

Form ADV, Part 2A: Firm “Brochure”

Morgan Properties Special Situations II LLC

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This document (the “Brochure”) provides information about the qualifications and business practices of Morgan Properties Special Situations II LLC (“MPSS II” or the “Firm”). If you have any questions about the contents of this Brochure, please contact us at 610-265-2800. 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 MPSS II is available on the SEC’s website at www.adviserinfo.sec.gov.

MPSS II may refer to itself as a “registered investment adviser.” Registration does not imply a certain level of skill or training.

March 28, 2023

Item 2: Material Changes

This Brochure has been prepared by Morgan Properties Special Situations II LLC as an amendment to the prior version of the Firm's Brochure filed on March 30, 2022. This Brochure makes minor changes when compared to the Brochure dated March 30, 2022.

MPSS II will update this Brochure no less than annually.

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Item 4: Advisory Business

- A. MPSS II provides investment advisory services to private separately managed accounts which are exempt from registration as investment companies. The principal owners of MPSS II are Mitchell L. Morgan and The Morgan Family Trust. MPSS II was established in 2019 and has thirteen (13) employees as of the date of this filing. MPSS II's principal place of business is in King of Prussia, Pennsylvania.

MPSS II's advisory clients are each separately managed joint ventures that it manages (the "Clients"). To date, each Client has been structured as a separate Delaware limited liability company that is comprised of an affiliate of MPSS II and one Investor. For the purposes of this Brochure, "Clients" refers exclusively to these joint ventures and "Investors" refers to those institutions or high net worth family offices that have committed capital to such joint ventures.

MPSS II's Investors are primarily institutions and very high net worth family offices that have the ability and intent to invest at least \$100 million of funds in these investments. MPSS II does not accept capital commitments from Investors that do not meet certain thresholds of net worth.

Every Client is governed by a separate operating agreement that is negotiated with the Investor in that Client. As a result, each Investor has negotiated with MPSS II its own set of fees, corporate governance provisions and reporting obligations.

MPSS II provides investment advisory services exclusively to its Clients.

- B. MPSS II's investment strategy on behalf of the Clients is to purchase tranches of real estate mortgage-backed securities issued by quasi-governmental entities and to otherwise invest in mortgages secured by multifamily apartments, provide preferred equity and mezzanine financing to owners of multifamily apartments, and make related investments. MPSS II's advisory services also consist of extensive due diligence prior to making an investment, monitoring investments, and realizing long term capital gains from the investments.

MPSS II, or its subsidiaries, serve as the general partners or managing members of each of the Clients (each, a "General Partner" and, collectively, the "General Partners") and each of the Clients is controlled by its respective General Partner.

MPSS II, from time to time, engages third-party firms as sub-advisers to certain Clients.

- C. Investments are recommended to MPSS II's Clients on the basis that such recommendations reflect, in the Firm's opinion, the most compelling investments available within the strategy set forth in the applicable Client's organizational documents and marketing materials. MPSS II tailors its services to the individual needs of its Clients. MPSS II does not generally, although may, provide personalized services directly to the individual needs of the Clients' underlying Investors.
- D. MPSS II does not participate in wrap fee programs.
- E. As of December 31, 2022, MPSS II managed \$1,014,215,887 on a non-discretionary basis. MPSS II does not currently manage any assets in a discretionary manner.

Item 5: Fees and Compensation

- A. MPSS II is compensated for advisory services to the Clients based on a negotiated management fee (the “Management Fee”). The Firm is also compensated with a performance-based allocation (commonly known as “Carried Interest”), as described under Item 6 below. The Carried Interest is received by the Firm’s Clients’ General Partners, which are affiliates of the Firm. Both the Management Fee and the Carried Interest are negotiated separately with each of the Investors. Each of the Firm’s Investors is a “qualified purchaser” as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended, and therefore, is not required to disclose its Clients’ fee schedules. The specific manner in which MPSS II charges fees is described in each Client’s governing documents. All Investors should review the governing documents of the relevant Client in conjunction with this Brochure for complete information on the fees and compensation payable with respect to that particular Client.

Management Fees are negotiated with each Investor and are calculated as a percentage of either invested capital or assets under management and are primarily paid quarterly in arrears but sometimes the Investors have agreed to pay such fees quarterly in advance.

Carried Interest is calculated as a percentage of profits after Investors have received an agreed return on investment.

- B. Management Fees are paid directly to MPSS II and are calculated and paid as set forth in the governing documents of the relevant Client.
- C. The Clients generally bear certain organizational costs associated with the Firm’s investment program as negotiated with the Investors. The Clients will also bear all of their other expenses, which include (but are not necessarily limited to):
- i. Out-of-pocket expenses incurred in connection with the evaluation, acquisition or disposition of investments, including travel expenses associated with due diligence, private placement fees, sales commissions and discounts and investment banking fees;
 - ii. Expenses incurred in connection with the carrying or management of investments, including custodial, trustee, record keeping and other administration fees;
 - iii. Expenses incurred in connection with the Clients’ audited financial statements, tax returns and K-1’s;
 - iv. Attorneys’ fees and disbursements;
 - v. Taxes and other governmental charges levied against the Clients;
 - vi. Insurance, regulatory or litigation expenses (and damages) related to the Clients;
 - vii. Expenses incurred in connection with the winding up or liquidation of the Client;
 - viii. Expenses for transactions not consummated;
 - ix. Expenses incurred in connection with any restructuring or amendments to the constituent documents of the Clients and related entities;
 - x. Expenses incurred in connection with the formation of special purpose vehicles and alternative investment vehicles; and

Unless agreed to by a specific Investor, an Investor generally will not share the costs of broken deal expenses for unconsummated transactions.

The Clients incur brokerage and other transaction costs. Please see Item 12 of this Brochure for a further description of such brokerage costs.

The Firm or an affiliate receive certain fees and payments in connection with the underlying securities that represents pooled multifamily mortgages. Without limitation, these may be referred to as monitoring fees, financial advisory fees or other similar fees. Subject to the specifications of the Client's governing documents, such fees are shared with the applicable Client, do not offset the management fee and are not retained in whole or in part by the Firm or a related party.

- D. Management Fees are calculated and paid as set forth in the governing documents of the relevant Client. In the event that a Client pays Management Fees in advance and an advisory contract is terminated before the end of a Management Fee period, the Firm will refund the overpayment of the Management Fee (computed on the basis of the number of days elapsed). The Firm deducts its performance-based allocation directly from Client assets.
- E. Neither the Firm, nor any of its supervised persons, accepts compensation for the sale of securities or other investment products.

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

Affiliates of the Firm, which may serve as General Partners to the Clients, are compensated based on an IRR calculation based on Client distributions. Each Client generally makes performance-based allocations based on a negotiated Carried Interest with the Investor in that Client. Please refer to each Client's governing documents for further information regarding the performance-based fees.

The use of a Carried Interest as a form of compensation gives the Firm an incentive to make riskier or more speculative investments on behalf of the Clients. However, all investments are approved by the relevant Investors, in their sole discretion, following a review with those Investors of all material due diligence on such investment. The Firm is committed to fulfilling its fiduciary duty to the Clients to act at all times in their best interest. Furthermore, to better align interests, the Firm invests a significant amount of capital in each Client.

Item 7: Types of Clients

The Firm's Clients are separately managed account joint ventures, which are organized as separate Delaware limited liability companies of which an affiliate of the Firm serves as the General Partner. Interests in these vehicles are offered only to Investors who meet certain standards of net worth. These interests are not registered as securities under certain exemptions in the U.S. securities laws.

The Firm only accepts Investors in the Clients who meet certain high standards for net worth and/or income. Generally, the Firm's Investors are institutions, which may include pension funds, other high net worth institutions, and high net worth families.

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

A. Investment Strategy and Methods of Analysis

On behalf of the Clients, the Firm makes investments primarily in tranches of real estate mortgage-backed securities issued by quasi-governmental entities but also reserves the right to otherwise invest in mortgages secured by multifamily apartments and to provide preferred equity and mezzanine financing to owners of multifamily apartments, and make related investments.

Due Diligence

The Firm will devote substantial resources to the due diligence effort. The due diligence process will be conducted by a team led by one or two members of the Firm's senior management and may involve outside professionals with expertise in operations, law, accounting, tax, environmental regulation and other areas, to the extent appropriate.

B. Risks Relating to the Firm's Investment Strategy and Methods of Analysis

An investment in a Client involves a significant degree of risk, with the possibility of partial or total loss of contributed capital. A summary of select material risks relating to the Firm's investment strategy and methods of analysis are set forth below. Please refer to the limited liability company operating agreement of the Client in which you are considering or have made an investment for a full list of potential risks involved in an investment in a Client.

Dependence on Key Personnel. The success of the joint venture(s) is highly dependent on the expertise and performance of the Morgan Executive Committee. There can be no assurance that the Morgan Executive Committee will continue to be associated with the Firm or any of its affiliates throughout the life of the joint venture(s), as its committee members are under no contractual obligation to remain with the Firm or any of its affiliates for all or any portion of the term of any joint venture(s). The loss of the services of one or more of these individuals could have a material adverse effect on the performance of the joint venture(s). Furthermore, although investment professionals employed by the Firm will commit a significant amount of their business efforts to the joint venture(s), they will not be required to devote all of their business time to the joint venture(s)'s affairs.

Relation to Other Investment Results. The prior investment results of any person or entity described by the Firm in soliciting Investors toward a joint venture are provided for illustrative purposes only and may not be indicative of the joint venture(s)'s future investment results. The nature of, and risks associated with, the joint venture(s)'s future investments may differ substantially from those investments and strategies undertaken historically by such persons and entities. There can be no assurance that the joint venture(s)'s investments will perform as well as historical performance nor that the joint venture(s) will be able to avoid losses.

Identification of Investments. The joint venture(s) will be dependent upon the Firm and its joint venture partner to identify attractive investments for the joint venture(s). The joint venture(s) will need to compete to make investments with competitors with investment objectives similar to those of the joint venture(s). Some of these other competitors may be larger than the joint venture(s) and some may have well-established records of successful investing.

Illiquid Investments. The debt securities in which the joint venture(s) invest(s) do not have a readily available market for these securities. Such debt securities have as a result an inherent liquidity risk.

Nature of the Investments. A substantial portion of the joint venture(s)'s investments will be in debt or debt-related investments that by their nature involve business, financial, market and/or legal risks. While such investments offer the opportunity for significant capital gains, they also involve a high degree of risk that may result in substantial losses. There can be no assurance that the joint venture(s) will correctly evaluate the nature and magnitude of the various factors that could affect the value of such investments. Prices of the investments may be volatile, and a variety of other factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the joint venture(s)'s activities. As a result, the joint venture(s)'s performance over a particular period may not necessarily be indicative of the results that may be expected in future periods.

Uncertainty of Financial Projections. Financial and other information concerning the joint venture(s)'s investments may only be available through certain sources, including disclosure from the trustees of the applicable securities that represent pooled multifamily mortgages. There may be no consistent means, however, of confirming the accuracy of such information. The applicable pooled multifamily mortgages that the Firm invests in often have little or no previous credit histories. The inaccuracy of certain assumptions and general economic conditions, which are unpredictable, can have a materially adverse impact on the reliability of such projections. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from such projections.

Competition. The business of investing in securities that represents pooled multifamily mortgages is highly competitive. Identification of attractive investment opportunities by the Morgan Executive Committee is difficult and involves a high degree of uncertainty. There can be no assurances that suitable investment opportunities will be identified. Moreover, the historical performance of any investment or any fund manager is not a guarantee or indication of its future performance and returns may decline as the number of funds similar to the Clients operating in the marketplace increases.

Market and Credit Risks of Debt Securities. Debt securities are subject to credit and interest rate risks. "Credit risk" refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument. "Interest rate risk" refers to the risk associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset caps or floors, required reserves, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

Changing Economic Conditions. The success of the Firm's investment strategy could be significantly impacted by changing external economic conditions in the United States and global

economies. The stability and sustainability of growth in global economies may be impacted by social, political, economic and other conditions and events (such as natural disasters, epidemics and pandemics, terrorism, acts of war, corruption, sanctions, conflicts and social unrest). Changing economic conditions could potentially adversely impact a Client and the value of its investments.

Russian/Ukrainian Conflict/Risk of Escalation. Beginning in February 2022, Russia mobilized and commenced military operations in Ukraine resulting in a large-scale conflict within the country and the surrounding border regions. This conflict is still ongoing, and appears to be escalating rather than abating. The worldwide effects, scale and impact of this conflict are highly uncertain and cannot be predicted. The effects on the global economy and capital markets resulting from potentially escalating military operations and continuing economic sanctions connected to this conflict are uncertain and impossible to predict. A prolonged conflict and/or military escalation of the conflict may negatively affect the Clients' investments due to the highly interconnected nature of the global economy and capital markets.

An Investor (LetterOne Treasury Services S.A., a Luxembourg law governed public limited liability company (société anonyme) in one of MPSS II's Clients is an affiliate of the LetterOne group (the "LetterOne Group") based in London. The ultimate beneficial owners of the LetterOne Group has included individuals who have been added, as of various dates, to the EU Consolidated List of Persons, Groups and Entities subject to Financial Sanctions related to the invasion of Ukraine by Russia. In addition, certain of those same individuals have also been added to the Sanctions list maintained by the Government of the United Kingdom. As of the date hereof, neither these individuals nor any entities in the LetterOne Group have been added to any of the various sanctions lists promulgated by the United States.

LetterOne Group has advised MPSS II that the sanctioned ultimate beneficial owners currently comprise less than 50% of the ownership of the LetterOne Group. LetterOne Group has further advised MPSS II that all of the sanctioned ultimate beneficial owners have resigned from their positions in the LetterOne Group and the LetterOne Group has taken a number of steps to sever ties with the sanctioned individuals, including redirecting the payments of their current and future distributions, as well as all the rest of the profits of the LetterOne Group, to help rebuild Ukraine. LetterOne has also advised MPSS II that, following discussions with its counsel and with the governments of Luxembourg and the United Kingdom, it believes that none of the entities in the LetterOne Group are subject to any current sanctions in the EU or in the UK.

LetterOne Treasury Services S.A. is not a material Investor of MPSS II. As of February 28, 2022, assets owned by three MPSS II joint ventures with LetterOne Treasury Services S.A. comprise only approximately 9.1% of the total assets under management (and the value of those three LetterOne affiliated joint ventures includes a substantial amount of equity provided by MPSS II). MPSS II has structured all investments by each of its Investors (including LetterOne Treasury Services S.A.) in separate Clients that consist of completely separate Delaware limited liability companies, thus isolating risks associated with investments by one Investor in their separate Client from all risks associated with all of MPSS II's Investors in their separate Clients. MPSS II is unaware of any other of its Investors that may be impacted by any of the sanctions promulgated by the governments of the United States, United Kingdom or by the European Union.

Illiquidity of Joint Venture Interests. In light of the fact that there are restrictions on withdrawals and transfers and the interests in the joint venture(s) are not registered under the U.S. federal securities laws or the securities laws of any state, an investment in the joint venture(s) will be an illiquid investment. Investments made in connection with the joint venture(s) should be therefore considered only by persons financially able to maintain their investment for an extended period

of time and who can afford a loss of all or a substantial part of their investment. Even if the joint venture(s)'s investments prove successful, they are unlikely to produce a realized return to Investors for a period of years. There will not be any market for the joint venture(s) interests.

No Assurance of Return of Invested Capital. There can be no assurance that the joint venture(s) will be able to generate returns for the Investors or that the returns will be commensurate with the risks of investing in the types of companies and transactions in accordance with the joint venture(s)'s investment strategy. There can be no assurance that any investor will receive any distribution from the joint venture(s). Any return on investment to the Investors will depend upon successful investments being made by the joint venture(s). The marketability and value of any such investment will depend upon many factors beyond the control of the joint venture(s). The expenses of the joint venture(s) may exceed its income, and an investor could lose the entire amount of its contributed capital. Therefore, an investor should only invest in the joint venture(s) if the investor can withstand a total loss of its investment.

Tax and Regulatory Matters. An investment made in connection with the joint venture(s) may involve complex tax considerations that will differ for each investor. Many factors will impact the tax consequences to an investor of an investment in the joint venture(s) (including any tax filing obligations arising from an investment in the joint venture(s)) including, without limitation, the tax profile (for example, whether the investor is tax-exempt or a non-U.S. person) and particular circumstances of the investor, the structure and jurisdiction of the joint venture(s)'s investments and whether there are any tax law liabilities without receiving sufficient distributions from the Clients to defray such tax liabilities. The Firm intends to structure the joint venture(s)'s investments in a manner that is intended to achieve the joint venture(s)'s investment objectives and there can be no assurance that the structure of any investment will be tax efficient for any particular investor or that any particular tax result will be achieved.

Changes in Regulation and Enforcement; Litigation. Legal and regulatory changes could occur which may adversely affect the joint venture(s). Market disruptions and the dramatic increase in the capital allocated to alternative asset management funds during the recent years have led to increased governmental as well as self-regulatory scrutiny of investment funds and the financial industry in general. The U.S. Congress has passed into law sweeping financial regulatory reform legislation as a direct response to this scrutiny. Such oversight and regulation may cause the joint venture(s) to incur additional expense, may divert the attention of the Firm and the Morgan Executive Committee and may result in fines if the joint venture(s) or the Firm are deemed to have violated any regulations. It is currently very difficult to predict what, if any, changes in the regulations applicable to the joint venture(s), the Firm and/or any of its affiliates or the markets in which they trade and invest, or the counterparties with which they do business, may be instituted in the future. Any such regulations could have a material adverse impact on the profit potential of the Clients, as well as require increased transparency as to the identity of its Investors.

Additional regulation could also increase the risk of third-party litigation. The transactional nature of the business of the joint venture(s) expose the joint venture(s) and the Firm generally to the risks of third-party litigation. Under the joint venture agreement(s), the joint venture(s) will generally be responsible for indemnifying the Firm and related parties for costs they may incur with respect to such litigation not covered by insurance.

Inside Information. The Morgan Executive Committee, the Firm and its affiliates may come into possession of material, non-public information, and the possession of such information may limit

the ability of the joint venture(s) to buy or sell securities of such entity or to distribute such securities to the Investors.

Confidential Information. The joint venture(s) agreement(s) contain confidentiality provisions intended to protect proprietary and other information relating to the joint venture(s) and the joint venture(s)'s investments. To the extent that such information is publicly disclosed, competitors of the joint venture(s) may benefit from such information, thereby adversely affecting the joint venture(s), the Firm and the economic interests of related parties. The related parties may include entities that are subject to state public records or similar laws that may compel public disclosure of confidential information regarding the Clients, their investments and its Investors. There can be no assurance that such information will not be disclosed either publicly or to regulators, or otherwise. To the extent that the Firm determines that, as a result of such public records or similar laws, a related party or any of its affiliates or agents may be required to disclose information relating to the joint venture(s) and/or its affiliates (other than information that the Firm has previously consented in writing that the related party may disclose), the Firm may, in order to prevent any such potential disclosure, withhold all or any part of the information otherwise to be provided to such related party.

Cybersecurity Breaches and Identity Theft. The Firm, the Clients and their service providers' information and technology systems are subject to a number of different threats or risks that could adversely affect the Clients and Investors. Although the Firm has implemented various measures to mitigate these risks and protect the security of its computer systems, software and networks, as well as the confidentiality, integrity and availability of information belonging to the Clients and Investors, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the Firm, the Clients and/or service providers may have to make a significant investment to fix them. For example, these systems are subject to damage or interruption from computer viruses, network failures, computer and telecommunication failures, security threats (including ongoing cybersecurity threats to and attacks on information technology infrastructure), infiltration by unauthorized persons and other security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Third parties may also attempt to fraudulently induce employees, customers, third party service providers or other users of the Firm's systems to disclose sensitive information, including non-public personal information related to Investors in order to gain access to the Firm's data or that of the Clients' Investors. If unauthorized parties gain access to such information and technology systems, they may be able to steal, publish, delete or modify private and sensitive information, including non-public personal information related to Investors and other confidential information. The failure of these systems for any reason could cause significant interruptions in the Firm's, the Clients' and their service providers' operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data. Breaches such as those involving covertly introduced malware, impersonation of authorized users and industrial or other espionage may not be identified even with sophisticated prevention and detection systems, potentially resulting in further harm and preventing them from being addressed appropriately. Any such failure or unauthorized disclosure of data could harm the reputation of the Firm, the Clients and/or their service providers and require a significant investment to remedy the effects of any such failures, subject any such entity and their respective affiliates to legal claims, increased costs, financial losses, reputational harm, adverse publicity, regulatory intervention and otherwise affect their business and financial performance. The costs

related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means.

The service providers of the Firm and its Clients are subject to the same information security threats. If a service provider fails to adopt or adhere to adequate data security policies, or if the service provider's network is breached, information relating to the Clients and personally identifiable information of the Investors may be lost or improperly accessed, used, or disclosed.

Business Continuity and Disaster Recovery. The Firm's and the Clients' business operations may be vulnerable to disruption in the case of catastrophic events such as fires, natural disaster (e.g., tornadoes, floods, hurricanes and earthquakes), epidemics and pandemics, terrorist attacks or other circumstances resulting in property damage, network interruption and/or prolonged power outages. Although the Firm has implemented various measures to manage risks relating to these types of events, there can be no assurances that all contingencies can be planned for. If such business operations are disrupted or suspended for extended periods of time, the Clients may be adversely affected.

Public Health Emergencies. Any public health emergency, including but not limited to any outbreak, re-outbreak or mutation of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, Ebola or other existing or new epidemic diseases, or the threat thereof, could have a significant adverse impact on the Clients and their investments and could adversely affect the Clients' ability to fulfill their investment objectives. The extent of the impact of any public health emergency on the Clients' operational and financial performance will depend on many factors, including the duration and scope of such public health emergency, the extent of any related travel advisories and restrictions implemented, in addition to restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, unemployment levels, consumer confidence and spending levels, and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. The effects of a public health emergency may materially and adversely impact the value and performance of the Clients' investments, the Clients' ability to source, manage and divest investments and the Clients' ability to achieve their investment objectives, all of which could result in significant losses to the Clients. In addition, the operations of the Clients and the Firm could be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of the personnel of any such entity or the personnel of any such entity's key service providers.

Item 9: Disciplinary Information

There currently are no material legal or disciplinary events that are material to a client's or Investor's evaluation of the Firm's advisory business or the integrity of the Firm's management.

Item 10: Other Financial Industry Activities and Affiliations

- A. Neither the Firm nor any of its management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Firm nor any of its management persons is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.
- C. The General Partner to the Firm's Clients is an affiliate of the Firm under common control.
- D. The Firm engages third-party firms as sub-advisers to certain Clients. The Firm, however, does not receive compensation directly or indirectly from those sub-advisers and does not have other business relationships with those sub-advisers that may create a material conflict of interest.

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

- A. As an investment adviser, the Firm stands in a position of trust and confidence with respect to its Clients. The Firm has a fiduciary duty to place the interests of its Clients before its own interests and the interests of its employees. All of the Firm's personnel must put the interests of the Clients before their own personal interests and must act honestly and fairly in dealings with the Clients. All of the Firm's personnel must also comply with all federal and other applicable securities laws. The Firm has established a Code of Ethics to establish these rules of conduct for its personnel.

As part of its Code of Ethics, the Firm has adopted a personal trading policy requiring all personnel to disclose all holdings in personal trading accounts and all personal securities transactions in a timely manner. The Firm also maintains a list of companies about which a determination has been made that it is prudent to restrict trading activity by the Firm and/or its personnel. Generally, an employee may not trade securities of a company included on this list; however, exceptions may be granted under certain circumstances if pre-clearance is granted (e.g., during a "window period" of a public company of which the Firm is an "insider").

The Firm has also adopted policies regarding outside activities of employees, conflicts of interest, the prevention of insider trading, certain gifts and business entertainment items, and the pre-clearance and reporting of political contributions. The Firm's Code of Ethics is designed to promote the ethical behavior of all of its personnel and to ensure compliance with applicable regulation and best practices. The Firm will provide a copy of its Code of Ethics to any Investor or potential investor upon request.

- B. The Firm does not generally recommend to the Clients, or buy or sell for client accounts, securities in which the Firm or a related person has a material financial interest.
- C. As permitted in the Clients' organizational documents, the Firm may co-invest alongside the Clients, provided that the co-investment will be made and disposed of on the same economic terms and conditions as the Clients' investments. The terms of the applicable Client's partnership agreement typically limit the portion of the investment available to the General Partner (unless the applicable Client has already invested over 20% of its total committed capital in the investment, in which case any further investment opportunity may be offered to General Partner). The Firm believes that this limitation adequately mitigates any risk of conflict of interest.
- D. As disclosed above, the Firm or an affiliate is permitted to co-invest alongside the Clients, but only on the same economic terms and conditions. When applicable, the Firm generally does not allow employees to invest in the same securities recommended to the Clients for personal accounts.

Item 12: Brokerage Practices

- A. Due to the nature of the Clients' investment strategy, the Firm expects substantially all investments in the Clients to be privately negotiated directly with the counterparty, but it occasionally will acquire tranches of commercial mortgage backed securities in the secondary market and may, from time to time, originate mortgages, loans or preferred equity investments. As such, the Firm does not typically utilize brokers or dealers regularly in connection with the Clients. However, when purchasing securities in the secondary market or when it originates mortgages, other loans or preferred equity investments, the Firm may utilize a broker or a dealer to transact on behalf of a Client, the Firm shall evaluate such broker or dealer based on a range of factors, including without limitation commission price, ability to execute the desired transaction and other factors.
- B. The Firm reserves the right to employ a parallel fund structure for tax or other purposes in which a single investment program consists of multiple Clients that invest side by side. If this is the case, all Clients participating in the same investment program will make investments on an aggregated basis. These investments will then be allocated *pro rata* based on committed capital.

Item 13: Review of Accounts

- A. The Firm's Chief Compliance Officer, along with other members of senior management, is continuously aware of the Clients' holdings and reviews the Clients' holdings on an ongoing basis. The Firm also reviews on a quarterly basis the performance of the underlying real estate mortgages that is the collateral for the debt securities. This involvement allows the Firm to continuously monitor the progress of such holdings.

In addition, the Investment Committee, which consists of the senior officers of the Firm, meets frequently to discuss the status of the Firm's investments.

- B. Each investment will be reviewed generally on a continuous basis regarding all factors that may such investment. In these reviews, the Firm will re-examine its strategic vision, update forecasts of performance and project the investment's return opportunity before deciding the timing for realization.
- C. The Firm provides each Investor with information regarding the applicable Client and its portfolio companies, as well as unaudited financial statements for the applicable Client, on a quarterly basis. The Firm provides each Investor with audited financial statements on an annual basis. The Firm provides Investors with Client and portfolio company updates on a regular basis.

Item 14: Referrals and Other Compensation

- A. Only Clients compensate the Firm and its employees for providing investment advice to Clients.
- B. The Firm compensates third parties for the referral of Investors. Fees paid by Investors to placement agents reduce the Management Fees paid by such Investors. Details of how the costs of any such placement agent arrangement are borne are set forth in a written agreement with the placement agent. Investors should be aware that the receipt of compensation by a placement agent or third party solicitor could create a conflict of interest, and affect the judgment of the placement agent or solicitor, when making a recommendation for an investment in the Clients advised by the Firm.

Item 15: Custody

The Firm utilizes a third party qualified custodian, under the supervision of the Firm, to custody all of the assets of the Clients. Investors are given the ability to continually monitor the custodian accounts of the relevant client through the custodian's website.

Additionally, the Firm shall deliver to Investors independently audited financial statements of its Clients prepared on a tax basis of accounting, to its Clients' Investors no less frequently than annually, within 120 days of fiscal year end.

Item 16: Investment Discretion

The Firm or an affiliate has non-discretionary authority over all cash or securities accounts that it may establish at the qualified custodian for the purpose of custodizing Client assets. The Firm or an affiliate generally has signatory authority over all accounts at the qualified custodian but has agreed with the Investors in such Client that it does not have any discretionary authority to make an investment, dispose of an investment or place any leverage on an investments for the Clients.

Item 17: Voting Client Securities

The Firm has full authority to vote the Clients' securities. Due to the Clients' investment strategy and the nature of interests generally recommended by the Firm, the Firm does not anticipate frequently holding public securities with voting authority on behalf of its Clients.

If the Clients do hold public securities with voting authority, the Firm shall determine to vote in the best interests of the Clients. In the unlikely event that the Clients hold public securities with voting authority, the Firm expects to take an active role in the management of its portfolio companies. Therefore, the Firm will generally vote with management. However, in certain situations (e.g., a special situation in which the Firm does not have a majority stake), the Firm may vote against management. The Firm will maintain a log of all proxies received, how the Firm voted and the rationale for the vote. Any Investors with questions regarding the Firm's proxy voting policy or how the Firm voted in a specific instance should contact the Firm directly.

Item 18: Financial Information

The Firm does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. The Firm is not aware of any financial conditions that would be reasonably likely to impair the Firm's ability to meet contractual commitments to the Clients. The Firm has not been subject of a bankruptcy petition at any time during the past ten years.