or payment, Clients may have to liquidate certain investments at less than their expected returns, thereby resulting in lower realized proceeds. Moreover, certain Clients may make investments which may not be advantageously disposed of prior to the date that such Client is dissolved. Although Hudson expects that investments will either be disposed of prior to dissolution or may be suitable for in-kind distribution at dissolution, the Clients may have to sell, distribute, or otherwise dispose of investments at a disadvantageous time as a result of dissolution. For certain Clients, current returns from investments may vary because Hudson generally attempts to maximize realized returns on the disposition of a Client's investments, and as such, will generally not favor early liquidation of an investment or foregoing potential disposition upside to maximize current returns.

- 11. Swaps and Derivative Investments.** Hudson may utilize swaps and other derivative transactions on behalf of Clients to obtain a desired exposure, and such transactions may expose Clients to risk of loss. In addition, Clients may take advantage of certain other customized instruments to create "synthetic" or derivative investments that are not presently contemplated for use by Clients, or that are currently not available but that may be developed, to the extent such opportunities are both consistent with the Clients' investment objectives and legally permissible for the Clients. To the extent Clients invest in repurchase agreements, swaps, and other "synthetic" or derivative instruments, or enter into "reference transactions," counterparty exposures can develop and Clients take the risk of nonperformance by the other party on the contract. Transactions such as these, which are entered into directly between two counterparties, may expose the parties to the risk of counterparty default. In addition, if Clients were to invest in synthetic or derivative instruments that do not currently exist, certain other risks may apply in addition to the risks described herein.

Derivatives are a financial contract whose value depends on, or is derived from, an underlying product. Some of the risks generally associated with derivatives include, for example, the risks that: (i) the value of the derivative will change in a manner detrimental to Clients; (ii) another party to the derivative may fail to comply with the terms of the derivative contract; (iii) the derivative may be difficult to purchase or sell; and (iv) the derivative may involve indebtedness or economic leverage, such that adverse changes in the value of the underlying asset could result in a loss substantially greater than the amount invested in the derivative itself or in heightened price sensitivity to market fluctuations. Derivatives markets can be highly volatile. The profitability of investments by Clients in derivatives depends on the ability of Hudson to correctly analyze these markets, which are influenced by, among other things, changing supply and demand relationships, governmental, commercial, and trade programs and policies designed to influence world political and economic events, pandemics, and changes in interest rates. In addition, the assets of Clients may be pledged as collateral in derivatives transactions. Thus, if Clients default on such an obligation, the collateral may be at risk.

The use of derivative instruments presents various risks. For example, when used for hedging or synthetic investment purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged or tracked may prevent a Client from achieving the intended hedging effect or expose the Client to the risk of loss. Derivative instruments, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets a Client may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative position limits imposed by regulators, exchanges, or other trade execution facilities on which a Client may conduct its transactions in derivative instruments may prevent prompt liquidation of positions, subjecting the Client to the potential of greater losses. Derivative instruments that may be purchased or sold by a Client may include instruments not traded on an exchange or centrally cleared. Derivative instruments not traded on exchanges or centrally cleared are also not subject to the same type of government regulation as exchange-traded or cleared instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions. The risk of nonperformance by the obligor on such an instrument may be greater and the ease with which a Client can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange-traded or cleared instrument. In addition, significant disparities may exist between “bid” and “asked” prices for derivative instruments that are not traded on an exchange or similar trade execution facility.

- 12. Reuse of Collateral.** In connection with swaps and other derivative transactions, a Client is frequently required to post collateral to transaction counterparties or clearing firms. The amount of such collateral may be material to the Client. Such collateral may, from time to time and without notice to Hudson or the Client, be carried in the general account of the counterparty or clearing firm and may be sold, pledged, rehypothecated, assigned, invested,

loaned, commingled or otherwise disposed of, or otherwise used in the business of the counterparty or clearing firm without any claim or right of any nature whatsoever of the Client. A counterparty or clearing firm holding collateral in connection with a swap or other derivative transaction is obligated to return to the Client assets equivalent to those provided as collateral. Although Hudson seeks to enter into transactions on behalf of Clients with creditworthy counterparties and clearing firms on favorable terms, there can be no assurance that collateral posted to such parties will be returned to Clients in a timely manner. The insolvency or bankruptcy of a counterparty or clearing firm may result in partial or full loss of collateral posted and may require the payment of substantial legal costs to enforce the right of Clients to the return of equivalent assets.

- 13. Investments through Partnerships, Joint Ventures, and Co-Investments.** Certain Clients will generally make investments through Fund Entities, and may also make investments alongside joint venturers, co-investment entities, or other entities (collectively, “Investment Parties”). Such investments may involve risks not present in direct investments, including, for example, the possibility that an Investment Party may commit fraud, become bankrupt, or have economic or business interests or goals which are inconsistent with those of the Client, or take action contrary to the Client’s objectives. If neither a Client nor an Investment Party unilaterally controls an investment, deadlocks may occur, making it difficult to act quickly in connection with a potential acquisition or disposition. If there is a governance impasse under the terms of the investment that results in an acquisition or disposition, a Client may be forced to sell its interest in the investment, or buy an Investment Party’s share of the investment, at a time when it would not otherwise be in the Client’s best interest to do so. Moreover, an Investment Party may have economic or other interests that are inconsistent with the interests of a Client, including interests relating to the financing, management, operating, leasing or sale of the assets in the joint venture arrangement. For example, if the Investment Party charges fees or profits interest to the joint venture arrangement, the Investment Party could have an incentive to hold assets longer or otherwise behave to maximize fees and profits interest paid, even when doing so is not in the best interests of the Client. Furthermore, if an Investment Party defaults on its funding obligations, including under any indemnification agreement or back-to-back guarantee, it may be difficult for the Client to make up the shortfall from other sources. The Client may be required to make additional contributions to replace such shortfall, thereby reducing the diversification of its investments. Any default by such Investment Party could have an extremely deleterious effect on the Client, its assets, and the interests of the limited partners. In addition, the Client may be liable for actions of an Investment Party. While Hudson will attempt to limit the liability of the Client by reviewing the qualifications and previous experience of an Investment Party, it does not expect generally to obtain financial information from, or to undertake private investigations with respect to, prospective Investment Parties. Finally, any negative market or industry perception with respect to an Investment Party may negatively impact a Client.

14. Hedging Transactions. In connection with the services it provides to Clients, Hudson may recommend that a Client enter into hedging and similar transactions with respect to non-U.S. currency, interest rate, and other risks where deemed appropriate and cost effective. The Client will bear the cost of any hedging transactions entered into on its behalf. There is no assurance that foreign exchange risk, interest rate risk, and/or such other risks can be perfectly hedged or minimized where the magnitude and timing of future cash flows can only be estimated and not known with certainty. Thus, prudent currency and interest rate hedging policies only serve to minimize or reduce these risks, but not to eliminate them completely. There can be no assurance that a Client will have sufficient liquidity or credit capacity to support the hedging services provided by Hudson, and no assurance that hedging techniques will be available, be available at a reasonable cost, or be sufficient to eliminate these risks. In addition, Hudson may recommend that a Client hedge an investment's currency or interest rate exposure at an amount less than the expected value of that investment or not at all. In such cases, the Client may suffer losses from changes in foreign exchange rates or interest rates that may have been recouped through hedging transactions if the investment had been fully hedged. With any hedging transaction there exists a risk that any counterparty to a hedging transaction will not perform as expected. There may also be complications in the enforcement of hedging transactions in the event of partial or total dissolution of a currency block such as the Euro, the imposition of currency controls, or similar currency market disruption to a hedged currency, and litigation between Clients and the hedging counterparty may result from such complications. Such a disruption to the currency markets may also cause Clients to be unable to implement hedging transactions in the affected markets for an indefinite period of time.

The successful utilization of hedging and risk management strategies requires different skills than used in selecting and monitoring investments and such transactions may entail greater than ordinary investment risks. Additionally, fees, costs, and expenses related to derivatives and other hedging arrangements (including legal expenses) to be rendered by employees of Hudson for Clients (including associated overhead expenses of such employees) which will be charged to the Clients at market-based rates, will be borne by the relevant Clients in conjunction with other back office services rendered for the benefit of the relevant Client. There can be no assurance that any derivatives and other hedging transactions will be effective in mitigating risk in all market conditions or against all types of risk, thereby resulting in losses to a Client. Engaging in derivatives and other hedging transactions may result in a poorer overall performance for a Client than if it had not engaged in any such transaction. Hudson and may not be able to effectively hedge against, or choose not to hedge or mitigate, certain risks that may adversely affect a Client's investment portfolio. In addition, a Client's investment portfolio will always be exposed to certain risks that cannot be fully or effectively hedged, such as credit risk relating both to particular securities and counterparties as well as interest rate and foreign exchange risks. Each Client will utilize derivatives and other hedging transactions only as determined by its general partner in its sole discretion, but is under no obligation to do so.

15. Due Diligence and Underwriting. Hudson seeks to perform reasonable and proper underwriting/due diligence and analysis on each prospective investment, in an effort to identify, based on relevant facts and circumstances, investment opportunities and possible risks related to those opportunities. Underwriting/due diligence and analysis may entail evaluation of important and complex business, financial, tax, accounting, environmental, social, governance, compliance, and legal issues. When conducting underwriting/due diligence and analysis and making an assessment regarding a potential investment, Hudson relies on resources available to it, including information provided by the target of the investment, and, in some circumstances, third-party investigations. Representations made by a counterparty could be inaccurate, and third-party investigations may not uncover risks. The due diligence investigation that Hudson carries out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. The underwriting of investments is based upon the results of the due diligence conducted and includes assumptions that are based on the then current expectations, estimates, projections, regulatory matters, client/customer relationships, equipment functionality, opinions, and/or beliefs of Hudson and its affiliates. As a result, the due diligence process and underwriting may be subjective and will not necessarily result in the investment being successful.

Specifically with respect to operating companies and other Portfolio Companies, there can be no assurance that a Client will be able to detect or prevent irregular accounting, employee misconduct or other fraudulent practices during the due diligence phase or during its efforts to monitor the investment on an ongoing basis or that any risk management procedures implemented by a Client will be adequate. A Client will rely upon the accuracy and completeness of representations made by operating companies and/or their former owners in the due diligence process to the extent reasonable when it makes its investments but cannot guarantee such accuracy or completeness. Moreover, under certain circumstances, payments to a Client may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment. There can be no assurance that any such losses will be offset by gains (if any) realized on a Client's other investments.

Investment analyses, recommendations and/or decisions by Hudson may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to Hudson at the time of an investment analysis or recommendation may be limited, and Hudson may not have access to detailed information regarding the investment opportunity, such as physical characteristics, structural or environmental matters, zoning regulations, or other local conditions affecting an investment. With respect to real estate-related investments, Hudson may not be able to undertake all appropriate inquiries into the previous ownership and uses of a property consistent with typical commercial or customary practice. Therefore, no assurance can be given that Hudson will have knowledge of all circumstances that may adversely affect an investment. In addition, Hudson may rely upon independent consultants or other third parties in connection with its evaluation of proposed investments; however, no assurance can be given

that such parties will accurately evaluate such investments and Clients may incur liability as a result of their actions.

For certain investments, outside consultants, legal advisors, accounting firms, investment banks and other third parties may be involved in the underwriting/due diligence and analysis process to varying degrees depending on the type of investment, the costs of which will be borne by the applicable Client. Such involvement of third-party advisors or consultants may present a number of risks primarily relating to Hudson's reduced control of the functions that are outsourced. In addition, if Hudson, Lone Star, and/or their affiliates are unable to timely engage third-party providers, their ability to evaluate and acquire more complex targets could be adversely affected.

16. Interest Rate Risks. Changes in interest rates could have an adverse impact on the operations of the SFR Fund and Lone Star Funds. Market interest rates are beyond Hudson's control and can fluctuate in response to general economic conditions and the policies of various governmental and regulatory agencies. Changes in monetary policy, including changes in interest rates, will influence market rates, prices for loan originations and purchase of loans, and financings. Rising or falling interest rate environments also entice customers to refinance. The SFR Fund and Lone Star Funds regularly seek to implement financing (including mark-to-market financing) and refinance existing debt, and significant declines in pricing of debt securities or increases in interest rates, or other disruptions in the credit markets, would make it difficult to carry on normal financing activities, such as obtaining committed debt financing for acquisitions, bridge financings or permanent financings. Mark-to-market financing is particularly sensitive to interest rate movements. Tightening of loan underwriting standards, which often occur during market disruptions, can have a negative impact including through reduction of permitted leverage levels and increased requirements for borrower quality. The SFR Fund's and the Lone Star Funds' ability to make investments and/or generate attractive investment returns will be adversely affected by any worsening of financing terms and availability.

17. Litigation Risks. In the course of doing business, Hudson, Lone Star, the SFR Fund, the SFR Fund General Partner, the Lone Star Funds, the LS General Partners, the Principals of the Lone Star Funds, their respective affiliates and related parties, and the respective employees, officers and directors of the foregoing (the "Potential Parties") are, and may in the future become, subject to disputes, litigation, investigations, proceedings, inquiries, or other potential claims, material or otherwise. Such matters could arise as a result of investment activities, vendor relationships, competitor activities, employee-related matters, matters related or unrelated to the business of the Potential Parties, or otherwise. Any such matter can be expected to generate negative publicity. A negative outcome with respect to any such matter could have a material adverse effect on the applicable Potential Party, and by virtue of the relationship among them, the other Potential Parties. However, even a successful outcome with respect to any such matter may not mitigate the adverse publicity relating to such matter, which could harm the reputation of the applicable Potential Party,

and by virtue of the relationship among them, the other Potential Parties, and have a deleterious effect on the Clients' business.

Responding to such matters can be expected to be expensive and time consuming and may continue without resolution for long periods of time. The time and resources deployed to respond to such matters may be disproportionate to the amount at stake. Payment of any such costs could adversely impact the Potential Parties, which could in turn negatively impact the Clients. Under the relevant Governing Documents, the SFR Fund and the Lone Star Funds will generally be responsible for indemnifying those Potential Parties who are persons entitled to indemnification by a Client pursuant to its Governing Documents for the costs they may incur for liabilities incurred in connection with the affairs of a Client, and such indemnification could be expensive.

- 18. Reliability of Environmental, Social and Governance ("ESG") Factors.** Hudson believes that certain environmental, social, and governance issues have the potential to positively or negatively affect the performance of its Clients. Hudson also recognizes that many of its Clients have their own ESG policies in place. When commencing asset management and/or investment advisory services, Hudson confirms with the Client the existence of any ESG policy which Hudson should follow in connection with its services to the Client and its relevant investments. Hudson follows any such ESG policy, so long as Hudson is made aware of the policy (including any amendments to the policy). Hudson periodically discusses with each Client to which it provides asset management and/or investment advisory services, whether there have been any changes to the Client's ESG policy, as well as any key ESG matters which Hudson has identified as potentially having a material impact on the risk and return profile of the Client's investments.

As it relates to the SFR Fund, Hudson has adopted a framework, including a policy and associated practices, to address ESG issues in connection with managing and providing services to the SFR Fund, which are employed in the discretion of Hudson. ESG principles and objectives are qualitative and subjective by nature, and there is no guarantee that any criteria utilized or judgment exercised by Hudson will reflect the beliefs, values, policies, practices, or objectives of any one particular limited partner. Furthermore, it should not be assumed that any ESG principles, objectives, or practices will apply to each or any asset in which the SFR Fund invests or has invested in the past. The incorporation of ESG considerations into the SFR Fund's investment process and its business and operations, if pursued, would be ancillary to the SFR Fund's primary focus of generating positive financial return, and there is a risk that the ESG impact ultimately achieved by the SFR Fund's investments will be limited or nonexistent. There is no assurance that ESG risks will be considered, avoided, or that any such mitigation will be successful. If any sustainable planning and design objectives are pursued, a substantial amount of time could elapse and significant capital could be required before any such sustainable planning and design objectives are achieved, if at all. ESG risk is only one of many considerations that is taken into account when making investment recommendations, renovating homes and providing

asset management services, as applicable, and other considerations can be expected in certain circumstances to outweigh ESG risk considerations. In addition, there is no assurance that any ESG policies and practices will be successful.

Investors and other counterparties have increased their focus on ESG factors which may result in Hudson increasing monitoring, reporting and other activities of the SFR Fund relating to ESG factors. Participants across all industries are facing increasing scrutiny relating to their ESG policies. Increasing scrutiny and changing expectations from investors, lenders, and other market participants with respect to the SFR Fund's ESG policies and guidelines may impose additional costs or expose the SFR Fund to additional risks. These risks are often difficult or impossible to predict, avoid, or mitigate in advance. The effect on the limited partner or the SFR Fund of any such legal risk, litigation, or regulatory action could be substantial and adverse. The occurrence of any of the foregoing could have a material adverse effect on the SFR Fund's business and overall returns.

19. Volatility of Credit Markets May Affect Ability to Finance Investments. The volatility of the global credit markets could make it more difficult to obtain favorable financing or re-financings for Client's investments. During periods of volatility, which often occur during economic downturns, generally credit spreads widen, volatility of the global debt markets becomes extreme, interest rates rise, and investor demand for high yield debt and senior bank debt declines. These trends result in reduced willingness by investment banks and other lenders to finance or refinance real estate investments and could lead to a deterioration in available terms. A Client's ability to generate attractive investment returns for its limited partners will be adversely affected to the extent the Client is unable to obtain favorable financing. Moreover, to the extent that such marketplace events are not temporary, they could have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the economy, which could restrict the ability of the Client to sell or liquidate investments at favorable times or for favorable prices, depress the value of the Client's portfolio, or otherwise may have an adverse impact on the business and operations of the Client.

20. Subsequent Closings; Additional Limited Partners. Limited partners of the SFR Fund that are admitted or increase their capital commitments at any closing subsequent to the initial closing (each, an "Additional Limited Partner") will, with respect to each capital contribution made in respect of such new or increased commitments, be issued an amount of units based on the Net Asset Value of the SFR Fund at the time of such capital contribution. Additional Limited Partners will not participate in any prior appreciation in the Net Asset Value of the SFR Fund. Additional Limited Partners will, however, share in the future gains and losses of the SFR Fund, including those resulting from SFR Fund liabilities, contingent or otherwise, existing at the time of their admission to the SFR Fund, diluting the interest of existing limited partners. The effect of such dilution could be especially pronounced if limited partners are admitted at a time when the SFR Fund's Net Asset Value is at a depressed level due to adverse market conditions or market disruption. Furthermore, the SFR Fund's organizational

and offering expenses will be amortized over a five year period. Therefore, the SFR Fund will not bear, and the Net Asset Value at which limited partners at subsequent capital contributions are admitted to the SFR Fund will not reflect, such expenses after the amortization period.

21. Custody and Banking Risks. Clients maintain funds with one or more banks or other depository institutions (“banking institutions”), which may include U.S. and non-U.S. banking institutions, and may enter into credit facilities or have other financial relationships with banking institutions. The distress, impairment or failure of one or more banking institutions with whom the Clients, their investments, the general partners, Hudson and/or Lone Star transact may inhibit the ability of Clients or their investments to access depository accounts or lines of credit at all or in a timely manner. In such cases, Clients may be forced to delay or forgo investments or to call capital when it is not desirable to do so, resulting in lower performance for the Client. In the event of such a failure of a banking institution where a Client or one or more of its investments holds depository accounts, access to such accounts could be restricted and U.S. Federal Deposit Insurance Corporation (“FDIC”) protection may not be available for balances in excess of amounts insured by the FDIC (and similar considerations may apply to banking institutions in other jurisdictions not subject to FDIC protection). In such instances, the Clients and their affected investments may not recover such excess, uninsured amounts and instead, would only have an unsecured claim against the banking institution and participate pro rata with other unsecured creditors in the residual value of the banking institution’s assets. The loss of amounts maintained with a banking institution or the inability to access such amounts for a period of time, even if ultimately recovered, could be materially adverse to the Clients or their investments. One or more investors or a Client’s general partner could also be similarly affected and unable to fund capital calls, further delaying or deferring new investments. In addition, a Client’s general partner may not be able to identify all potential solvency or stress concerns with respect to a banking institution or to transfer assets from one bank to another in a timely manner in the event a banking institution comes under stress or fails.

22. Other Risks. Set forth below is a non-exhaustive list of additional risks applicable to one or more Clients (some of which may not apply to a particular Client):

- | | |
|---|---|
| • International Investing | • Use of Fund Entities |
| • Market Risks | • Currency Risks |
| • Taxation | • Tax Treatment of Profits Interest |
| • Risk of Environmental Liabilities | • Regulatory Risks |
| • Employee Misconduct | • Cyber Security, Identity Theft, Privacy Breaches, and Other Threats |
| • Risks Related to LIBOR | • COVID-19 |
| • Effect of Substantial Redemptions; Forced Dissolution | • Harmful Mold and Other Air Quality Issues |
| • Risk of Unsuccessful Exit Strategies | |

Item 9: Disciplinary Information

Except as described below, Hudson does not have any legal, financial or other “disciplinary” event to report. As a registered investment adviser, Hudson is obligated to disclose any legal disciplinary event that would be material to a Client when evaluating Hudson’s advisory business or the integrity of its management.

On September 12, 2022, without admitting or denying any wrongdoing, HAL and LSGA each consented to the entry of an order to cease and desist from committing or causing any violations and future violations of Sections 206(2) and 206(4) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), and Rules 206(4)-7 and 206(4)-8 thereunder. According to the SEC order, with respect to certain private equity funds, HAL and LSGA did not fully disclose the methodology used to calculate and charge HAL’s ancillary and underwriting fees paid by such funds prior to 2018. The order also found that HAL and LSGA did not adopt and implement written compliance policies or procedures regarding the foregoing. HAL and LSGA agreed as part of the settlement to pay a civil monetary penalty of \$11.2 million. No disgorgement was paid as part of the resolution in light of the fact that HAL and LSGA identified the disclosure deficiency and the relevant funds were fully reimbursed prior to contact by the SEC in the relevant matter.

Item 10: Other Financial Industry Activities and Affiliations

A. CFTC

HAL is registered with the Commodity Futures Trading Commission (the “CFTC”) as a commodity trading adviser and is a member of the National Futures Association (the “NFA”).

B. Relying Advisers

Hudson Advisors L.P. is registered with the SEC in reliance on the investment adviser registration of HAM.

The filing adviser and the relying adviser share a common compliance program, including a Code of Ethics and other compliance policies and procedures.

C. Participating Affiliates

The below direct or indirect subsidiaries of HAL established outside of North America assist HAL in rendering investment advice (the “Participating Affiliates”). As noted, certain Participating Affiliates are registered with regulatory authorities as required under local law. The Participating Affiliates and their employees are subject to HAL’s oversight, its Code of Ethics and other compliance policies and procedures adopted pursuant to the requirements of the Advisers Act, as applicable (in addition to applicable local laws and regulations).

- Hudson Advisors Asia-Pacific, Limited
- Hudson Advisors Asia-Pacific, Limited (Singapore Branch)

- Hudson Assessoria Brazil Limitada
- Hudson Advisors Europe Designated Activity Company
- Hudson Advisors France S.a r.l.
- Hudson Advisors Germany GmbH
- Hudson Advisors (India) Private Limited
- Hudson Advisors Ireland Designated Activity Company
- Hudson Japan KK (registered as an investment adviser and investment manager with the Japan Financial Services Agency)
- Hudson Advisors Luxembourg S.a r.l.
- Hudson Advisors Netherlands B.V.
- Hudson Advisors Portugal, Unipessoal Lda
- Hudson Advisors (Shanghai) Co., Ltd.
- Hudson Advisors (Shanghai) Co., Ltd. (Beijing Branch)
- Hudson Advisors Spain, S.L.U.
- Hudson Advisors UK Limited (registered as a corporate finance advisory firm with the U.K. Financial Conduct Authority)

D. General Partners

As noted in Item 4 above, the SFR Fund General Partner is a related person of Hudson. The SFR Fund General Partner has, on behalf of the SFR Fund, granted to HAL the authority to provide advisory and certain other services to the SFR Fund.

E. Lone Star

As noted above, Hudson has been engaged to provide investment advisory services (including, without limitation, asset management and underwriting) and administrative and support or ancillary services to the Lone Star Funds. LSGA is registered with the CFTC as a commodity pool operator and is also a member of the NFA. LSGA and the following affiliates of LSGA that provide investment advice with respect to the Lone Star Funds are related persons of Hudson:

- Lone Star Americas Acquisitions, Inc.
- Acquisitions Lone Star Canada S.R.I.
- Lone Star Americas Acquisitions, LLC
- Lone Star Global Acquisitions, LLC

- Lone Star Asia-Pacific Acquisitions (Singapore) Pte. Ltd. (licensed for fund management and dealing in capital markets products with the Monetary Authority of Singapore)
- Lone Star Europe Acquisitions Limited (registered as a corporate finance advisory firm with the U.K. Financial Conduct Authority)
- Lone Star France Acquisitions SARL
- Lone Star Germany Acquisitions GmbH
- Lone Star Japan Acquisitions Ltd. (registered as an investment adviser with the Kanto Financial Bureau, which operates under the authority of the Japan Financial Services Agency)
- Lone Star Spain Acquisitions S.L.U.
- Lone Star Asia Consulting Co., Ltd.

Please see Item 11 below for a discussion of certain conflicts of interest created by our relationship with Lone Star.

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

A. Code of Ethics

Hudson has adopted an Advisers Act Compliance Manual that sets forth certain standards for its directors, partners, officers, employees, and other designated persons (collectively “Supervised Persons”), including a Code of Ethics. The Code of Ethics, which is designed to comply with Rule 204A-1 under the Advisers Act, emphasizes Hudson’s fiduciary duty, including personal trading procedures.

Under the Code of Ethics, Supervised Persons also are required to file certain periodic reports with the compliance department as required by Rule 204A-1 under the Advisers Act. These records will not be open to inspection by investors. Our management may from time to time implement additional internal policies or restrictions on trading by Supervised Persons and their immediate family and/or household, which are in addition to the requirements of our Code of Ethics.

Hudson will provide a copy of the Code of Ethics to any Client or prospective client, upon written request.

B. Participation or Interest in Client Transactions

None of Hudson, its employees or their related persons invest in opportunities recommended to Clients, except for:

- Interests held directly by the SFR Fund General Partner in the SFR Fund;

- Investments in the Employee Co-Investment Vehicles;
- Investments in certain other Co-Investment Vehicles authorized by the Governing Documents;
- Interests held directly by LS General Partners in the corresponding Lone Star Funds;
- Interests in the SFR Fund General Partner held by certain associated persons of Hudson and Lone Star;
- Interests held by related persons of Hudson and Lone Star in affiliates of the SFR Fund;
- Limited partnership and other ownership interests in the LS General Partners held by certain associated persons of Lone Star and Hudson;
- Limited partnership interests in certain Lone Star Funds held by certain associated persons of Lone Star and Hudson; and
- Limited partnership interests in the SFR Fund held by related persons of Hudson and Lone Star.

HAL may engage in non-securities hedging transactions to help mitigate foreign currency risk on its compensation earned in currencies other than the U.S. dollar. HAL conducts these hedging transactions, in what are traditionally liquid currency markets, for HAL's own accounts. As a result of this hedging activity, HAL will likely, from time to time, hold the same or different positions than Clients in a given currency.

HAL or its affiliates may, from time to time and in limited circumstances, advance funds to a Lone Star Fund or the SFR Fund as necessary for the relevant Fund to pay its operating expenses and/or to satisfy margin calls or other financing needs. HAL does not make advances for investment purchases by a Client. Additionally, any such advances by HAL or its affiliated entities will not be included in assets under management for purposes of calculating fees for asset management services. HAL and its affiliates do not receive any interest with respect to such advances, but are generally entitled to seek reimbursement. The right of HAL and its affiliates to be repaid any outstanding advances will be senior in priority to investors' distribution rights from the applicable Client. Such advances are at HAL's or its affiliates' sole discretion, and there can be no assurance that HAL or its affiliates will continue to provide such advances in the future. If HAL and its affiliates are unwilling or unable to make such advances to a Client in the future, such Client may be required to seek other sources of funds in order to meet its financing needs, and may be required to pay interest on such funds.

C. Principal Transactions

Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the Clients thereof, on the other hand. Very generally, if Hudson and/or its affiliates propose to purchase a security from, or sell a security to, a Client (a "Principal Transaction"), Hudson must disclose the material terms of the proposed transaction to the Client and obtain the Client's consent to the proposed transaction.

In connection with Hudson's services for Clients, Hudson may engage in Principal Transactions. Hudson maintains certain policies and procedures to monitor and document Principal Transactions as well as provide notice to the Client(s) of the material terms of any Principal Transactions.

D. Conflicts of Interest

Hudson has conflicts of interest, or conflicting loyalties, as a result of the numerous activities and relationships of Hudson, Lone Star, the SFR Fund General Partner, the LS General Partners, its Clients, and affiliates, partners, members, shareholders, officers, directors, and employees of the foregoing, some of which are described herein. Not all potential, apparent and actual conflicts of interest are included herein and additional conflicts of interest could arise as a result of new activities, transactions, or relationships commenced in the future.

Hudson will take such actions as may be required by the Governing Documents of the applicable Clients to fully or partially mitigate potential conflicts.

1. Services Provided to Clients. As noted in Items 4 and 5 above, Clients expect to engage Hudson or service providers owned by Hudson or its affiliates to provide advisory services (including, without limitation, asset management and underwriting) and administrative and support or ancillary services to the Lone Star Funds and affiliated entities as set forth in the relevant Governing Documents. While Lone Star does not have an ownership interest in Hudson or affiliated service providers and does not share in the fees they receive, conflicts may arise in determining whether Hudson or any affiliated service providers have performed their obligations to the Lone Star Funds and/or any Fund Entity, and/or whether Hudson or any affiliated service provider (or any related parties) is entitled to indemnification pursuant to the provisions contained in a Lone Star Fund's Governing Documents and any other agreement between such entities and a Lone Star Fund. As Hudson is an affiliate of Lone Star, such fees will not be negotiated with third parties. There can be no assurance that an unaffiliated third party would not charge a lesser rate to the applicable Lone Star Fund. In addition, while Lone Star may obtain certain data regarding third-party rates for similar services, relevant comparisons may not be available for a variety of reasons, including as a result of lack of a substantial market of providers or users for such services, confidentiality reasons and the bespoke nature of such services. As a result, market comparisons may not (and often do not) result in precise comparable data for certain services.

Hudson will receive fees from each Lone Star Fund and the SFR Fund as set forth in the Governing Documents of the relevant Fund, which may be substantial. By virtue of their or their associated entities' ownership interest in Hudson, certain of the senior management of Hudson or their associated entities will benefit from Hudson's relationship with and its receipt of fees from the Lone Star Funds and the SFR Fund. Such fees will not be based on the cost incurred by Hudson and will likely result in a profit to Hudson, enhancing its value. Limited partners of the Lone Star Funds and the SFR Fund (other than those limited partners

holding direct or indirect interests in Hudson) will not participate in any increase in the value of Hudson by virtue of their ownership of an interest in a Lone Star Fund or the SFR Fund.

2. **Employee Co-Investment Vehicles.** Hudson and/or Lone Star have established and expect to continue to establish co-investment programs to allow Key Employees to indirectly co-invest in investments of the Lone Star Funds. The terms of the corresponding Employee Co-Investment Vehicles are disclosed in the relevant Lone Star Fund's Governing Documents. Although the purpose of the employee co-investment program is to align the interests of the Key Employees with those of the Lone Star Funds, the program will also present conflicts of interest. For example, one or more of the Employee Co-Investment Vehicles may be structured as an incentive program, and in connection therewith, Hudson, Lone Star, or one or more of their affiliates, and/or a third-party lender may own interests in such vehicles and/or provide all or a portion of the funding related to the interests held by the Key Employees participating in such vehicles. Because Hudson, Lone Star, and/or the Key Employees participating in the Employee Investment Vehicles will typically decide whether to participate and the extent of the participation following the final closing of an Lone Star Fund (subject to the minimum required participation set forth in the relevant Lone Star Fund's offering documents), Hudson, LSGA, and the Key Employees may, at the time such decisions are made, have information regarding potential investments and the projected profitability of current investments that may be more comprehensive than information known by the Lone Star Funds' investors at the time they made their investments. Key Employees may also be given or offered the opportunity to initiate or increase their participation in future investments during the investment period of an Lone Star Fund, and may, at such time, have information regarding potential investments that is more comprehensive than information known by the Lone Star Funds' investors at the time they made their investments; provided, however, ownership by the Employee Investment Vehicles in existing investments will not be subject to further adjustment. Prior to a Lone Star Fund's final closing and until commitments are received from the Employee Investment Vehicles, Hudson, LSGA, and/or one or more of their affiliates will initially fund the minimum co-investment amount. Following a Fund's final closing, Key Employees will be given the opportunity to participate through one or more Employee Investment Vehicle(s) in existing investments as well as future investments to be made by the Lone Star Fund. Participation in the Employee Co-Investment Vehicles will be determined by Hudson and/or Lone Star by investment, region, investment type, or otherwise in an effort to incentivize Key Employees and align their interests with the interests of the relevant Lone Star Fund. Hudson and/or LSGA (and not the individual Key Employees) will determine the aggregate co-investment percentage for investments by Employee Co-Investment Vehicles based on the foregoing and will adjust the ownership of the Employee Co-Investment Vehicles in the existing investments. Accordingly, the maximum contribution the Employee Co-Investment Vehicles can make to an investment is immaterial in relation to the total investment made by the relevant Lone Star Fund. At the time that Hudson and/or LSGA determines the initial co-investment percentage, Hudson and/or LSGA will adjust the ownership of the Employee Co-Investment Vehicles in

the existing investments. Such adjustments will be made using the cost basis to the Lone Star Fund, which may be lower than the fair market value of the investments at the time the adjustments are made.

The Key Employees participating in the Employee Co-Investment Vehicles may have an incentive to recommend the acquisition or disposition of assets based on their personal interests rather than the best interests of the Lone Star Fund. If Hudson and/or Lone Star structure one or more Employee Co-Investment Vehicles as an incentive program, the Key Employees participating in such Employee Co-Investment Vehicles will not have their own assets at risk, which could exacerbate the likelihood that the recommendations they make entail a higher level of risk. In addition, Key Employees who are not participating in the incentive program and have their own assets at risk may not be financially able to meet capital calls. Financing or other funding arrangements may be made available to the Employee Co-Investment Vehicle or to the Key Employees to fund all or a portion of the Employee Co-Investment Vehicles' or the Key Employees' investment. The financing that may be provided to Key Employees or to the Employee Co-Investment Vehicle on their behalf may be extensive, and to the extent such financing is recourse, may have a significant effect on the net worth of the Key Employees, and whether recourse or non-recourse may influence the Key Employees responsible for the provision of investment advice to recommend higher risk investments than they otherwise would. Hudson and Lone Star have implemented policies and procedures that are designed to help mitigate these conflicts. Financing may be provided by Hudson, LSGA, any of their affiliates, and/or a third party. Any such third party will not consider the interests of the Lone Star Funds when instituting default remedies, or when otherwise dealing with the Employee Co-Investment Vehicles' or Key Employees' debt obligations. Such remedies (which could include foreclosing on the Employee Co-Investment Vehicles' or Key Employees' interest or seizing the related distributions, among other things) could impact a Key Employee's alignment with the Lone Star Funds, which could, in turn, negatively impact the Lone Star Funds.

Also, consistent with an applicable Lone Star Fund's Governing Documents, a Lone Star Fund and any parallel investment entities typically temporarily fund the entire cost of the acquisition of investments, subject to the obligation of Employee Co-Investment Vehicles to reimburse such entities, including Unconsummated Transaction (as defined below) expenses. Amounts temporarily funded by a Lone Star Fund accrue interest that is paid to the Lone Star Fund, together with the reimbursement of capital. The Employee Co-Investment Vehicles share in the risks and benefits of any hedging and financing transactions as well as Lone Star Fund-level guarantees that occur prior to reimbursement of the Lone Star Fund, although the Lone Star Fund is directly exposed to the Key Employees' share of these risks, as well as investment-related risks, prior to reimbursement. Such Employee Co-Investment Vehicles are not responsible for any portion of the management fees and other general expenses of the Lone Star Funds (including accounting and audit costs). Employee Co-Investment Vehicles invest on a side-by-side basis with the applicable Lone Star Fund pursuant to co-investment

agreements. The expenses of an investment transaction may be paid by a Lone Star Fund or a Fund vehicle and subject to reimbursement from any associated Employee Co-Investment Vehicle. The Lone Star Fund or Fund vehicle that has paid these expenses bears the risk that the Employee Co-Investment Vehicle will not have sufficient capital to reimburse the expenses in a timely fashion, or at all.

3. **Investment Allocation.** Hudson provides and will continue to provide various services to the Lone Star Funds advised by Lone Star, a related party of Hudson. Certain of the Lone Star Funds have an investment scope that overlaps with the SFR Fund and such Lone Star Funds may pursue investment opportunities that are the same or similar to investment opportunities targeted by the SFR Fund. Hudson has no control over what opportunities are pursued by the Lone Star Funds. Further, Hudson and the SFR Fund General Partner are expected to refrain from pursuing investment opportunities for the SFR Fund that in their belief would compete with a Lone Star Fund.

To the extent that certain other investment funds, managed accounts and/or similar arrangements sponsored by Hudson have investment objectives or guidelines that overlap with those of the SFR Fund, in whole or in part, investment opportunities that fall within such common objective or guidelines will be generally be allocated among the SFR Fund and such other accounts or arrangements on a basis that Hudson determines in its discretion to be fair and reasonable over time.

4. **Co-Investments.** A Client's investment activities may generate the opportunity for certain persons or entities to co-invest in such investments alongside the Client in Co-Investment Vehicles. Unless otherwise agreed with an investor or required by a Client's Governing Documents, the general partner will have no obligation to offer the right to co-invest to any limited partner; provided that, if a co-investment opportunity arises in connection with the Client's investment activity, as determined by the relevant Client's general partner in its sole discretion, such general partner will initially offer the right to co-invest pursuant to the Client's Governing Documents. There can be no guarantee, prediction or projection of the availability to limited partners of the Clients of future co-investment opportunities. Where a co-investment opportunity is offered, the relevant Client's general partner shall determine the structure and timing on which such co-investment will be offered in its sole and absolute discretion. The performance of co-investments is not aggregated with that of the Clients, including for purposes of determining the relevant Client's general partner's profits interest or management fees payable to LSGA. The allocation of co-investment opportunities may involve a benefit to Lone Star and/or Hudson including, without limitation, performance-based compensation from the co-investment opportunity. There can be no assurances with respect to the amount of any investment opportunity that will be allocated to a Client.

Limited partners are not required to participate in co-investments offered by the Clients' general partners. Moreover, transaction-specific returns, and a limited partner's overall returns from its exposure to a Client's investments, may be affected significantly by the extent to which limited partners are offered and choose to participate in co-investment

opportunities. The actual number of co-investment opportunities made available to the limited partners may be different than those made available in connection with such limited partner's investment in another Client. In addition to the co-investment program for Key Employees, Lone Star and Hudson personnel and their affiliates are permitted to co-invest with a Client.

Potential co-investors may have a variety of different relationships with the Clients, the general partners, or Lone Star and/or Hudson, creating potential conflicts of interest in determining any co-investment strategy. As noted above in Item 5, fee and expense arrangements for co-investors are often different from those of the Clients, and the relevant Clients' general partners in their sole discretion on a case-by-case basis, may charge, reduce or waive any or all management fees, Hudson or other affiliated servicer fees, profits interest and other amounts and/or enter into preferential economic arrangements (including, but not limited to the cross promote of any co-investments) for the benefit of one or more co-investors, which may impact decisions on how to allocate. Furthermore, in the event a co-investment is contemplated to invest alongside a Client in a particular investment, expenses incurred solely for the benefit of the Co-Investment Vehicle or the co-investor(s), as well as expenses incurred in connection with making and holding an investment, may be borne by a Client and not by the Co-Investment Vehicle or co-investor(s).

Additionally, the Clients and co-investors will often have different investment objectives and limitations, such as return objectives and maximum hold periods. Lone Star and/or Hudson, as a result, will have conflicting incentives in making decisions with respect to such opportunities. Even if a Client and any such parties invest in the same assets on similar terms, conflicts of interest will still arise as a result of differing investment profiles of the investors, among other items. Furthermore, it is possible a Client's interest may be subordinated or otherwise adversely affected by virtue of such co-investors' involvement and actions relating to its investment.

In connection with co-investment opportunities, some co-investors (which may include one or more investors in a Client) may be provided with the opportunity to serve as members of investment or advisory committees or boards of directors or advisors to any given Portfolio Company. Such positions provide co-investors with voting rights, access to information and the ability to influence the operations and decision making of the Portfolio Company that are not available to other investors. In certain cases, co-investors may have contractual rights that require the approval of the co-investors for certain major actions relating to the applicable Portfolio Company. Such rights may limit the ability of Lone Star and/or Hudson to take actions with respect to the Portfolio Company that Lone Star and/or Hudson consider to be in the best interests of the Clients.

- 5. Unconsummated Transaction Expenses.** Clients, including the Lone Star Funds and the SFR Fund, will also pay or reimburse Lone Star, Hudson, their general partners, and their affiliates, as applicable, for all expenses incurred in pursuit of an investment that upon initial review appeared to meet a Client's investment guidelines and that the Client undertook

efforts in furtherance of investing in (including in anticipation of allocating a portion thereof as a co-investment opportunity), but which did not become an investment of the Client (“Unconsummated Transaction”). Examples of such Unconsummated Transaction expenses related to the Lone Star Funds include, but are not limited to, organization and formation and other expenses; all fees, costs and expenses of lenders, investment banks and other financing sources in connection with arranging financing for a proposed investment (including commitment fees); any break-up fees, reverse termination fees, topping, termination or other similar fees; extraordinary expenses such as litigation costs, settlements and judgments, travel and entertainment expenses incurred; legal, accounting, advisory, tax, underwriting and other due diligence and pursuit costs and expenses, including fees and expenses paid or reimbursed to Hudson, and to consultants or other third-parties; and any deposits or down payments of cash or other property which are forfeited in connection with a proposed investment that is not consummated. Examples of Unconsummated Transaction expenses related to the SFR Fund include, but are not limited to, expenses in connection with the identification of investment opportunities and the investigation of other potential investments that are ultimately not consummated, including expenses relating to due diligence, travel and legal, accounting and other professional services as well as the fees of other third-party advisers. As with our other allocation decisions, our allocation procedures and principles are designed to help mitigate the risk that financial incentives implicitly influence the allocation of Unconsummated Transaction expenses.

We employ the same principles as described above under “Investment Allocation” when allocating Unconsummated Transaction expenses. With respect to such expenses, we generally make such allocation decisions while a transaction is pending based on our best judgment as to the Client to which we will ultimately allocate the transaction. This judgment is necessarily subjective, especially when a transaction is terminated at a particularly early stage. When we abandon an opportunity, absent a factual development to the contrary, we will allocate the fees and expenses for such transaction to such Client or Clients. The allocation of fees and expenses among Clients may not be proportional. As discussed above in Item 5, in certain instances we will evaluate investment opportunities that, if consummated, we would likely offer in part to prospective co-investors. If such potential investment is not consummated, the full amount of any expenses related to such potential but not consummated investment and co-investment (including, but not limited to, reverse termination fees, extraordinary expenses such as litigation costs and judgments and other expenses) may be borne entirely by the Client (and any related Clients that would have participated in such investment), rather than by any Co-Investment Vehicle or co-investor(s). The financial position of the relevant Clients may give us an incentive to allocate such fees and expenses to one such Client and not another. For example, it would be advantageous to allocate Unconsummated Transaction expenses to a Client or other vehicle that is not expected to pay profits interest to such Client’s general partner, as the fees and expenses would not affect the amount of profits interest paid, and it typically would be disadvantageous as an economic matter to allocate Unconsummated Transaction expenses to a Client that is

paying profits interest, as doing so would delay and reduce the amount of profits interest paid to the relevant Client's general partner.

A Client's general partner is not required to and in most circumstances will not seek reimbursement of Unconsummated Transaction expenses from third parties, including potential counterparties to the potential transaction or potential co-investors. Any such Unconsummated Transaction expenses could, in the sole discretion of the relevant Client's general partner, be allocated solely to one Client and not to one or more other Clients or Co-Investment Vehicles that could have made the investment, even when such other Clients or Co-Investment Vehicles commonly invest alongside a Client in its investments or alongside another Client in its investments. In such cases, a Client's share of expenses would increase. In the event Unconsummated Transaction expenses are allocated to a Client or a Co-Investment Vehicle, the relevant Client's general partner or a Client may advance such fees and expenses without charging interest until paid by the other Client or Co-Investment Vehicle, as applicable.

6. Rates of Third-Party Advisors and Other Conflicts Relating to Service Providers.

Hudson, Lone Star, their personnel, the Lone Star affiliated entities and their Portfolio Companies, and the SFR Fund will from time to time engage common service providers. In certain circumstances, advisers and other service providers may charge rates or establish other terms for advice and services provided to Hudson, Lone Star, their personnel, or any of their respective affiliates that are different from and more favorable than those charged in respect of advice and services provided to the Lone Star Funds, the SFR Fund, and their investments. Moreover, whereas rates or amounts payable for such services are often negotiated on a matter-specific basis, the Clients from time to time pay higher rates or amounts than Hudson would for such services.

This creates a conflict of interest between Hudson and its personnel and affiliates, on the one hand, and the Lone Star Funds and/or their Portfolio Companies and/or the SFR Fund, on the other hand, in determining whether to engage such service providers, including the possibility that Hudson will favor the engagement or continued engagement of such persons if it, or its personnel, receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by the Lone Star Funds and/or the SFR Fund and their investments or Portfolio Companies. Neither the Lone Star Funds nor their limited partners will receive the benefit of any such favorable rate or discount provided to Hudson, its personnel or its affiliates, and the management fee paid by any Lone Star Fund or the SFR Fund will not be reduced in connection with such favorable rate or discount.

Additionally, employees of Hudson or its affiliates, and/or their family members or relatives may have ownership, employment, or other economic or other interests in certain service providers. These relationships can influence Hudson in determining whether to select, or recommend such service provider to perform services for a Client. Although Hudson selects service providers that it believes will enhance the performance of the relevant Client(s), there

is a possibility that Hudson, because of financial, business interest, or other reasons, may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person.

Hudson, Lone Star, and affiliates from time to time hire short-term or long-term personnel (or interns) who are relatives of or are otherwise associated with an investor, operating company, service provider, or other Lone Star or Hudson personnel. Although reasonable efforts are made to mitigate any potential conflicts of interest with respect to each particular situation, there is no guarantee that Hudson will mitigate all such potential conflicts of interest, and there may continue to be an ongoing appearance of a conflict of interest.

Hudson and the Lone Star Funds and SFR Fund will generally engage common legal counsel and other service providers in a particular transaction, including a transaction in which there may be conflicts of interest. Members of the law firms engaged to represent a Client may be an investor in the Client, and may also represent investors in a Client. In the event of a significant dispute or divergence of interest between a Lone Star Fund, the SFR Fund, Hudson and/or its affiliates, the parties may engage separate counsel in the sole discretion of Hudson and its affiliates, and in litigation and other circumstances separate representation may be required.

7. **Transactions with Limited Partners and Investors.** The Clients or their Fund Entities may occasionally enter into transactions with limited partners or investors in the Clients. For example, a limited partner or investor may be permitted to bid on an asset being sold by a Client or to joint venture on an asset purchased by a Client. Such transactions create potential conflicts of interest for Hudson, which may be motivated to confer a benefit on a limited partner or investor in order to encourage investment in future Clients or gain support on matters requiring investor approval. Hudson has implemented policies and procedures designed to ensure that any such transactions are in the best interests of the applicable Clients.
8. **Material Non-Public Information.** Hudson periodically comes into possession of material, nonpublic information with respect to investment targets and other public companies in connection with advising Clients. Hudson maintains policies and procedures designed to (i) protect such information in accordance with applicable regulations, including maintenance of an internal restricted list, (ii) ensure the confidentiality of Client information generally, and (iii) identify and manage these conflicts of interest. To the extent a conflict of interest arises with respect to Hudson's engagement to provide services to one or more of the Lone Star Funds and a Hudson Client unrelated to Lone Star, Hudson will either (i) provide services with respect to the Client who initially requested such services, or (ii) determine if it can provide those services to each applicable Client consistent with its policies and procedures. Potential mitigation could include, among other things, obtaining waivers from clients, establishing ethical walls between teams, or other mitigating steps. Further, Hudson and Lone Star generally do not maintain formal information barriers between their operations or different groups. In 2021, Hudson launched its own fund vehicle and may in the future provide services to third parties that are not affiliated with Lone Star. As a result, it is possible that Hudson may not be able to provide certain services to the Lone Star Funds due to conflicts with its own fund and such third parties it provides services to. As a result,

possession of material, nonpublic information by Hudson will often limit the ability of a Lone Star Fund or the SFR Fund to buy or sell the applicable company's securities, initiate a transaction, or dispose of an investment, even if such information was not obtained on behalf of the Lone Star Fund or the SFR Fund. In addition, Clients or their affiliates sometimes enter into confidentiality agreements that include provisions, such as "standstills", that limit the ability of affected entities to buy or sell certain securities, potentially for extended periods.

Also, Fund Entities that hold interests in investments on behalf of a Fund may be controlled by boards of directors, one or more members of which may, for tax, regulatory, or other reasons, not be affiliated with Lone Star or Hudson or subject to their (or their affiliates') supervision and control. Such directors may be exposed to material nonpublic information with respect to investments held by the Fund Entities.

9. **Valuation.** The Lone Star Funds' investments are anticipated to include numerous illiquid, subordinate, non-traded, or lightly traded investments held in a variety of countries for which market values are not readily available and fair values may be difficult to estimate and rely heavily on management judgement and estimates of unobservable inputs. The fair value of all investments or of any asset received in exchange for any investment will ultimately be determined by personnel of Lone Star and Hudson, in conjunction with and using information provided by Hudson. It may be the case that the carrying value of an investment may not reflect the price at which the investment is ultimately sold in the market, and the difference between carrying value and the ultimate sales price could be material. The valuation methodologies used to value any investment will involve subjective judgments and projections and may not be accurate. Valuation methodologies will also involve assumptions and opinions about future events, which may or may not turn out to be correct. Ultimate realization of the value of an asset depends to a great extent on economic, market and other conditions beyond Hudson or its affiliates' control.

Based on the appraisals of investments and valuations of the SFR Fund's liabilities and other assets, Hudson and the SFR Fund Fair Value Committee (the "Fair Value Committee"), on behalf of the SFR Fund General Partner, will review, approve, and document the final fair value determinations for each investment of the SFR Fund and determine the Net Asset Value of the SFR Fund in accordance with the SFR Fund's Fair Value Policy and the Governing Documents. The determination of fair value for certain direct real estate investments held by the SFR Fund is derived from an appraisal by an independent third party engaged by the SFR Fund General Partner in its discretion on behalf of the SFR Fund. The appraisal is conducted in accordance with the SFR Fund's Fair Value Policy, which can be modified by Hudson in conjunction with the Fair Value Committee.

A valuation is only an estimate of value and is not a precise measure of realizable value. Ultimate realization of the market value of an investment depends to a great extent on economic and other conditions beyond the control of Hudson and the SFR Fund General Partner. In addition, the estimated fair value of the SFR Fund's investments may be affected by economic and political developments in a specific market, and those effects could be material. Accurate valuations are more difficult to obtain in times of low transaction volume because there are fewer market transactions that can be considered in the context of the

appraisal. If the SFR Fund were to liquidate a particular real estate investment, the realized value may differ from the appraised valuation of such investment. As such, the carrying value of an investment may not reflect the price at which the investment could be sold in the market, and the difference between carrying value and the ultimate sales price could be material. Any such determination of the SFR Fund's Net Asset Value, even when based upon appraisals and such valuations, includes subjective analysis of the fair market value of the SFR Fund's assets, and requires the use of techniques that are costly and time-consuming and ultimately provide no more than an estimate of value.

The Net Asset Value of the SFR Fund will affect the amount and timing of the SFR Fund General Partner's incentive allocation and the amount of management fees payable to Hudson. As a result, there may be circumstances where Hudson is incentivized to determine valuations that may be higher than the actual fair value of investments and other assets. Further, when the SFR Fund redeems the units of a limited partner, such units will be redeemed at the Net Asset Value of the SFR Fund on the day of redemption. In such cases, the price at which the units will be redeemed or issued, as applicable, will be based on valuation estimates. If the Net Asset Value of the SFR Fund as determined pursuant to the SFR Fund's Fair Value Policy is lower than its true value, those whose units are redeemed based on that Net Asset Value will be underpaid, and limited partners who retain their units would be adversely affected if more units are issued at such low price than are redeemed at that price. In addition, those limited partners who purchase units at a Net Asset Value higher than the true value will overpay, and limited partners who retain their units would be adversely affected if more units are redeemed at the high price than are issued at that price. The calculation of the Net Asset Value of the SFR Fund and/or units may from time to time deviate from the U.S. Generally Accepted Accounting Principles, including with respect to the amortization of organizational and offering expenses and the calculation of unrealized gains and/or losses with respect to derivative instruments.

- 10. Incentive Allocation; SFR Fund Management Fee.** The SFR Fund General Partner is generally entitled to receive an incentive allocation with respect to each limited partner for each predefined period, so long as such limited partner has recovered any losses from prior periods that have not been previously recouped and earned a return in excess of a predefined hurdle amount per annum during such pre-defined period on its aggregate capital contributions. Nonetheless, in certain circumstances, the SFR Fund General Partner may be entitled to receive an incentive allocation with respect to a limited partner even if such limited partner has not received a return, over the life of its investment in the SFR Fund, sufficient to exceed a predefined hurdle amount per annum on its aggregate capital contributions. The existence of the SFR Fund General Partner's incentive allocation and the SFR Fund Management Fee payable to Hudson, in each case, based on the SFR Fund's Net Asset Value may create an incentive for the SFR Fund General Partner to make riskier or more speculative investments on behalf of the SFR Fund than it would otherwise make. The SFR Fund General Partner may also be motivated to accelerate acquisitions in order to increase Net Asset Value or, similarly, delay or curtail redemptions to maintain a higher Net Asset Value, which would in each case, increase the SFR Fund Management Fee distribution payable to Hudson. The

SFR Fund General Partner may receive an incentive allocation in respect of unrealized appreciation of the SFR Fund's assets, and the SFR Fund Management Fee payable to Hudson will take into account the unrealized value of the SFR Fund's assets and any cash and cash equivalents.

11. Personnel Moves. Certain employees and former employees of Lone Star, Hudson, and their affiliates have in the past, and may in the future, transition, fully or partially, to new roles with Hudson, Lone Star, other operating entities or investments / investment platforms owned by Lone Star Funds or with affiliated service providers. Such personnel moves are typically made to account for changes in job roles, changing resource / expertise requirements at Hudson, Lone Star or the applicable entity, or licensing / regulatory or other compliance reasons. Such a transition may have the effect of shifting, directly or indirectly, the burden of the compensation of such employees from Lone Star, Hudson or their affiliates to the applicable Lone Star Fund and/or its Portfolio Companies and, in the case of a transfer to Hudson or its affiliates, may result in Hudson or its affiliates earning a profit margin in respect of such transferred employee which will be borne in whole or in part by Clients. For continuity and other reasons, Hudson and Lone Star and/or other applicable entities, in some cases, enter into secondment or other arrangements between Hudson, Lone Star, and/or the other applicable entities. To the extent that personnel transitions will impact, directly or indirectly, fees borne by Clients (e.g., Hudson personnel moving to Lone Star or the applicable entity), Lone Star and Hudson have put in place policies and procedures to confirm that relevant employees' work (i) does not fall within the scope of Hudson's services for which it earns a management fee and (ii) is properly allocated as between Lone Star, Hudson, and the Lone Star Funds, including review of personnel transitions by Lone Star and/or Hudson compliance. While Hudson and Lone Star have put in place certain controls relating to such transitions, there is no assurance that the potential conflicts associated with such moves, including potential fee and expense-related impacts to the Client, will be fully mitigated.

12. Outside Activities of Principals, Other Personnel and their Related Parties and Co-Investors. The Principals and/or other employees of Lone Star and/or senior employees of Hudson may be subject to a variety of conflicts of interest relating to their responsibilities to Clients (including the Lone Star Funds and the SFR Fund and their respective investments and co-investment vehicles), and their outside business activities as members of investment or advisory committees or boards of directors or advisors to investment funds, corporations, foundations or other organizations (including but not limited to certain private and/or public companies in which a Client has an interest) with or without compensation. In addition, any such person who so serves will devote a portion of their time in the future to their duties associated with such positions. The Principals are also investors in certain other investments and have the right, as described in the relevant Fund's Governing Documents, to make certain investments for their own benefit. The Principals will devote a portion of their time in the future to the management of such investments. Also, subject to the relevant Governing Documents of the Lone Star Funds or the SFR Fund and Hudson's policies and procedures, Hudson personnel may be permitted to invest in alternative investment funds, real estate funds, hedge funds and other investment vehicles, as well as securities of other companies, some of which may be competitors of

one or more Clients. Investors in the relevant Client will not receive any benefit from any such investments, and the financial incentives of Hudson personnel in such other investments could be greater than their financial incentives in relation to said Client.

Such positions create a conflict if such other entities have interests that are adverse to those of Clients, including if such other entities compete with Clients for investment opportunities or other resources. The Hudson personnel in question may have a greater financial interest in the performance of the other entities than the performance of a Client. This involvement may create conflicts of interest in making investments on behalf of Clients and such other funds, accounts and other entities. Although Hudson will generally seek to minimize the impact of any such conflicts, there can be no assurance they will be resolved favorably for any Client.

Additionally, certain personnel and other professionals of Hudson have family members or relatives who are actively involved in industries and sectors in which the Clients invest or have business, personal, financial or other relationships with companies in such industries and sectors, which gives rise to potential or actual conflicts of interest. For example, such family members or relatives might be officers, directors, personnel or owners of companies or assets which are potential or actual service providers to the Clients, Lone Star, or Hudson, or actual or potential investments of a Clients or other counterparties of Clients and their investments. Moreover, in certain instances, Clients – including Lone Star Funds, the SFR Fund or their Fund Entities – may purchase or sell companies or assets from or to, or otherwise transact with, companies that are owned by such family members or relatives or in respect of which such family members or relatives have other involvement. In these circumstances, the relevant Client’s Governing Documents may not preclude said Client from undertaking any of these investment activities or transactions. To the extent Hudson and Lone Star determines appropriate, conflict mitigation strategies may be put in place with respect to a particular circumstance, such as recusal, disclosure or other steps determined appropriate by Hudson.

- 13. Providers of Operations Support.** Hudson, Lone Star, their affiliates, the SFR Fund, and the Lone Star Funds and/or the Lone Star Funds’ Portfolio Companies may from time to time, directly or indirectly, retain other companies and individuals (“Operating Partners”), which could include (i) former employees of Lone Star, Hudson, their affiliates, or Portfolio Companies of the relevant Funds, or (ii) third-party consultants (including specialized consultants, advisers, industry specialists, external executives, industry advisory roundtable members, and similar professionals).

The Operating Partners are engaged to provide operational support, due diligence, research, specialized operations and consulting services and similar or related services to the relevant Funds, or in connection with, one or more Portfolio Companies or prospective Portfolio Companies in relation to the diligence, structuring, valuation, acquisition, holding, improvement and disposition of such Portfolio Companies (such services collectively, “Operating Partner Services”). These services may include support regarding, among other things, the company’s management (including serving in management positions or participating in determining corporate strategy), serving on a Portfolio Company’s board of

directors, the company's supply chain, revenue and margin management (including determining sales/marketing strategy and retail strategy), data intelligence, finance (including generating metrics and reporting and business restructuring), human capital management (including recruiting personnel and determining executive/incentive compensation), information technology, corporate communications, customer service, sustainability (including, strategy, policy and reporting development), real estate matters and similar operational matters.

The nature of the relationship with each such Operating Partner and the time devotion requirements of each such Operating Partner may vary significantly. Certain Operating Partner may be subject to contractual obligations to exclusively provide certain services to the relevant Funds and/or the Portfolio Companies. These arrangements may be memorialized in a formal written agreement or may be informal and are negotiated individually, depending upon the anticipated Operating Partner Services to be provided. Operating Partners may under certain circumstances be offered the ability (or may under certain circumstances have a preferred right) to co-invest alongside the relevant Funds or may under certain circumstances be offered the opportunity directly by the Portfolio Company to invest in the company, including in investments in which such Operating Partner is involved or participates in the management thereof.

Pursuant to the Governing Documents of the relevant Funds, fees, compensation, expenses and any attributable overhead associated with Operating Partner Services (collectively, "Operations Expenses") are paid and/or reimbursed by Hudson, Lone Star, Portfolio Companies and/or the relevant Funds. Operations Expenses (including Operations Expenses incurred in connection with an Operating Partner that is a former employee of Lone Star or its affiliates) will be determined at the discretion of the general partner of the relevant Fund taking into account the particular Operating Partner Services, may include reimbursement of an allocable portion of an affiliated Operating Partner's compensation (including, without limitation, salary, bonus, payroll taxes and benefits) and overhead (including, without limitation, rent, property taxes and utilities allocable to the workspaces), an annual fee or retainer, a discretionary bonus, a success fee (in the form of cash or equity) based on predetermined targets or milestones, a profits or equity interest in the relevant Fund and/or Portfolio Company or other incentive-based compensation to the Operating Partner, and will generally be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the Operating Partner, a percentage of the value of the Portfolio Company, the invested capital exposed to such Portfolio Company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such companies. The determination of whether a service is an Operations Support Service will be made by the general partner of the relevant Fund, in its good faith discretion. Operations Expenses will, from time to time, also be incurred in respect of Portfolio Companies prior to the closing of the investment. To the extent Operating Partner Services are provided for the benefit of the relevant Fund, without reference to a particular Portfolio Company, Operations Expenses incurred in connection with such

Operating Partner Services are borne by the relevant Fund and, indirectly, the investors in such Fund. In the event one or more Operating Partners (directly or indirectly) is providing Operating Partner Services with respect to more than one Fund, such Operations Expenses will be allocated among the applicable Clients as determined by Hudson or Lone Star, consistent with the Governing Documents of the applicable Funds and as described above. To the extent any such Operations Expenses are payable to any unaffiliated or disaffiliated Operating Partner, as determined by the general partner of the relevant Client in its sole discretion, by the relevant Fund or a Portfolio Company, such Operations Expenses will be retained by such Operating Partner and will not offset the management fee payable by investors in the relevant Clients and will not benefit the Client or its investors, even if the Operations Expenses paid by the relevant Fund or a Portfolio Company have the effect of reducing any retainers or minimum amounts otherwise payable by Lone Star or Hudson. In certain cases, Operations Support Providers have attributes of Hudson employees (for instance, they may have dedicated office space, receive Hudson administrative support services, participate in general meetings or events for Hudson personnel, have Hudson e-mail address or business cards), even though they are not employees, affiliates or personnel of Hudson. Lone Star and/or Hudson will be responsible for allocating Operations Expenses depending on the relevant Fund, including determining whether an Operations Expense is paid by a Portfolio Company, the relevant Fund, Hudson, or Lone Star. Over time, certain former employees of Hudson or Lone Star or (including senior personnel) may transition to an Operating Partner role, which may shift the burden of compensating such persons from Hudson or Lone Star or to the applicable Fund and/or its Portfolio Companies and any fees received by such persons will not reduce the management fee payable by investors in the relevant Fund.

- 14. Conflicts Related to Withholding of Certain Information.** The Governing Documents of the SFR Fund and certain Lone Star Funds generally permit the SFR Fund General Partner or the relevant general partner of the Lone Star Fund to withhold information from certain limited partners or investors in such Fund in certain circumstances. For instance, information will at times be withheld from limited partners that are subject to the U.S. Freedom of Information Act or similar requirements, or from limited partners under circumstances where the relevant general partner believes the information, if disclosed, could be harmful to the Clients, its affiliates and/or their trade secret information. The relevant general partner will also from time to time elect to withhold certain information from such limited partners for reasons relating to the relevant general partner's public reputation or overall business strategy, despite the potential benefits to such limited partners of receiving such information.
- 15. Conflicts Related to the Interpretation of Governing Documents and Other Legal Requirements.** The Governing Documents of the SFR Fund and Lone Star Funds are detailed agreements that establish complex arrangements among the limited partners, the SFR Fund or the Lone Star Funds, the SFR Fund General Partner or LS General Partners and other entities and individuals. Questions arise under these agreements regarding the parties' rights and obligations in certain situations, some of which will not have been

contemplated at the time of the agreements' drafting and execution. In these instances, the operative provisions of the agreements, if any, may be broad, general, ambiguous or conflicting, and may permit more than one reasonable interpretation. At times there will not be a provision directly applicable to the situation. While Hudson will construe the relevant agreements in good faith and in a manner consistent with Hudson's legal obligations (and, when appropriate, in consultation with external legal counsel), the interpretations Hudson adopts will not necessarily be, and need not be, the interpretations that are the most favorable to the SFR Fund or the Lone Star Funds or their investors.

- 16. Management of the SFR Fund.** The ultimate success of the SFR Fund is dependent on the officers and employees of Hudson. Such persons will devote such time as Hudson, in its sole discretion, deems necessary to carry out the operations of the SFR Fund effectively. However, the officers and employees have, in some circumstances, an obligation to devote a significant amount of their time working on matters related to more than one Client. Hudson personnel may also work on other projects, serve on other committees and source potential investments for and otherwise assist the investment programs of other affiliated Clients and their investments. Time spent on these other initiatives diverts attention from the activities of the SFR Fund, which could negatively impact the SFR Fund and its limited partners. In addition, should any of the officers and employees become incapacitated or in some way cease to participate in the SFR Fund, its performance could be adversely affected. Furthermore, Hudson and certain Hudson personnel derive financial benefit from these other activities, including fees and performance-based compensation. These and other factors create conflicts of interest in the allocation of time by Hudson personnel. Subject to the Governing Documents of the SFR Fund, Hudson's determination of the amount of time necessary to conduct the SFR Fund's activities will be conclusive, and limited partners of the SFR Fund will rely on Hudson's judgment in this regard. Hudson may from time to time modify its investment process and procedures, including by changing the number and composition of the SFR Fund's committees.
- 17. Side Letters.** The SFR Fund General Partner, on behalf of the SFR Fund has entered into side letters with one or more limited partners and/or parallel fund investors, which has the effect of establishing rights (other than as set forth in the SFR Fund Governing Documents as a general matter) under or altering or supplementing the terms of the Governing Documents including with respect to (i) additional or different reporting or notice obligations of the SFR Fund, (ii) transfers to affiliates and other parties, (iii) waivers of lock-up periods or other redemption rights under certain limited circumstances, (iv) consent rights to certain Governing Document amendments, (v) limits on indemnification obligations, (vi) special economic terms, (vii) commitments to monitor or restrict the amount of income and gain of the SFR Fund that is (a) subject to the tax on "unrelated business taxable income" within the meaning of U.S. Code Section 512 or (b) treated as income effectively connected to a U.S. trade or business or derived from the conduct of a commercial activity for U.S. federal income tax purposes or (viii) any other matters described therein. As a result of such side letters, certain limited partners and/or parallel fund investors may receive additional benefits, which may be more favorable than those offered to any other limited partners (including expanded informational rights and preferential liquidity and economic terms) and which other limited partners will not

receive. Although any rights or terms so established in a side letter with a limited partner and/or parallel fund investor are intended to govern solely with respect to such limited partner or parallel fund investor, such rights or benefits may, by altering the terms of the Governing Document or parallel fund governing document, or requiring the consent of a limited partner or parallel fund investor for certain SFR Fund investments and other actions, materially impact the SFR Fund and each other limited partner. For example, if the SFR Fund General Partner enters into a side letter with a limited partner and/or parallel fund investor pursuant to which the SFR Fund General Partner commits itself to monitor or restrict the amount of income and gain of the SFR Fund that is subject to the tax on “unrelated business taxable income” within the meaning of U.S. Code Section 512, the SFR General Partner’s compliance with such commitment may result in the SFR Fund not making an investment it otherwise would have made absent such commitment or result in the SFR Fund structuring its investments differently. As a result of the foregoing, the costs of the SFR Fund and all of the limited partners’ returns may be materially different and, in case of the limited partners’ returns, lower than they would have been had such commitments not been agreed to in a side letter.

- 18. Gifts and Entertainment and Other Benefits.** The gifts and entertainment policies of Lone Star and Hudson require the approval and/or reporting of the receipt or provision of certain business gifts and entertainment, including meals and hospitality, by employees of Lone Star and Hudson and members of their households. Nonetheless, these policies do not prohibit the Principals or other employees, officers, or directors of Lone Star, Hudson, or other individuals acting on behalf of a Lone Star Fund from accepting gifts or entertainment from current or potential counterparties, including brokers and other providers of goods and services to a Lone Star Fund. The receipt of such gifts and entertainment could cause employees of Lone Star and Hudson to view relevant counterparties more favorably than others and, therefore, will give rise to conflicts of interest related to the operation of a Lone Star Fund and its investment activities. Hudson, Lone Star, their affiliates and their personnel and related parties will receive intangible and other benefits, discounts and perquisites arising or resulting from their activities on behalf of the SFR Fund or Lone Star Funds, which will not offset or reduce management fees (including SFR Fund Management Fees) or otherwise be shared with the SFR Fund or the Lone Star Funds, their Fund Entities, or their investors. Further, Hudson may receive the same benefits on behalf of other Clients. For example, airline travel or hotel stays will result in “miles” or “points” or credit in loyalty or status programs, and such benefits will, whether or not *de minimis* or difficult to value, inure exclusively to the benefit of Hudson, Lone Star, their affiliates or their personnel or related parties receiving them, even though the cost of the underlying service is borne by the SFR Fund or a Lone Star Fund as partnership expenses or by its Fund Entities, or another Client. For certain Lone Star Funds, limited partners consent to the existence of these arrangements and benefits.
- 19. Insurance.** The SFR Fund will purchase or bear premiums, fees, costs and expenses (including any expenses or fees of insurance brokers) with respect to general partnership liability insurance insuring the SFR Fund, as well as the SFR Fund General Partner and persons entitled to indemnification from the SFR Fund, against liability in connection with the activities of the SFR Fund. The general partnership liability insurance policies may

cover one or more of the SFR Fund and the Lone Star Funds, Lone Star, the SFR Fund General Partner, Hudson, Hudson Homes and their affiliates (including their respective directors, officers, employees, agents and representatives, and persons entitled to indemnification) (collectively, the “Insured Parties”). The SFR Fund General Partner, in conjunction with Lone Star, will make judgments about the allocation of premiums, fees, costs and expenses for said policies among one or more of the Insured Parties on a fair and reasonable basis, in its discretion. Additionally, insurance coverage limits may be exhausted in paying claims that are unrelated to the SFR Fund and therefore insurance proceeds may not be available to pay claims related to the SFR Fund.

- 20. Provision of Services to Multiple Clients.** Hudson is in the business of providing a variety of services to multiple Clients and, as a result, has existing and potential relationships with a significant number of sponsors, investment managers, operating partners and companies, including those that may be sources of potential investments for the SFR Fund, including Lone Star and the Lone Star Funds. Hudson also has relationships with numerous investors, including institutional investors and senior management. One or more such investors may own interests in the SFR Fund General Partner, Hudson, Hudson Homes, and/or certain targets of the SFR Fund. While it is anticipated that any such interest would give rise to conflicts of interest, no such interest will bar a limited partner from being a member of the Advisory Committee. Hudson has continued to provide services to Lone Star, the Lone Star Funds and potentially other clients after the establishment of the SFR Fund. In providing services to such parties and the SFR Fund, Hudson may face conflicts of interest with respect to activities it recommends to, or performs for, such other parties, on the one hand, and the SFR Fund or its direct or indirect investors on the other hand. The existence and development of these relationships may influence whether or not the SFR Fund General Partner or Hudson undertakes a particular investment on behalf of the SFR Fund and, if so, the form and level of such investment. Similarly, the SFR Fund General Partner and Hudson may take into consideration these relationships in the management of the SFR Fund. Accordingly, there may be certain investments or strategies involving the management or realization of particular investments that the SFR Fund General Partner or Hudson will not undertake on behalf of the SFR Fund in view of such relationships that could have been profitable for the SFR Fund.

In addition, from time to time the SFR Fund’s activities may be restricted because of regulatory requirements applicable to Hudson and its internal policies designed to comply with such requirements.

Except as specifically provided for in the Governing Documents, Hudson is under no obligation to offer investment opportunities of which it becomes aware to the SFR Fund, or to account to the SFR Fund in respect of any transaction or benefit received by it from any transaction.

Transactions executed on behalf of proprietary accounts, or Client accounts managed by Hudson will be executed independently of the SFR Fund’s transactions, and thus at prices or rates that may be more or less favorable than those achieved by Hudson for comparable transactions of the SFR Fund. The results of the SFR Fund’s investment activities may differ significantly from the results achieved by other accounts managed by Hudson.

21. Property Management and REO Servicing. Hudson provides services for U.S. residential REO assets held by certain of its Clients through Hudson Homes. Hudson Homes' services include property preservation, oversight of renovation and repair, leasing, property disposition and other related services. Hudson Homes is a subsidiary of HAL. Hudson Homes receives fees for REO servicing with respect to certain U.S. residential REO assets owned by the Lone Star Funds or affiliates thereof. The REO servicing fees are generally based on the unpaid principal balance of the loan at the time of foreclosure, plus certain incentive fees. The Advisory Committees of certain of the Lone Star Funds have approved certain limitations on the fees that Hudson Homes can charge the applicable Lone Star Funds on the unpaid principal balance of the loan at the time of foreclosure and on the incentive fees that Hudson Homes can charge the applicable Lone Star Funds.

Hudson Homes also provides services to the SFR Fund related to property management, leasing, lease management, acquisitions, and dispositions (the "Property Management Services") of SFR and other assets. In addition, Hudson Homes, directly and indirectly through affiliates and third-party vendors will provide services related to repairs, turns, maintenance, construction, modifications and property inspections ("RTM Services") for both acquired vacant and occupied SFR assets. Hudson Homes is also permitted to provide certain additional services that would otherwise be provided by third parties related to the investments of the SFR Fund, including, without limitation, any property management, lending, construction, leasing, development, design, operational, legal, financial, back-office, marketing, the provision of insurance, advisory and other services, and other similar operational matters, including brokerage services.

Northsight Management, LLC and Northsight Management Solutions, LLC (collectively, "Northsight"), indirect subsidiaries of Hudson Homes, provide property preservation, management, maintenance, renovation and repair, and related services ("SFR Property Services") to Clients, either directly or through Hudson Homes. The fees charged by Northsight for SFR Property Services are set forth in Client fee agreements. With respect to the Lone Star Funds, the fees are an arm's length fee based on the type of SFR Property Service being provided and the geographic location of the property. The advisory committees of certain of the Lone Star Funds have approved certain limitations on the fees that Northsight can charge the applicable Lone Star Funds for SFR Property Services.

Similarly, Hudson Homes will receive property management fees from the SFR Fund or affiliates. Property management fees will generally consist of a monthly management fee computed and payable monthly in arrears based on a percentage of the rent collected in a given month, acquisition fees, disposition fees, and other fees and commissions for new and renewed leases. Hudson Homes will also charge fees for RTM Services provided to the SFR Fund or Fund Entities equal to out-of-pocket costs (which includes the costs of engaging third parties or affiliates, including Northsight, to provide such RTM Services) plus a set margin, which will be subject to a pre-determined annual inflation increase. In addition, to the extent that Hudson Homes provides certain additional services that would otherwise be provided by third parties as described above, the fees charged by Hudson Homes must be either contemplated in the relevant asset management and/or property management agreements entered into between HAL (and/or its subsidiaries) and the SFR Fund (and/or its subsidiaries) or are on arm's length terms and at market-based rates.

By virtue of its ownership interest in Hudson Homes, Hudson, certain of its senior personnel, and their associated entities will benefit from Hudson Home's relationship with and its receipt of fees from Clients, including the Lone Star Funds and the SFR Fund. Such fees will enhance the value of Hudson, and the limited partners of the SFR Fund and the Lone Star Funds (other than those limited partners holding direct or indirect interests in Hudson) will not participate in any increase in the value of Hudson by virtue of their ownership of an interest in a Fund. Because Hudson is a related person of Hudson Homes, Hudson may have an incentive to increase the fees received by Hudson Homes from Clients, particularly as the property management and REO servicing fees received by Hudson Homes do not reduce or offset any other compensation payable to Hudson. Conflicts may also arise in determining whether Hudson Homes has performed its obligations to Clients. Hudson believes that these conflicts are mitigated through Hudson's continuing oversight, as well as (in certain circumstances) periodic benchmarking against fees charged by third-party service providers.

- 22. Transactions with and Between Clients.** Transactions with and between Clients may be approved as set forth in a Client's Governing Documents or may be required to be approved by consent of each Client's Advisory Committee. Additionally, Hudson or Lone Star, in limited circumstances, may cause a Client to sell assets to, purchase assets from, or otherwise share in an investment transaction with another Client or affiliated entity. These transactions create conflicts of interest because, by not exposing any such transactions to market forces, a Client may not receive the best terms otherwise possible, or Hudson or Lone Star might have an incentive to improve the performance of one Client by selling underperforming assets to another Client in order, for example, to earn fees.

To address conflicts of interest, Hudson and Lone Star have implemented policies and procedures to address such transactions. Subject to certain exceptions, a Client's Governing Documents generally require its Advisory Committee's prior approval of conflicts of interest between Hudson, Lone Star and a Client or among Clients, including proposed cross or principal transactions.

Examples of certain transactions between Clients that are approved by the Governing Documents of certain Clients are set forth below.

- In the event a Client owns or invests in an entity, such entity may transact business with one or more other Clients provided that such transaction is in the ordinary course of business of both entities (including financing transactions where one entity is in the business of lending or arranging finance) and on financial terms that are commensurate with those that would be negotiated on an "arm's length" basis by third parties (any such transaction, an "Operating Company Transaction").
- In addition, a Client and/or the Fund Entities may (i) jointly bid on a potential transaction, (ii) enter into a joint venture agreement for the purpose of acquiring the assets comprising such transaction, and/or (iii) collectively finance the assets of a transaction, in each case with another Client, provided that in each case the economic interests in the assets shall be allocated between the Clients or affiliated entities in accordance with the Client's Allocation Policy and each shall bear its

share of the costs and expenses of such transaction in proportion to such economic allocation (in the case of subsection (i), (ii), or (iii), a “Joint Client Transaction”).

- A Client may also invest in or through, or acquire entities (directly or indirectly) that provide services to, or are used for investing (“Investment Platforms”) by one or more other Clients or affiliated entities, provided that the investment in, or purchase of, such Investment Platform (including any investment in or purchase of such Investment Platforms from one or more other Clients or affiliated entities) satisfies the requirements of the Client (as described in the Client’s Governing Documents), the economic interests, costs, expenses and liabilities of such entities are reasonably allocated among the Clients and such other persons holding interests in such entities; and appropriate reciprocal indemnification and risk-sharing provisions are put in place between the Clients and such other persons holding interests in such entities (“Investment Platform Transactions”).
- A Client may engage certain affiliates of one or more other Clients to provide goods and/or services to the Client and/or its investments, and similarly, a Client and/or its investments may undertake the same for one or more affiliates of one or more other Clients or affiliated entities (such transactions, “Related Party Transactions”).

For certain Client structures with vehicles investing on a side-by-side basis, certain expenses of an investment transaction may be paid by one Client vehicle and subject to reimbursement by the other Client vehicle(s). In such circumstances, the Client vehicle that has paid these expenses bears the risk that the other Client vehicle(s) will not have sufficient capital to reimburse the expenses in a timely fashion, or at all.

Clients may invest in conjunction with an investment being made by other Clients or in a transaction where another Client has already made an investment. For example, a Client may invest in bank debt and securities of companies in which another Client hold securities, including equity securities. Conflicts may arise in connection with such investments. Investment opportunities are from time to time appropriate for more than one Client at the same, different or overlapping levels of a portfolio company’s capital structure. Conflicts arise in determining the terms of investments, particularly where these Clients may invest in different types of securities in a single portfolio company. Questions arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring raise conflicts of interest. The involvement of such persons at both the equity and debt levels could inhibit strategic information exchanges among fellow creditors. In certain circumstances, Clients may be prohibited from exercising voting or other rights, and may be subject to claims by other creditors with respect to the subordination of their interest. In the event that one Client has a controlling or significantly influential position in a portfolio company, it will have the ability to elect some or all of the board of directors of such a portfolio company, thereby controlling the policies and operations, including the appointment of management, future issuances of securities,

payment of dividends, incurrence of debt and entering into extraordinary transactions. In addition, a controlling Client is likely to have the ability to determine, or influence, the outcome of operational matters and to cause, or prevent, a change in control of such a company. Such management and operational decisions may, at times, be in direct conflict with other Clients that have invested in the same portfolio company that do not have the same level of control or influence over the portfolio company.

23. Portfolio Company Services. In certain cases, a Client and/or one or more affiliates of Clients may contract with an operating company owned by a Portfolio Company. As an example, Portfolio Companies that provide loan servicing or property management may be engaged to provide services with respect to assets owned by Clients that do not own the Portfolio Companies. The operating company will receive fees for such services and expense reimbursements. The Clients and the limited partners (other than those limited partners otherwise holding direct or indirect interests in such companies) will not share in any fees, economics, equity or other benefits accruing to these operating companies, and such fees, economics, equity or other benefits will not offset the management fees. Conflicts may arise in determining whether such operating companies have performed their obligations to Clients and/or any Fund Entity, and/or whether the operating company (or any related parties) is entitled to indemnification pursuant to the provisions contained in a Client's Governing Documents and any other agreement between such entities and a Client. Neither Clients nor their investors shall have any right to the compensation received by the Portfolio Company, the operating company or its affiliates in connection with the services they provide to their customers. In addition, Portfolio Companies are owned by certain Clients, in which certain Principals, the owners of a Client's General Partner and the employees of a Client may have an ownership interest, and this ownership may create a conflict with respect to the engagement of such operating company for such Principals, owners and employees.

24. Use of Investment Data and Operating Company Data. Lone Star, Hudson, and their affiliates receive various kinds of investment information and operating company data and information (including information they will receive from investments reviewed by and purchased by Clients), including without limitation data and information relating to business operations, trends, budgets, customers and other metrics. As a result, Hudson may be better able to anticipate macroeconomic and other trends, and otherwise develop investment themes or strategies, as a result of information learned from a particular investment transaction or portfolio company. In furtherance of the foregoing, Lone Star and/or Hudson have received and shared information and expect to continue doing so, and they may in the future enter into information sharing and use arrangements with each other and with Portfolio Companies. Hudson believes that access to this information furthers the interests of its Clients by providing opportunities for operational improvements across Clients' investments and in connection with Clients' investment management activities. Hudson, however, has and expects to utilize such information outside of Clients' activities in a manner that may provide a material benefit to other Clients or affiliated entities, Lone Star or Hudson or their affiliates without compensating or otherwise benefiting its Clients. This sharing and use of such data and other information presents potential conflicts of interest. Hudson has an incentive to pursue certain investments based on their data and

information and/or the ability to utilize such information in a manner that benefits persons other than a Client, such as other Clients, Lone Star, Hudson or their affiliates. Any corresponding/resulting benefits received by such other Clients, Lone Star or Hudson or their affiliates will not be subject to the Management Fee offset provisions or otherwise shared with the limited partners.

Item 12: Brokerage Practices

A. Counterparty Selection

Hudson seeks to trade assets on behalf of Clients in a manner that is fair and equitable to all Clients, and to exercise diligence and care throughout the transaction process. The majority of Client assets are not market-traded instruments and even in the limited circumstances where a Client invests in market-traded instruments, often these are unique assets that are only available from one or a limited number of counterparties (i.e., there is no meaningful market). The investment counterparty for Lone Star Funds is typically chosen as part of a Fund's investment committee's and the applicable general partner's approval of the investment, and Hudson then assists in implementing the investment decision. For other Clients, this will be negotiated on a case-by-case basis. Therefore, the traditional best execution concepts that apply to market-traded instruments do not easily apply to the majority of the assets that Hudson trades on behalf of Clients.

In those cases where Hudson selects broker-dealers or other counterparties for transactions in market-traded instruments on behalf of its Clients, Hudson will do so consistent with its duty of best execution. Hudson defines "best execution" as seeking to obtain the best terms for its Clients under the circumstances in existence at the time of a transaction and taking into account the overall objective for the investment to which the transaction relates. It is the policy of Hudson to seek to achieve the best qualitative execution under the circumstances. Best execution does not require Hudson to obtain the lowest possible price, commission or transaction cost. Transactions may involve specialized services or considerations (such as the type of assets the Client is seeking to purchase or sell, or the availability of financing opportunities to the applicable Client) that must be considered when selecting a counterparty, and thereby entail higher markups or commissions than would be the case with transactions that do not involve any specialized services or considerations. Furthermore, because Hudson's Clients typically invest in assets that may be purchased from only one or a small number of counterparties, Hudson may not be able to obtain terms that are as favorable as those that may be available in a market with more potential counterparties.

In seeking best execution, Hudson may consider the full range and quality of a counterparty's services, including, among other things, one or more of the following factors, as applicable:

- the counterparty's ability to present Hudson with a transaction that meets the investment objectives of the relevant Client for which the transaction is executed,

including a counterparty's ability to transact in unique or difficult-to-trade assets that may be traded by a limited number of counterparties;

- the best price possible under the particular circumstances of the transaction (for example, for a sale transaction, Hudson may determine that the best price can be obtained through a competitive auction process open to many counterparties or, alternatively, Hudson may determine that the best price can be achieved through price negotiations with a limited number of counterparties);
- the ability of the counterparty to provide financing on the assets purchased, including either bridge financing until permanent financing can be obtained or long-term financing at inception on terms which Hudson believes are in the best interests of the relevant Client (which considerations may include, amongst others, rate, term, recourse and asset management flexibility) (for a sale transaction, Hudson may consider any breakage costs related to a financing and the willingness of a counterparty to waive such breakage costs);
- the counterparty's credit terms prior to requiring the posting of margin;
- the counterparty's ability and willingness to commit capital needed to execute the transaction;
- the ability and history of the counterparty in maintaining the confidentiality of transactions;
- the ability of the counterparty to execute quickly and the ability to commit capital and financing in light of the size of the transaction;
- the reliability, integrity, reputation and execution capability of the counterparty for effecting transactions in light of the size and difficulty of executing the order;
- the financial strength and creditworthiness of the counterparty; and
- the counterparty's specialized knowledge or experience in a particular market.

B. Research, Other Soft Dollar Arrangements, Client Referrals and Directed Brokerage

Hudson receives proprietary research and other services from certain broker-dealers, which Hudson may use to service one or more Clients. Hudson does not, however, cause Clients to pay increased commissions in order to obtain the research and services provided by broker-dealers, and Hudson does not consider the provision of such research and services in the recommendation or selection of broker-dealers. Hudson does not enter into commission sharing agreements with broker-dealers relating to transactions executed for the benefit of Clients, or participate in directed brokerage arrangements. Hudson will only permit Clients to direct brokerage to the extent that it believes such direction will not impact its ability to seek best execution for Client transactions.

Further information regarding use of placement agents is discussed in Item 14 – “Client Referrals and Other Compensation.”

C. Other Third Parties

In addition to transactions with banks and broker-dealers, Hudson may engage other service providers on behalf of Clients with respect to the execution of transactions, such as lenders and real estate brokers and agents. These service providers are subject to similar selection criteria as described above for counterparties, but may also be selected based on the geographic location of the assets and the service provider’s experience with the type of assets involved.

D. Aggregation of Client Transactions

Hudson will generally aggregate Client trades in the same instrument as part of the same strategy if it believes doing so is consistent with its obligation to seek best execution for all Clients. If Client trades are aggregated, each Client shares pro rata in the average cost and expenses of the applicable transaction(s). There may be situations in which aggregation of Client trades is not possible or practical because of Client restrictions or trade logistics, which may increase transaction costs and/or result in different pricing.

E. Trade Errors

Although Hudson seeks to exercise diligence and care when trading assets on behalf of Clients, errors may occur during the trading process. Hudson attempts to minimize trade errors by promptly reconciling confirmations with trade tickets or similar transaction documentation. To the extent that a trade error occurs, Hudson works to correct the error as soon as practicable and in such a manner that any resulting loss is minimized. If a trade error results in a gain, the affected Client(s) will retain the gain. As described in the applicable Client’s offering documents and/or services agreements, any loss caused by a trade error will be borne by the affected Client(s) unless the error is the result of bad faith, gross negligence or willful misconduct by Hudson. Hudson does not use commitments of future brokerage business to compensate any broker-dealer for absorbing the cost of a trade error. However, to the extent Hudson can demonstrate that a counterparty was partly or entirely responsible for a trade error, Hudson may ask that counterparty to bear part or all of the cost of the error.

Item 13: Review of Accounts

The Clients’ investment portfolios are generally private, illiquid and long- or medium-term in nature; accordingly, Hudson’s review of them is not directed toward a short-term decision to dispose of securities. However, Hudson maintains ongoing oversight with regard to Client investments. The Lone Star originations and Hudson asset management teams meet periodically with Lone Star’s executive leadership and others to update them on investment performance and related matters. With regard to the SFR Fund, Hudson regularly reviews and reports to the SFR Fund investment committee on the performance of its: (i) target and actual invested markets and (ii) the SFR Fund’s assets. The

SFR investment committee will meet regularly to discuss the performance of the SFR Fund's assets, including by individual market.

Hudson generally does not provide formal written reports to the SFR Fund unless specifically requested by the SFR Fund General Partner. Hudson reports to investors in the SFR Fund in accordance with the applicable Governing Documents.

Item 14: Client Referrals and Other Compensation

Hudson does not receive economic benefits from a non-Client for providing investment advice or other advisory services to its Clients. Hudson, or its affiliates may on occasion receive certain fees from third parties with respect to the business of Clients, including financial advisory, director, or transaction-related fees ("Additional Fees"). Any such Additional Fees will be offset against fees or expenses payable by the affected Clients to Hudson or its affiliates.

Neither Hudson nor its related persons directly or indirectly compensate any third party for advisory Client referrals. Hudson or Lone Star may enter into placement agent arrangements with unaffiliated third parties regarding the solicitation of investors for compensation. All fees and expenses paid to the placement agent are ultimately the responsibility of the applicable General Partner, as governed by the provisions of the applicable Client's offering documents. The placement agent is paid a fee based on the amount of capital committed by each investor solicited by the placement agent and accepted by the General Partner of the applicable Client.

Item 15: Custody

Not applicable.

Item 16: Investment Discretion

Hudson provides discretionary investment advisory services to the SFR Fund and certain of its Clients involving a significant amount of investment discretion. With regard to the Lone Star Funds, Clients typically communicate guidelines through Client review of business plans or inclusion of Client guidelines in the applicable services agreement.

Item 17: Voting Client Securities

Hudson has been delegated the authority to vote proxies on behalf of the Lone Star Funds. Lone Star Funds may not direct such proxy voting. Hudson will also generally accept responsibility for proxy voting at the request of other Clients. Hudson has adopted a Proxy Voting Policy and related procedures that require Hudson to vote Client proxies with diligence, care and loyalty and in accordance with Hudson's fiduciary duty to its Clients, which generally means voting proxies in a

way that maximizes the value of Client assets. But Hudson reserves the right to abstain on any particular vote or otherwise withhold its consent on any matter if Hudson determines that the costs associated with the vote outweigh the benefits to the relevant Clients or if the circumstances make such an abstention or withholding otherwise advisable and in the best interests of the relevant Clients.

As applicable, the Hudson authorized officer voting a proxy will consider whether Hudson is subject to any material conflict of interest in connection with that proxy vote. The authorized officer must notify Hudson's Chief Compliance Officer if the authorized officer is aware of any material conflict of interest (or potential material conflict of interest) associated with a proxy vote. The authorized officer and the Chief Compliance Officer will consult with internal and/or outside legal counsel, as appropriate, regarding an appropriate course of action, and will document their basis for the resulting voting decision. All potential proxy vote conflicts of interest related to the Lone Star Funds shall be escalated to the Lone Star Chief Compliance Officer.

Copies of relevant vote-related documentation, identifying how votes were voted and copies of vote-related policies are available to any Client or prospective client upon written request to Hudson's Chief Compliance Officer.

Item 18: Financial Information

Hudson does not require or solicit prepayment of fees six months or more in advance.

Hudson has never filed for bankruptcy and is not aware of any financial condition that is expected to affect or is reasonably likely to impair its ability to meet its contractual obligations to its Clients.