

**FORM ADV
UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION
PART 2A: FIRM BROCHURE**

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DATE OF BROCHURE: AUGUST 30, 2023

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This Brochure provides information about the qualifications and business practices of C-III Investment Management LLC (“**C3IM**”) and certain of its subsidiaries and affiliates that are either (a) considered a “relying adviser” in accordance with Form ADV’s General Instructions or (b) organized as general partners of certain collective investment vehicle clients for which C3IM serves as the investment manager and are relying on C3IM’s registration as an investment adviser in accordance with the Letter dated December 8, 2005 from the SEC to the American Bar Association Subcommittee on Private Investment Entities (“**2005 SEC Letter**”) and Form ADV’s General Instructions (all such subsidiaries and affiliates, together with C3IM, collectively, “**C-III**”). If you have any questions about the contents of this Brochure, please contact Lawrence S. Block, C-III’s Chief Compliance Officer, directly at (212) 705-5090 or by e-mail at lblock@c3cp.com.

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

Additional information about C-III 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 updates C3IM's previous Brochure dated March 30, 2023, as follows:

1. Removes C-III RFI Directives LLC ("**RFI Directives**"), a wholly-owned subsidiary of C-III Parent that serves as the general partner of C-III Recovery Fund I L.P. ("**RF I**"), as an SEC-registered investment adviser relying on the registration of C3IM because RFI Directives is no longer providing advisory services to RFI;
2. Removes RFI as a Client of C3IM; and
3. Removes references to RFI Directives and RF I.

The information set forth in this Brochure is qualified in its entirety by reference to the Governing Documents (as defined herein) and/or offering documents. In the event of a conflict between the information set forth in this Brochure and the information set forth in the Governing Documents and/or offering documents, the Governing Documents and/or offering documents shall take precedence.

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ITEM 4: ADVISORY BUSINESS

A. BACKGROUND

C-III Investment Management LLC (“**C3IM**”), a Delaware limited liability company, is an SEC-registered investment adviser that began providing investment advisory services in 2011. It is wholly-owned by C-III Capital Partners LLC (“**C-III Parent**”), a Delaware limited liability company. C-III Parent was formed in 2010 and owns a number of operating entities (in addition to C3IM) that are engaged in the business of owning, controlling, operating, managing, servicing and providing other services related to real estate and real estate-related assets. (The operating companies owned by C-III Parent that are engaged in the financial services industry are described in Item 10 below.) C-III Parent is controlled, indirectly, by Island Capital Group LLC (“**ICG**”), a Delaware limited liability company of which Andrew L. Farkas is the managing member. ICG is a private real estate merchant banking firm formed in 2003.

B. TYPES OF ADVISORY SERVICES OFFERED

C3IM

C3IM serves as (i) investment manager to C-III Recovery Fund II L.P. (“**RF II**”), C-III Recovery Fund II Co-Investment L.P. (“**RF II COIV**”), C-III Recovery Fund II Co-Investment II (NY2) L.P. (“**RF II COIV (NY2)**”), C-III Recovery Fund III L.P. (“**RF III**”) and C-III High Yield Real Estate Debt Fund IV L.P. (“**HYREDF IV**”), collective investment vehicles that invest in real estate and real estate-related debt and/or equity investments (each, a “**Fund**”), (ii) collateral manager for various issuers of collateralized debt obligations (each, a “**Managed CDO**”) and (iii) collateral administrator for various issuers of collateralized debt obligations (each, a “**Static CDO**”).

RELYING ADVISER

C-III SA Management LLC (“**C-III SAM**”), a wholly-owned subsidiary of C3IM that serves as a sub-advisor to the non-affiliated investment manager of a separate account, is a “relying adviser” of C3IM. C-III SAM is deemed to provide or has the authority to provide investment advisory services through C3IM’s single advisory business and (ii) is relying on C3IM’s registration with the SEC, in accordance with Form ADV’s General Instructions. See also “Miscellaneous: Additional Information” below.

OTHER ADVISERS RELYING ON THE REGISTRATION OF C3IM

Certain other affiliates of C3IM (each, a “**General Partner**”) serve as the general partner of the Funds, as follows:

- (a) C-III RF Directives II LLC (“**RF Directives II**”), a wholly-owned subsidiary of C-III Parent, serves as the general partner of RF II and RF II COIV;
- (b) RFII NY2 Co-Investment GP LLC (“**RF II COIV (NY2) GP**”), a wholly-owned subsidiary of RF II, serves as the general partner of RF II COIV (NY2);
- (c) C-III RF Directives III LLC (“**RF Directives III**”), a wholly-owned subsidiary of C-III Parent, serves as the general partner of RF III; and

- (d) C-III HY Directives IV LLC (“**HY Directives IV**”), a wholly-owned subsidiary of C-III Parent, serves as the general partner of HYREDF IV.

Each General Partner is a Supervised Person (as defined in Item 11 below) of C-III and conducts its activities in accordance with the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”) and the rules thereunder. Employees of each General Partner and other affiliates of C-III, and other persons acting on C-III’s behalf, are subject to the supervision and control of C3IM, including being subject to C-III’s investment adviser compliance manual (the “**Compliance Manual**”) and other policies and procedures. Each General Partner is relying on C3IM’s registration under the Advisers Act and is not registering itself in accordance with the 2005 SEC Letter.

Each reference herein to “**C-III**” shall include C3IM, C-III SAM and each General Partner. Unless otherwise indicated, each reference herein to “**CDO**” shall include a Managed CDO and Static CDO. Each reference herein to “**Client**” shall include a Fund, a separate account and a CDO.

C. CLIENT INVESTMENT GUIDELINES AND PARAMETERS

FUNDS

C3IM serves as investment manager to each Fund pursuant to an investment management agreement (each, an “**Investment Advisory Agreement**”) between each Fund and C3IM. C3IM also operates in accordance with the terms set forth in the limited partnership agreement (together with the Investment Advisory Agreement and, as applicable, any side letter agreements negotiated with investors in an applicable Fund, the “**Fund Governing Documents**”) of such Fund, which includes specific information concerning the operation and management of each Fund. C3IM has the authority to recommend all investment decisions for each Fund, subject to compliance with the investment criteria set forth in the Fund Governing Documents of the relevant Fund. Such criteria generally include, among other things, (i) approval by the applicable General Partner and (ii) if applicable, approval by the Fund’s limited partners, advisory committee or independent representative(s) with respect to any affiliate transaction between the Fund, on the one hand, and C3IM, one of its affiliates or a Client, on the other hand. See also Item 16 below.

C3IM identifies investment opportunities for each Fund and participates in the acquisition, management, monitoring and disposition of each Fund’s investments. Except for the initial determination as to a prospective investor’s qualifications for investment in each Fund, the individual needs of the limited partners in each Fund are not considered in the management of a Fund and are not the basis of investment decisions by C3IM. Investment advice is provided directly to each Fund, and not individually to the investors in a Fund.

Each General Partner is also deemed to provide investment advisory services to its respective Fund.

Interests in a Fund are offered only to persons that are (i) “accredited investors,” as defined in Regulation D under the Securities Act of 1933, as amended (the “**Securities Act**”) and (ii) either “qualified purchasers” or “knowledgeable employees,” each as defined in the Investment Company Act of 1940, as amended (the “**Investment Company Act**”), and the rules thereunder.

The investment periods of certain Funds have expired. Certain of such Funds may not make new investments or may be limited solely to making follow-on investments that are related to an existing

investment. C3IM's focus with respect to such Funds is generally on maximizing the value of the remaining investments as opposed to sourcing new investments.

SEPARATE ACCOUNT

C-III SAM serves as sub-advisor to the non-affiliated investment manager of an institutional separate account Client pursuant to an Investment Advisory Agreement between the investment manager of the separate account Client and C-III SAM. C-III SAM has the authority to recommend all investment decisions for the separate account Client, subject to compliance with the investment criteria set forth in the Investment Advisory Agreement. C-III SAM identifies investment opportunities for the separate account Client and participates in the acquisition, management, monitoring and disposition of such separate account's investments.

CDOs

C3IM serves as collateral manager for each Managed CDO pursuant to a collateral management agreement among each Managed CDO, its trustee and C3IM (each, a "**CDO Management Agreement**"). As collateral manager, C3IM has the authority to make all investment decisions for each Managed CDO, subject to compliance with the investment criteria set forth in the indenture, pooling and servicing agreement and/or other governing documents for the particular Managed CDO (together with the CDO Management Agreement, the "**CDO Governing Documents**"). Such criteria generally include, among other things, in the case of an acquisition of an investment asset by a Managed CDO, (i) approval by such Managed CDO's advisory committee, advisory management committee or investment management committee, as applicable, with respect to any affiliate transaction between the Managed CDO and C3IM or an affiliate and (ii) approval by one or more rating agencies. See also Item 16 below.

C3IM serves as collateral administrator for each Static CDO pursuant to a collateral administration agreement and/or pooling and servicing agreement among each Static CDO, its trustee and C3IM (each, a "**CDO Administration Agreement**"). As collateral administrator, C3IM monitors the assets of each Static CDO and notifies the trustee of any defaulted securities.

The Fund Governing Documents, the separate account Client's Investment Advisory Agreement, the CDO Governing Documents and the CDO Administration Agreements are collectively referred to herein as the "**Governing Documents**."

D. WRAP FEE PROGRAMS

C-III does not participate in wrap programs.

E. CLIENT ASSETS UNDER MANAGEMENT

As of June 30, 2023, C-III managed eleven (11) client accounts with regulatory assets under management of \$3,896,412,342, as follows:

- (a) C-III managed six (6) client accounts on a discretionary basis with regulatory assets under management of \$3,383,058,290; and



- (b) C-III managed five (5) client accounts on a non-discretionary basis with regulatory assets under management of \$513,354,052.

As of June 30, 2023, Island Investment Management LLC (“**IIM**”), a wholly owned subsidiary of ICG, and its “relying advisers,” ICG Charge Me Directives LLC (“**ICG Charge Me Directives**”) and MV ESC Directives LLC (“**MV ESC Directives**”), managed five (5) client accounts on a discretionary basis with regulatory assets under management of \$761,067,870.

ITEM 5: FEES AND COMPENSATION

A. COMPENSATION

C-III is compensated pursuant to the terms of the Investment Advisory Agreements, the CDO Management Agreements and the CDO Administration Agreements. C-III’s fees are paid (i) with respect to each Fund, directly by the Fund, (ii) with respect to the separate account Client, either directly by the owner of the separate account or by such separate account Client’s investment manager, and (iii) with respect to each CDO, directly by the issuer of such CDO.

FUNDS

As compensation for investment supervisory services rendered to the Funds, C3IM receives from each such Fund an advisory fee (a “**Management Fee**”) calculated as described below. Management Fees paid by a Fund are indirectly borne by investors in such Fund.

For RF II, C3IM is entitled to receive an annual Management Fee, payable quarterly in advance, equal to (a) during the Commitment Period (as defined in the RF II limited partnership agreement), the sum of (i) 1% per annum of the uncalled aggregate capital commitments plus (ii) 1.5% per annum of the aggregate capital contributions in respect of Investments (as defined in the RF II limited partnership agreement) other than Investments (or portions thereof) that have been disposed or written off and (b) after the Commitment Period (as defined in the RF II limited partnership agreement), the sum of (i) 1% per annum of the uncalled aggregate capital commitments intended to be called with respect to any transaction in progress plus (ii) 1.5% per annum of aggregate capital contributions of RF II’s partners other than capital contributions in respect of investments that have been disposed or written off.

For RF II COIV, C3IM is entitled to receive an annual Management Fee, payable quarterly in advance, at an annual rate equal to 1.0% of the Net Adjusted Capital Contributions (as defined in the RF II COIV limited partnership agreement) of each RF II COIV partner.

For RF II COIV (NY2), C3IM is entitled to receive an annual Management Fee, payable quarterly in advance, at an annual rate equal to 1.0% of the Net Adjusted Capital Contributions (as defined in the RF II COIV (NY2) limited partnership agreement) of each RF II COIV (NY2) partner.

For RF III, C3IM is entitled to receive an annual Management Fee, payable quarterly in advance, equal to (a) during the Commitment Period (as defined in the RF III limited partnership agreement), the sum of (i) 1% per annum of the uncalled aggregate capital commitments plus (ii) 1.5% per annum of the aggregate capital contributions in respect of Investments (as defined in the RF III limited partnership agreement) other than Investments (or portions thereof) that have been disposed or written off and (b) after the Commitment Period (as defined in the RF III limited partnership agreement), the sum of (i) 1% per annum of the uncalled aggregate capital commitments intended to be called with respect to any transaction in progress plus (ii) 1.5% per annum of aggregate capital



contributions of RF III's partners other than capital contributions in respect of investments that have been disposed or written off.

For HYREDF IV, C3IM is entitled to receive a Management Fee, payable quarterly in arrears, equal to 0.3125% (*i.e.*, an annual rate of 1.25%) of the daily weighted average of the lesser of (a) the amount of capital contributions invested in investments during such quarter, excluding (if applicable) the amount of capital contributions invested in any investment that had been written off prior to the first day of such quarter, and (b) the excess of (x) the gross fair value of all investments owned during such quarter over (y) the amount of indebtedness encumbering such investments.

C3IM has designated a portion of the Management Fee payable to it by RF II, RF III and HYREDF IV as a reimbursement of the placement fee paid by C-III Parent to Anubis Securities LLC ("**Anubis**"), an indirect wholly-owned subsidiary of ICG that is a broker-dealer registered with the SEC, all 50 states and the District of Columbia and a member of the Financial Industry Regulatory Authority ("**FINRA**").

In addition, each General Partner is entitled to receive a carried interest (or promote) in its respective Fund in an amount ranging from a minimum of 20% to 35% of the profits of, or distributions made by, the Fund, generally after the investors in such Fund receive distributions equal to their capital contributions and, if applicable, a preferred return thereon. C3IM does not directly receive any portion of a Fund's carried interest (or promote). Please refer to Item 6 for additional information regarding performance-based compensation.

Certain investors in the Funds may pay no (or a reduced) Management Fee or carried interest in connection with their investment in a Fund. Notwithstanding that these investors will pay no (or a reduced) Management Fee or carried interest, these investors will bear their pro rata share of Fund expenses.

C3IM is responsible for its own operating expenses incurred in the performance of its obligations under each Investment Advisory Agreement. C3IM is entitled to reimbursement by a Fund for operating expenses of such Fund (as described below under "Additional Fees and Expenses") paid by C3IM.

Each Investment Advisory Agreement may be terminated by either C3IM or the Fund (or its respective General Partner) upon 30 days' prior written notice to the other party.

SEPARATE ACCOUNT

The Investment Advisory Agreement for the separate account Client sets forth the Management Fee and/or incentive fee to be paid to C-III SAM. C-III SAM is responsible for its own operating expenses incurred in the performance of its obligations under each Investment Advisory Agreement. C-III SAM is entitled to reimbursement by the owner of a separate account (or the investment manager of such separate account Client) for the operating expenses of such separate account paid by C-III SAM.

The Investment Advisory Agreement sets forth the termination right(s) of C-III SAM and the owner of the separate account (or the investment manager of such separate account Client).



CDOs

As collateral manager for each Managed CDO, C3IM is paid a collateral management fee pursuant to each CDO Management Agreement and the CDO Governing Documents equal to between 0.02% and 0.15% per annum of each CDO's principal collateral interests plus principal balance in the collection account (less defaulted obligations for each Managed CDO). C3IM is responsible for all of its internal expenses incurred in the performance of its obligations under each CDO Management Agreement. C3IM is entitled to reimbursement for certain costs and expenses incurred in the performance of its obligations, as provided in the applicable CDO Management Agreement. C3IM may be removed as collateral manager, without payment of any penalty, for cause upon written notice as set forth in the applicable CDO Management Agreement (generally 10 or 30 days). C3IM generally has the right to resign as collateral manager upon written notice as set forth in the applicable CDO Management Agreement (generally 30 or 90 days).

As collateral administrator for each Static CDO, C3IM is paid a collateral administration fee pursuant to the applicable CDO Administration Agreement in an amount equal to between 0.02% and 0.05% per annum of the principal balance of the collateral securities held by each Static CDO, payable in arrears. C3IM may be removed as collateral administrator, without payment of any penalty, for cause upon 10 business days' prior written notice, as set forth in the applicable CDO Administration Agreement. C3IM generally has the right to resign as collateral administrator upon 90 days' prior written notice, as set forth in the applicable CDO Administration Agreement.

B. PAYMENT OF FEES

Each Fund pays C3IM its Management Fee as set forth in the applicable agreement described above. The Investment Advisory Agreement for the separate account Client sets forth the manner in which Management Fees for such separate account is to be paid. The trustee of each CDO pays C-III its collateral management/collateral administration fee as set forth in the applicable agreement described above.

C. ADDITIONAL FEES AND EXPENSES

Other costs and expenses payable by a Fund generally include (i) costs and expenses incurred in connection with the organization and formation of the Fund and its related entities (including such Fund's general partner, any related investment vehicle (such as a REIT subsidiary or other special purpose vehicle), and other related entities organized by the Fund's general partner or its affiliates) and the offering of the interests therein, including, without limitation, expenses related to obtaining preferred shareholders of any REIT subsidiary; legal and accounting fees and expenses; printing costs; filing fees; and the transportation, meals and lodging expenses of any personnel of C-III incurred during the provision of services in connection with the organization of the Fund and the offering of interests in such Fund, and (ii) costs and expenses of operating the Fund and maintaining, acquiring, financing, hedging and disposing of its investments (to the extent not paid for or reimbursed by such investment), as well as the costs incurred in connection with pursuing possible investments that are not subsequently acquired (e.g., "dead deal costs") (including expenses that would have been borne by certain co-investment vehicles in the event that such co-investment vehicles do not pay for such expenses), including, without limitation, taxes; fees and other governmental charges levied against the Fund; insurance costs (including, without limitation, with respect to indemnifiable liabilities, allocable portions of premiums for errors and omissions and directors and officers liability insurance for employees, officers and managers of the Fund, its general partner and investment manager); administrative fees and expenses (including maintaining the books and records of a Fund); research fees (including data and information service



subscriptions, related system and services from data providers and data management software); fees for outside services (including valuation and pricing services); expenses of custodians, outside advisors, counsel, accountants, auditors, administrators and other consultants and professionals; expenses associated with forming and operating any related investment vehicle; technology-related expenses; data services, financial modeling software and financial modeling services; interest on and fees, costs and expenses arising out of all financings entered into by such Fund (including, without limitation, those of lenders, investment banks, broker-dealers, repurchase agreement providers and other financing sources); bridge financing expenses (which may be payable to another Fund co-investing in the bridge transaction or to C-III or an affiliate, in each case being the entity providing the bridge financing to the applicable Fund); travel expenses (including, without limitation, expenses for chartered or first class travel, and meals and entertainment expenses); brokerage commissions; custodial expenses; litigation expenses (including the amount of any judgments or settlements paid in connection therewith); liquidation expenses; expenses incurred in connection with any tax audit, investigation, settlement or review; expenses of a Fund's advisory committee members and the costs of any services provided by the Fund's general partner or its affiliates (to the extent provided for in a Fund's Governing Documents); Property-Related Services Fees (as defined below); expenses associated with meetings of the Fund's advisory committee and the Fund's investors and the preparation and distribution of reports, financial statements, tax returns and K-1s to the Fund's investors; indemnification and other unreimbursed expenses; risk management expenses; and any extraordinary expenses to the extent not reimbursed or paid by insurance. A Fund may charge placement fees. Information regarding a Fund's fees and expenses, and other important information regarding an investment in such Fund, are set forth in the documents provided to such Fund's eligible prospective investors.

Other costs and expenses payable by the owner of a separate account (or the investment manager of a separate account) generally include (i) legal and other fees, costs and expenses incurred by in preparing and negotiating the Investment Advisory Agreement, (ii) expenses associated with forming and operating any related investment vehicle, (iii) legal and other fees, costs and expenses incurred in complying with the Investment Advisory Agreement, including complying with C-III's (and the separate account owner's and the investment manager's) respective policies and reporting obligations, (iv) fees, expense and costs in providing the separate account owner and the investment manager with compliance, holdings and other reports set forth in the Investment Advisory Agreement, and such other reports or information as are reasonably requested by the separate account owner or its investment manager, (v) all allocable brokerage fees, brokerage commissions and all other brokerage transaction costs, stock borrowing and lending fees, interest on cash balances, custodial fees, third party research, transaction and legal expenses, regulatory fees or taxes payable in respect of the separate account, professional expenses (including, without limitation, fees in connection with the use of proxy voting services) and any other fees and expenses related to the trading and investment activity of the separate account, (vi) any taxes and filing fees applicable to the separate account, (vii) any other reasonable allocable fees or expenses of C-III which, in its reasonable determination, are incurred in connection with the structuring, negotiation, acquisition, disposition, maintenance, custody and/or management of the assets in any separate account (including, without limitation, travel expenses, allocable legal and professional fees and expenses and rating agency/valuation fees and expenses), as well as the costs incurred in connection with pursuing possible investments that are not subsequently acquired (e.g., "dead deal costs"), (viii) expenses of custodians, outside advisors, counsel, accountants, auditors, administrators and other consultants and professionals, (ix) Property-Related Services Fees, and (x) any other reasonable allocable fees or expenses of C-III which, in its reasonable determination, are incurred in connection with C-III's performance of the services contemplated by the Investment Advisory Agreement, such as administrative fees and expenses (including maintaining the books and records of a separate account); research fees (including data and information service subscriptions, related



system and services from data providers and data management software); bridge financing expenses (which may be payable to another Client co-investing in the bridge transaction or to C-III or an affiliate, in each case being the entity providing the bridge financing to the applicable separate account); fees for outside services (including valuation and pricing services), technology-related expenses; data services, financial modeling software and financial modeling services, insurance (including, without limitation, with respect to indemnifiable liabilities, allocable portions of premiums for errors and omissions and directors and officers liability insurance for employees, officers and managers of C-III; risk management expenses; and other unreimbursed expenses. Information regarding a separate account's fees and expenses, and other important information regarding such separate account, are set forth in the Investment Advisory Agreement for such separate account.

In addition, each Client bears all costs associated with its underlying investments, including but not limited to the costs of acquiring land or property, zoning or other development approvals, environmental approvals, the costs of complying with building, safety or governmental regulations (such as environmental legislation, rent control, compliance with the Americans with Disabilities Act or other regulations), design and engineering costs and expenses, development and redevelopment costs (including costs associated with delays in construction as a result of weather or material shortages), property management costs and expenses, costs associated with leasing and other marketing activities, sales or other brokerage expenses, costs associated with financing, refinancing, borrowing or other lending activities, legal and accounting expenses, the cost of annual audits, custodial fees, insurance and litigation expenses, and taxes, fees, and other governmental charges. In the case of real estate equity investments, such costs and expenses are generally borne by a "special purpose vehicle" ("SPV") that owns the underlying real estate. Because a Client owns all or a portion of such special purpose vehicle, such Client will indirectly bear such costs and expenses.

From time to time, the general partner of a Fund may create certain SPVs or similar structuring vehicles for purposes of accommodating certain tax, legal and regulatory considerations of investors. In the event the general partner of a Fund creates an SPV, consistent with the Governing Documents of the Fund, the SPV, and indirectly, the Fund and its investors, will bear all expenses related to its organization and formation and other expenses incurred solely for the benefit of the SPV.

In certain cases, a co-investment vehicle, or other similar vehicle established to facilitate the investment by investors to invest alongside the Client, may be formed in connection with the consummation of a transaction. In the event a co-investment vehicle is created, the investors in such co-investment vehicle will bear all expenses related to its organization and formation and other expenses incurred solely for the benefit of the co-investment vehicle. The co-investment vehicle will bear its pro rata portion of expenses incurred in making an investment. If a proposed transaction is not consummated, either (i) no such co-investment vehicle generally will have been formed, and the full amount of any expenses relating to such proposed but not consummated transaction ("dead deal costs") would therefore be borne by the Client(s) selected by C-III as the proposed investor(s) for such proposed transaction or (ii) a cost-sharing agreement will have been put in place and the proposed co-investment vehicle investors (or C-III) will bear the co-investment vehicle's pro rata portion of any dead deal costs.

If a Fund or separate account acquires title to or otherwise gains control of real property, such Fund or C-III SAM (with respect to a separate account) retains (and may in the future retain) C-III and/or one or more of its affiliates to provide property-level services in respect of such real property, including, without limitation, property management, construction management, leasing, sales

brokerage, construction, development, financing, mortgage brokerage, planning and zoning, loan servicing (either primary or special), marketing or other services (collectively, “**Property-Related Services**”). C-III may use (and in the past has used) an affiliate to provide Property-Related Services, rather than a third party, if it determines that such affiliate has the requisite expertise to provide such services and that the use of an affiliate to provide such Property-Related Services, rather than an independent third party, is beneficial to its Clients. To the extent C-III or any of its affiliates perform any Property-Related Services and the fees and compensation (“**Property-Related Service Fees**”) are included in the operating expenses of a Fund or a separate account (and such Fund or separate account therefore bears the cost of such Property-Related Services), such Property-Related Services and the terms and conditions of such Property-Related Services shall be on such terms as would generally be available in an arm’s-length transaction with a third party (provided that such third parties are generally in the business of providing such services) in the applicable market, although such compensation will not actually be determined through arm’s-length negotiation. C-III monitors the Property-Related Service Fees charged by each such affiliate to its Clients to ensure that they are reasonable relative to the fees charged by third parties by obtaining quotes or estimates (where practical) of the fees to be charged by third parties. In addition to the payment of Property-Related Service Fees, certain Clients will also be required to reimburse C-III or its affiliates, as applicable, for their out-of-pocket expenses incurred in providing the Property Related Services. For certain Clients, C-III has also engaged (and may in the future engage) an independent consultant to determine whether the Property-Related Service Fees and other terms of C-III and its affiliates for Property-Related Services are reasonable.

Certain C-III affiliates also earn or share (and may in the future earn or share) in real estate brokerage commissions or other fees (“**Transaction Fees**”) paid by a Client upon the closing of the sale of assets by such Client, including a sale to another Client, as compensation for such real estate brokerage or other services.

Property-Related Service Fees and Transaction Fees may be substantial. Any Property-Related Service Fees, Transaction Fees and related expense reimbursements paid by Clients or their investments to C-III or its affiliates are in addition to the Management Fees paid to C-III and will not reduce the Management Fees charged to such Clients. See Item 8, below, for a discussion of the conflicts of interest involved in the retention of affiliated service providers.

C-III may, from time to time, enter into arrangements with third-party advisers and consultants who provide services relating to deal-sourcing and investment opportunities. Any fees and expenses associated with such investment opportunities may be allocated to the applicable Client(s), consistent with the allocation process described herein.

Part of C-III’s strategy includes investing in properties through joint ventures with other real estate investors and/or operators. C-III believes that these joint venture partners enhance the firm’s competitive advantage in the marketplace through their knowledge, skill and experience in identifying and executing property strategies that optimize value at the asset-level. Joint venture partners may charge leasing commissions, property management fee, and construction management fees. In addition, a joint venture arrangement typically provides for performance-based compensation (including a profits interest in the joint venture) for an operating partner as an incentive for enhanced performance. These arrangements present a conflict of interest because such compensation will ultimately be borne by a Client and not C-III.

Other costs and expenses payable by a CDO generally include (i) fees and expenses of the advancing agent, trustee, paying agent, calculation agent, administrator and registrar, (ii) fees, expenses and amounts due or accrued and payable to the independent accountants, agents and



counsel, (iii) taxes, registered office and governmental filing, registration and annual return fees and (iv) expenses of rating agencies. Information regarding a CDO's fees and expenses, and other important information regarding an investment in such CDO, are set forth in the Governing Documents and the offering and other documents provided to such CDO's eligible prospective investors.

Costs and expenses applicable to a particular Client (e.g., legal, insurance, audit, tax, reporting or consulting) are generally paid by such Client, provided the Client's Governing Documents permit the payment of such fees and expenses. Certain fees, costs and expenses (e.g., research services, valuation, insurance, technology expenses and the cost of financial modeling and services) may be incurred for the benefit of more than one Client, or a Client and C-III, and are allocated (and may in the future be allocated) to more than one Client, or to a Client (or more than one Client) and to C-III or its affiliates, in each case in a manner that C-III believes to be fair and equitable, subject to any requirements or restrictions provided in the Clients' Governing Documents regarding the allocation and payment of such fees, costs and expenses.

D. REFUNDS FOR FEES CHARGED IN ADVANCE

Investors in a Fund agree to commit a certain amount of capital to such Fund before C-III provides any advisory services. Management Fees assessed by a Fund are generally deducted from a Fund's assets and, for certain Funds, are paid in advance. For a Fund for which Management Fees are paid in advance, the terms applicable to such Fund do not contemplate repayment of fees to the extent that C-III's advisory services terminate prior to the end of the relevant payment period. Accordingly, if a Client terminates C-III's services before they are provided for the applicable period, fees that have been paid in advance will not be pro-rated for such period and will not be returned to investors that paid those fees in advance.

The owner of a separate account (or its investment manager) agrees to commit a certain amount of capital to such separate account before C-III SAM provides any advisory services. Management Fees for a separate account are paid by the owner of the separate account or by the investment manager of such separate account. Management Fees are generally paid in arrears but may be paid in advance. For a separate account for which Management Fees are paid in advance, the terms applicable to such separate account do not contemplate repayment of fees to the extent that C-III SAM's advisory services terminate prior to the end of the relevant payment period. Accordingly, if the owner of a separate account (or its investment manager) terminates C-III SAM's services before they are provided for the applicable period, fees that have been paid in advance will not be pro-rated for such period and will not be returned to the owner of the separate account (or its investment manager) that paid those fees in advance.

E. SUPERVISED PERSONS

Except as provided below, no Supervised Person (as defined in Item 11 below) of C-III accepts compensation for the sale of securities or other investment products.

C-III Parent retained Anubis to serve as placement agent with respect to the offering of interests in RF II, RF III and HYREDF IV. C-III Parent paid Anubis a fee with respect to the offering of interests in RF II, RF III and HYREDF IV. C-III has designated a portion of the Management Fee payable to it by RF II, RF III and HYREDF IV as a reimbursement of the placement fee paid by C-III Parent to Anubis.

RF III engaged Resource Securities LLC (“RSI”) (previously an indirect wholly-owned subsidiary of C-III Parent and formerly registered as a broker-dealer with the SEC and a member of FINRA) as dealer manager for the offering of interests in RF III to qualified customers of third-party broker-dealers. RSI was compensated by commissions and dealer manager fees from certain limited partners of RF III who were introduced to RF III by such third-party broker-dealers.

C-III Parent retained Anubis to solicit and refer the separate account Client to C-III SAM. C-III Parent paid Anubis a fee with respect to the solicitation and referral of the separate account client. In such circumstances, the prospective advisory client did not pay any portion of any referral fee and will not pay any additional fees to C-III with respect to the advisory services provided by C-III as a result of such arrangement. C-III SAM has designated a portion of the investment management fee payable to it by the separate account as a reimbursement of the solicitation fee paid by C-III Parent to Anubis.

ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Each General Partner is generally entitled to receive performance-based compensation, as set forth in such Fund’s Governing Documents. C-III SAM receives performance-based compensation with respect to the management of a separate account Client (and may or may not in the future receive performance-based compensation with respect to the management of future separate accounts), as set forth in the Investment Advisory Agreement for such separate account. Performance-based compensation is paid (in the form of a “promote” interest with respect to a Fund or in the form of an incentive fee with respect to a separate account) in conformity with the Advisers Act.

Performance-based compensation arrangements may create an incentive for (i) C-III to recommend, or a Fund’s general partner to approve, investments that are riskier or more speculative than those that would be recommended or approved under a different fee arrangement and (ii) C-III to favor Client accounts paying performance-based compensation at a higher rate (or a higher effective rate) over other accounts in the allocation of investment opportunities, either of which would create a conflict of interest for C-III and its affiliates. C-III and each Client’s investment committee (to the extent applicable) consider such potential conflicts in recommending and approving such investment (see Item 13).

ITEM 7: TYPES OF CLIENTS

C-III provides investment advisory services to its Clients. If applicable, the minimum capital commitment for each Client or each investor in a Client is set forth in the Client’s Governing Documents and other documents provided to Clients or eligible prospective investors. For a Client that is a Fund or a CDO, interests in such Client are offered only to persons that are (i) “accredited investors,” as defined in Regulation D under the Securities Act and (ii) either “qualified purchasers” or “knowledgeable employees,” each as defined in the Investment Company Act and the rules thereunder. For a Client that is a separate account (or the investment manager of a separate account), the owner of the separate account will satisfy similar requirements. The investors in a Client (or in the case of a Client that is separate account, the owner of the separate account) include pension funds, high net worth individuals, insurance companies, investment banks, banks, trusts, endowments and other collective investment vehicles in which the foregoing invest.

For a Client that is a Fund or a CDO, an investor in such Client executes agreements with the applicable Client (either directly or by executing a subscription agreement for such Client) in connection with its investment. An investor is not permitted to withdraw or redeem from a Client prior to its dissolution, except as provided in the Fund’s or CDO’s Governing Documents.

For a Client that is a separate account (or the investment manager of a separate account), the Client will execute an Investment Advisory Agreement with C-III SAM. The Investment Advisory Agreement will set forth the terms by which the owner of a separate account (or its investment manager) may withdraw funds from such separate account.

C-III and/or a General Partner (either on its own behalf and/or on behalf of such Fund), without any act, approval or vote of any other Fund investor, has (and in the future may) enter into letter agreements or other similar agreements (each, a “**Side Letter**”) with one or more Fund investors that has the effect of establishing rights under, or altering or supplementing the terms of, a Fund’s Governing Documents. Any rights established, or any terms of such Fund Governing Document altered or supplemented, in a Side Letter with a Fund investor govern, notwithstanding any other provision of such Fund’s Governing Documents. As a result of Side Letters, certain investors in a Fund may receive additional benefits that other Fund investors will not receive, which may include different fee structures and other preferential economic rights (such as, rights to reduced or waived management fees or performance-based compensation), information and reporting rights, excuse or exclusion rights, waiver of certain confidentiality obligations, co-investment rights, certain rights or terms necessary in light of particular legal, regulatory or policy requirements of a particular investor, additional obligations and restrictions with respect to structuring particular investments in light of the legal and regulatory considerations applicable to a particular investor, veto rights and liquidity or transfer rights. Except as otherwise agreed to with an investor in a Fund, neither C-III nor a General Partner will be required to notify any other investor in the Fund of the existence of any Side Letter or any of the rights, terms or provisions thereof, and neither C-III nor a General Partner will be required to offer such additional or different rights or terms to any other Fund investor. No Investor in a Fund will have recourse against such Fund, its general partner, C-III or any of their respective affiliates in the event that one or more investors in the Fund receive additional or different rights or terms pursuant to any Side Letter. For more information regarding Side Letters please see Item 8.B. below.

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Investing in securities involves risk of loss that Clients should be prepared to bear.

A. METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

C-III provides investment advisory services with respect to equity and debt (including securitized debt) investments in commercial real estate assets, including multi-family, retail, office, hospitality and industrial/self-storage properties.

With respect to real estate equity investments, C-III reviews (i) the occupancy level and physical condition of the real estate asset, (ii) the state of the local economy in the area where the asset is located and (iii) capital expenditure requirements of the underlying asset and ability to make improvements, as well as other relevant information on a case-by-case basis. Key information includes lease terms, net effective rental rates, occupancy levels, comparable sales, appraisals, property inspections and other industry reports that are collected and analyzed regularly.

With respect to real estate debt investments, C-III maintains proprietary financial models used to evaluate prospective investments and monitor existing holdings. The maintenance of these models is based, in part, on the ongoing surveillance and collection of credit performance statistics and updated collateral information from various affiliate and third-party sources, including issuers, broker-dealers, rating agencies, governmental agencies and data vendors. In addition, C-III’s proprietary database of information includes financial performance, sponsorship, leasing status, tenancy, supply/demand dynamics and physical condition of the real estate assets underlying the commercial mortgage backed securities (“**CMBS**”) trust, the issuer of the commercial real estate

collateralized debt obligations (“**CRE-CDOs**”) or loans in which certain Clients invest (and may invest in the future). C-III will also generally conduct an in-depth, asset-level evaluation of each opportunity using proprietary quantitative and qualitative analyses that will assist in evaluating target investments.

For all investments, C-III utilizes its proprietary database and subscriptions to various third-party data sources containing real estate-related information, consultations with real estate investors, operators, experts and other professionals, supported by experts and professionals in related fields, and information provided by employees in C-III’s affiliated real estate services companies.

B. MATERIAL RISKS

Investments by a Client, or an investment in a Client, is speculative and involves a high degree of risk.

Below is a summary of certain risks associated with investments by a Client, and an investment in a Client. Clients, and investors in Clients, should refer to the risk factors in each Client’s offering memorandum, subscription agreement, Investment Advisory Agreement, Governing Documents or other documents provided to eligible prospective Clients and investors in Clients for a more complete description of the risks associated with investing or with an investment in such Client. The risks described below and in each Client’s offering memorandum, subscription agreement, Investment Advisory Agreement, Governing Documents or other documents provided to eligible prospective Clients and investors in Clients could adversely affect a Client’s (or an investor in a Client’s) business, the value of a Client’s (or an investor in a Client’s) investments and the return to a Client or an investor in a Client. No guarantee or representation is made that a Client or an investor in such Client will achieve its or their investment objectives, goals or targeted returns, or that a Client or an investor in a Client, will receive a return of its capital. There is no certainty of return with respect to any such investment and a Client or a prospective investor in a Client should be able to withstand a total loss of its investment. The following discussion does not purport to be an exhaustive explanation of all of the risks and significant considerations involved, and each prospective Client or investor in a Client should consult with its own advisors.

NATURE OF INVESTMENTS

Investments by a Client, or investments in a Client, are speculative and generally require a long-term commitment with no certainty of return.

A Client may make investments in real estate and/or real estate-related assets (including CMBS and CRE-CDO tranches) that are experiencing or are expected to experience severe financial difficulties that may never be overcome. Because a Client will only make a limited number of investments and because many of the investments will involve a high degree of risk, poor performance by a few of the investments could severely affect the total returns to a Client and the investors in a Client. Although an investment by a Client may generate some current income, the return of capital and the realization of gains, if any, from such investment generally will occur (i) in the case of a debt investment, when the borrower repays the related loan (at maturity or sooner), (ii) in the case of a CMBS or CRE-CDO investment, when the borrowers repay the loans (at maturity or sooner) underlying the CMBS trust or CRE-CDO issuer or the Client sells the CMBS or CRE-CDO investment, or (iii) in the case of an equity investment, when the Client sells the investment. Although an investment may be sold or the related loan repaid at any time, it is not expected that this will occur for a substantial period of time, and in many cases several years, after the investment is acquired. Therefore, there may be little or no near-term cash flow available to the

Client or the investors in a Client. Because a Client may only make a limited number of investments and because many of the investments involve a high degree of risk, poor performance by a few Client investments could severely affect the total returns to the Client and the investors in such Client. Generally, a Client's investments will be selected and funded after an offering of interests in a Client is completed or, in the case of a separate account, after an Investment Advisory Agreement has been executed, and a prospective Client and the prospective investors in a Client will not have the opportunity to analyze a Client's portfolio of investments before investing or investing in such Client.

RISKS RELATED TO REAL ESTATE INVESTMENTS

General

The performance of a Client's real estate and real estate-related investments will be significantly affected by fluctuations in the value of the underlying properties (including properties collateralizing the loans held by a Client and the properties collateralizing the loans underlying a Client's investments in CMBS and CRE-CDO tranches) and the cash flows generated by those properties. If the underlying properties do not generate revenues sufficient to meet operating expenses, a Client's cash flow (and, in the case of a Client that is not a separate account, the ability to make distributions to such Client's investors) will be adversely affected. The factors affecting the cash flows generated by the underlying properties (including properties collateralizing the loans held by a Client and the properties collateralizing the loans underlying a Client's investments in CMBS and CRE-CDO tranches) and the values of those properties include:

- national and local economic conditions;
- changes in supply of, and demand for, competing properties in an area (including the consequences of overbuilding);
- changes in real property tax rates;
- changes in interest rates and the availability of mortgage funds (including changes that render the sale or refinancing of properties difficult or impracticable);
- financial resources of tenants;
- changes in building, environmental and other laws or government regulations;
- quality of management and maintenance of the properties; and
- changes in tax policies and legislation, including, in particular, tax rules in jurisdictions in which investments are made or fund entities are organized.

Real Estate Market Conditions

A Client's strategy may be based, in part, upon the premise that interests in real estate businesses and assets will be available for purchase by the Client at prices that C-III considers favorable. Further, a Client's strategy may rely, in part, upon market recoveries continuing during the term of the Fund. No assurance can be given that interests in real estate businesses and assets can be acquired at favorable prices or that the market for such assets will recover or continue to improve,

as the case may be, since this will depend, in part, upon events and factors outside the control of C-III.

Declines in Real Estate Values

Risks associated with investing in real estate and real estate-related investments are likely to be more severe during periods of economic slowdown or recession, especially if such periods are accompanied by declining real estate values. Further, declining real estate values significantly increase the likelihood of losses on real estate and real estate-related investments acquired by a Client in the event of default, as the value of the underlying real estate and the value of the loans collateralized by such real estate may be insufficient to pay amounts owed in respect of such investments and result in a loss to a Client. Low recovery on real estate or real estate-related investments might result in a loss on the investment. Any sustained period of increased payment delinquencies, foreclosures or losses could adversely affect the income received by a Client from its real estate and real estate-related investments, which would reduce the amount it has available for distribution. Furthermore, the underlying properties may be suffering varying degrees of financial distress or may be located in economically distressed areas.

In the case of real estate debt investments (including investments in CMBS and CRE-CDO tranches), adverse changes in the real estate market increase the probability of default, as the incentive of the borrower to retain equity in the property declines. In addition, loans may become non-performing for a wide variety of reasons and may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate, capitalization of interest payments and a substantial write-down of the principal of the loan. However, even if such restructuring were successfully accomplished, a risk exists that upon maturity of such mortgage loan, replacement “take-out” financing will not be available, which could ultimately impact the value of the related investments.

Ownership of Properties

A Client that owns a real estate asset, or becomes the owner of a real estate asset as a result of the resolution of a defaulted debt investment, is responsible for the operation of such real estate investment.

Type and Use of Properties; Alternative Use of Properties

Additional risks are presented by the type and use of a particular commercial property. For instance, commercial properties that operate as hospitals and nursing homes present special risks to lenders due to the significant governmental regulation of the ownership, operation, maintenance and financing of health care institutions. Hotel and motel properties often are operated pursuant to franchise, management or operating agreements which may be terminable by the franchisor or operator; and the transferability of a hotel’s operating, liquor and other licenses upon a transfer of the hotel, whether through purchase or foreclosure, is subject to local law requirements.

Furthermore, a commercial property may not readily be converted to an alternative use in the event that the operation of such commercial property for its original purpose becomes unprofitable. In such cases, the conversion of the commercial property to an alternative use would generally require substantial capital expenditures. Thus, if a borrower becomes unable to meet its obligations under the related commercial mortgage loan, the liquidation value of any such commercial property may be substantially less, relative to the amount outstanding on the related commercial mortgage loan, than would be the case if such commercial property were readily adaptable to other uses.

Availability of Suitable Investments

Investors in a newly-organized Client will be relying on the ability of C-III to identify, acquire and manage investments using the proceeds of such Client's offering. Although C-III has been successful in locating investments of the type suitable for its Clients in the past, there can be no assurance that it will be able to identify a sufficient number of suitable investment opportunities for a newly-organized Client, or that a newly-organized Client will be successful in acquiring a sufficient number of suitable investments. As a consequence, the aggregate returns of a newly-organized Client may be substantially adversely affected by the unfavorable performance of even a single investment.

Uninsured Losses

A Client may invest directly or indirectly in real property, including by investing in debt secured by real property. If any of the holders of the property underlying the Client's investments fails to comply with applicable insurance requirements and an uninsured loss occurs, the consequences may be adverse for the Client. A Client that owns CMBS and/or CRE-CDO investments will not likely have any input on the level of insurance on the real property underlying the loans that collateralize such investments. If a Client, or any applicable borrower, fails to adequately insure any of the applicable properties and an uninsured loss occurs, the consequences may be adverse for such Client.

Uninsured losses, whether because the owner of the property fails to maintain insurance adequate and appropriate under the circumstances or because certain types of losses of a catastrophic nature (including, without limitation, wars, natural disasters, terrorist attacks and other similar events) are uninsurable or insurable only on commercially unrealistic or unacceptable terms, may create a risk of loss to a Client. In general, losses related to terrorism are becoming more difficult and more expensive to insure against. Most insurers are excluding terrorism coverage from their all-risk policies. In some cases, insurers are offering significantly limited coverage against terrorist acts for additional premiums, which can greatly increase the total cost of casualty insurance for a property. As a result, some or all of a Client's investments in real property, or properties that collateralize a Client's debt investments, may not be insured against terrorism.

A Client may hold investments concentrated in markets where natural disasters, including earthquakes, floods and hurricanes are prone to occur. For example, real properties located in California may be more susceptible to certain hazards, such as earthquakes or widespread fires, than properties in other parts of the country, and real properties located in coastal states generally may be more susceptible to hurricanes than properties in other parts of the country. Hurricanes (most recently Hurricane Harvey and Hurricane Irma) and related windstorms, floods and tornadoes have caused extensive and catastrophic physical damage in and to coastal and inland areas located in the Gulf Coast region of the United States and certain other parts of the southeastern United States, including Florida particularly. A Client may hold investments concentrated in these markets and may suffer significant uninsured losses if a natural disaster were to occur. Although a Client intends to maintain comprehensive insurance on each investment in real property (including requiring borrowers to maintain comprehensive insurance on each property underlying its debt investments), there is a possibility that such Client may suffer uninsured or uninsurable losses from a natural disaster notwithstanding its maintenance of comprehensive insurance policies. Exclusions in insurance policies (such as flood exclusions in areas highly susceptible to such event) can result in losses to the Client. In general, losses related to terrorism are becoming harder and more expensive to insure against. Most insurers are excluding terrorism coverage from their all-risk policies. In some cases, insurers are offering significantly limited coverage against terrorist acts for



additional premiums, which can greatly increase the total costs of casualty insurance for a property. As a result, some or all of a Client's investments in real property, or properties that collateralize a Client's debt investments, may not be insured against terrorism.

Additionally, the Client may be unable to obtain insurance proceeds even if it is adequately covered by insurance policies if the insurance carrier's financial condition suffers materially as a result of a natural disaster or other catastrophic event. Deductibles may be significant, resulting in the Client incurring higher costs with respect to investments even in the event insurance is in place. Finally, even if a Client can obtain appropriate insurance to rebuild or repair its properties following a natural disaster, such Client's ability to obtain insurance proceeds covering interruption to its business and operations during the period in question could be materially and adversely affected by the same conditions described above or other conditions outside of the Client's control.

Even if insurance is in place and an insured loss is paid, inflation, changes in building codes and ordinances, environmental considerations and other factors may make it infeasible to use the insurance proceeds to repair or replace a property if it is damaged or destroyed. Should an uninsured loss or a loss in excess of insured limits occur with respect to a Client's real estate investment (or the collateral underlying a Client's investment), such Client could lose the value of its investment, as well as the anticipated future revenue from such investment and, in the case of debt that is recourse to a Client, such Client would remain obligated for any mortgage debt or other financial obligations related to such investment. It is also possible that the lack of available insurance coverage for such risks in the future may adversely affect the ability to obtain conventional financing for commercial properties. Any such loss could adversely affect the financial condition, results of operations and cash flow of a Client.

Capital Expenditures

Under many leases, the owner of the property retains certain obligations with respect to the property, including, among other things, the responsibility for maintenance and repair of the property, the provision of adequate parking, the responsibility for maintenance of common areas, the responsibility for capital improvements such as roof replacement and major structural improvements and compliance with other affirmative covenants in the lease. The expenditure of any sums in connection therewith beyond those budgeted for by a Client will reduce the cash available for distribution and may require a Client to fund deficits resulting from the operations of a property. No assurance can be given that a Fund will have funds available to make such repairs or improvements. If a Client were to fail to meet these obligations, then the applicable tenant may abate rent or terminate the applicable lease, which may result in a loss of capital invested in, and anticipated profits from, the property to a Client. In addition, significant capital expenditure projects, regardless of whether or not they are ultimately successful, typically require a substantial portion of management's time and attention, which could divert the time and attention of C-III from the day-to-day obligations to a Client and, in turn, impair a Client's financial condition and operating results.

Environmental Risks and Health Risks

The value of a Client's investments could be impaired if a property (or a property securing the loan underlying an investment) sustains losses related to an environmental claim. A Client could face meaningful risk of loss from lawsuits related to environmental claims based on environmental problems associated with real estate investments or the properties underlying an investment. A Client may be liable pursuant to environmental claims under various federal, state and local laws, ordinances and regulations, as well as common law principles (collectively, "**Environmental**



Laws”) for the costs of removal or remediation of certain hazardous or toxic substances on or in a property, and subject such Client to claims or liability for the costs of removal or remediation of hazardous substances that are released at, in, on, under or from the property. The cost of any required remediation and the owner’s liability therefore as to any property generally are not limited under such laws and could exceed the value of the property and/or the aggregate assets of the owner. In addition to claims for cleanup costs, the presence of hazardous substances on, or the release of hazardous substances from, a property or a facility and persons who arranged for off-site disposal activities could result in a claim by a private party for personal injury or property damage or could result in a claim from a governmental agency for other damages.

In addition, certain cooling towers, evaporative condensers, swimming pools, hot tubs, and other complex water systems have recently been linked to outbreaks of Legionnaires’ Disease. To the extent an outbreak of Legionnaires’ Disease is attributable to a Client’s property, such Client could be subject to claims or liability for such an outbreak, which may be significant in the aggregate.

Liability under such Environmental Laws can be imposed on the owner or the operator of real property or a facility without regard to fault or even knowledge of the release of hazardous substances and other regulated materials on, at, in, under or from the property or facility. Any environmental studies that may be conducted with respect to properties before a Client makes the investment cannot guarantee that the Client will be aware of all contamination at those properties and the subsequent costs of removal, management or remediation, either because such conditions were latent or because of changes in laws and regulations. The presence of hazardous substances in amounts requiring response action or the failure to undertake necessary remediation may adversely affect the Client’s ability to use or sell real estate or borrow money using such real estate as collateral, which could have an adverse effect on the Client’s return from such investment. Moreover, any such losses sustained at the property level could impair the ability of borrowers to repay the loans (including loans that collateralize CMBS and CRE-CDO investments), which in turn could have an adverse impact on the value of the investments and the Client.

Risks Associated with Lead Paint

Federal legislation requires owners and landlords of residential housing constructed prior to 1978 to disclose to potential tenants or purchasers and to real estate brokers any known presence of lead paint and lead paint hazards and allows for treble damages, fines and attorneys’ fees for failure to so notify. In addition, a Client may be held liable under state laws for any injuries caused by ingestion of lead-based paint or dust or particles therefrom by children or others living in or using the properties. Under some state laws, the liability is without regard to fault and may also require a Client to remediate soil and groundwater contaminated with lead in and around the subject housing.

Risks Associated with Mold and Standing Water

Mold is a fungus that may grow within buildings if sufficient moisture is present, for instance as a result of leaking roofs, burst pipes, flooding or poor insulation in bathrooms. Mold is allergenic to certain people and also is capable of producing toxins that may be harmful to people. Mold also can injure other living things and can damage property. It is customary practice to promptly remediate water damage that can result in mold, and any damage from mold growth, to prevent personal injury and property damage and unsafe living conditions. If mold grows in a property that a Client owns or operates, a Client may be liable for any personal injury and property damage that results. Under state or local laws pertaining to health, housing, building standards and consumer protection: (i) a Client may be required to remediate mold and may be fined due to the presence of



mold in a building; (ii) the buildings' tenants may be evicted; (iii) a Client may be liable to others for rent during the period when mold was present in the building; (iv) a Client may not be entitled to rent when mold is present; and (v) the building may be condemned and/or razed. Mold remediation may be difficult and expensive. Moreover, it is difficult and expensive to obtain insurance to protect against liability, remediation costs and other damages pertaining to mold, and there may be no insurance coverage under existing policies. State and federal legislation pertaining to mold, including its remediation and disclosure, may be enacted at any point during a Client's holding period of an investment, and it is unknown what economic impact such legislation could have on building owners and operators.

Leasing Delays and Tenant Bankruptcies

A Client's receipt of income may depend upon the cash flows it derives from lease payments under leases and the cash flows received by the borrower under a debt instrument held by such Client from lease payments under leases. Therefore, the performance of a Client's investments will depend upon the ability of the owner of the property to lease and re-lease space within the applicable properties and on the various tenants' payment of rent and performance of other obligations under leases, such as maintenance of properties, payment of taxes, utilities and other charges and maintenance of insurance. The owner of a property will have no control over the actions of any tenants of the properties in which it directly or indirectly invests and, at any time, any such tenants may delay lease commencement or renewal, fail to make lease payments when due or declare bankruptcy. Any leasing delays, tenant failures to make lease payments when due or tenant bankruptcies could result in the termination of the tenant's lease and, particularly in the case of a large tenant, material losses to a Client, and could harm the Client's ability to make distributions to its investors or otherwise operate its business.

If a tenant is unable to comply with the terms of its lease, the owner of the property may be unable to modify lease terms or be forced to modify lease terms in ways that are unfavorable to it. Alternatively, the failure of a tenant to perform under a lease or to extend a lease upon expiration of its term could require the owner of the property to declare a default, repossess the property, find a suitable replacement tenant, operate the property or sell the property. There is no assurance that the owner of the property will be able to lease the property on substantially equivalent or better terms than the prior lease, or at all, successfully reposition the property for other uses, successfully operate the property or sell the property on terms that are favorable to such owner.

Significant Tenant Ceasing to Operate at a Retail Property

A significant tenant ceasing to do business at a retail property could result in realized losses with respect to an investment. The loss of a significant tenant may be the result of the tenant's voluntary decision not to renew a lease or to terminate it in accordance with its terms, the bankruptcy or insolvency of the tenant, the tenant's general cessation of business activities or other reasons (including co-tenancy provisions permitting a tenant to terminate a lease prior to its term). There is no guarantee that any tenant will continue to occupy space in the related retail property. Additionally, the bankruptcy of, or financial difficulties affecting, a major tenant may adversely affect a borrower's ability to make its mortgage loan payments.

Some component of the total rent paid by retail tenants may be tied to a percentage of gross sales. As a result, the correlation between the success of a given tenant's business and property value is more direct for retail properties than other types of commercial properties. Significant tenants or anchor tenants at a retail property play an important part in generating customer traffic and making a retail property a desirable location for other tenants at that property. A retail "anchor tenant" is



typically understood to be a tenant that is larger in size and is important in attracting customers to a retail property, whether or not it is located on the mortgaged property.

Some tenants at retail properties may be entitled to terminate their leases or pay reduced rent if sales are below certain target levels, or if an anchor tenant or one or more major tenants cease operations at that property or fail to open. If anchor stores in a mortgaged property were to close, the borrower may be unable to replace those anchor tenants in a timely manner on similar terms, and customer traffic may be reduced, possibly affecting sales at the remaining retail tenants. While an anchor tenant that ceases to do business at a particular location may continue to pay rent, the absence of that tenant in the retail center may adversely impact other tenants and the ability of the borrower to continue paying debt service. The lack of replacement anchors and a reduction in rental income from remaining tenants may adversely affect the borrower's ability to pay current debt service or successfully refinance the mortgage loan at maturity. These risks with respect to an anchored retail property may be increased when the property is a single tenant property. In addition, certain retail anchor tenants may own their building and improvements, while the borrower owns only the underlying land. In those cases, the collateral securing the mortgage loan will include only the land and the rights of the borrower as landlord with respect to the anchor lease.

Competition from Alternative Retail Distribution Channels

Retail properties face competition from sources outside their local real estate market. Catalog retailers, home shopping networks, the Internet, telemarketing and outlet centers all compete with more traditional retail properties for consumer dollars. These alternative retail outlets are often characterized by lower operating costs. Continued growth of these alternative retail outlets could adversely affect the rents collectible at retail properties and result in realized losses on such investments. In addition, retail property owners may elect to undertake the expense of expanding or upgrading their facilities in connection with tenant turnover or in order to enhance competitive advantage (and thus decrease their available cash flow).

Investments in Net Lease Properties May Generate Losses

A Client may make investments in net leased real estate assets. The value of such investments and the income from such investments in net lease properties will depend upon the ability of the applicable tenant to meet its obligations to maintain the property under the terms of the net lease. If a tenant fails or becomes unable to so maintain a property, the Client will be subject to all risks associated with owning real estate. In addition, under many net leases the owner of the property retains certain obligations with respect to the property, including among other things, the responsibility for maintenance and repair of the property, to provide adequate parking, maintenance of common areas and compliance with other affirmative covenants in the lease. If the owner of the property were to fail to meet these obligations, the applicable tenant could abate rent or terminate the applicable lease, which may result in a loss of a Client's capital invested in, and anticipated profits from, the property. In addition, the owner of the property may find it difficult to lease property to new tenants that may have been suited to the particular needs of a former tenant.

Risks of Acquisition, Development and Redevelopment Activities

A Client may acquire, develop and redevelop real estate properties on a select basis. C-III does not anticipate that a Client will undertake new development as a strategic matter, although a Client may continue and complete the existing development of acquired properties and redevelop or enhance other properties. There can be no assurance that a Client will undertake to acquire, develop or redevelop any particular site or that it will be able to complete such acquisition, development or



redevelopment if it is undertaken. Risks associated with a Client's acquisition, development and redevelopment activities include the following:

- acquisition, redevelopment and development opportunities explored by a Client may be abandoned and, as a result, such Client may fail to recover expenses already incurred in connection with exploring such opportunities;
- acquisition, development and redevelopment costs for a property, including, without limitation, materials, labor or other expenses, may exceed original estimates, possibly making the property uneconomical;
- zoning, land-use, building, occupancy and other required governmental permits and authorizations may be difficult or impossible to obtain, leading to delays in and/or abandonment of all or a portion of the acquisition, development or redevelopment of a property;
- construction and lease-up may not be completed on schedule, resulting in increased debt service and development or redevelopment costs;
- leasing costs and tenant improvement costs may exceed expectations and, therefore, adversely affect the operating performance of a property; and
- construction and permanent financing may not be available on favorable terms.

The occurrence of any of the events described above could result in meaningful unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could adversely affect a Client's ability to achieve its projected yields on investments under development or redevelopment and, in turn, could reduce returns to a Client and potential distributions to investors in a Client. Properties under development or properties acquired for development may distribute little or no cash flow from the date of acquisition through the date of completion of development and may experience operating deficits after the date of completion. In addition, market conditions may change during the course of development that make such development less attractive than at the time it was commenced.

In addition, the failure to obtain necessary debt and equity financing on favorable terms could have a material adverse effect on a Client's ability to acquire, develop and redevelop real estate. Moreover, in the event that the cost of debt or equity financing for new acquisitions, development and redevelopment increases, the increased cost of such financing may result in a lower margin of profit on a Client's real estate investments than initially contemplated. If market conditions deteriorate, the financial condition of a Client may be materially adversely affected.

Costs of Compliance with ADA and Similar Laws

Under the Americans with Disabilities Act of 1990 (the "ADA"), all places of public accommodation are required to meet certain federal requirements related to access and use by disabled persons. Although a Client that acquires a real estate investment intends to comply with the requirements of the ADA, such Client may incur additional costs of complying with the ADA at the time of acquisition and from time to time in the future to stay in compliance with any changes in the ADA. A number of additional federal, state and local laws exist that also may require modifications to such real estate investments, or restrict certain further renovations thereof, with respect to access thereto by disabled persons. Additional legislation may impose further burdens or



restrictions on owners with respect to access by disabled persons. The ultimate amount of the cost of compliance with the ADA or such other legislation is not currently ascertainable and, while such other costs are not expected to have a material effect on a Client, such costs could be meaningful.

DISTRESSED ASSETS

Certain Clients have (and may in the future make) investments in non-performing, underperforming or other troubled debt and equity real estate and real estate-related investments (including currently performing assets that may become non-performing or distressed in the future). These investments have or may in the future have legal and financial risks and are or may be experiencing or may be expected to experience severe financial difficulties that may never be overcome and there can be no assurance that a Client's return and/or cash multiple of invested capital objectives will be realized or that there will be any return of capital to the Client or its investors. Investments in borrowers or issuers that have become financially distressed involve significantly greater risks than investments in non-distressed borrowers or issuers. The level of analytical sophistication, both financial and legal, necessary for successful financings to companies or assets experiencing significant business and financial difficulties is unusually high.

Troubled companies and assets require active monitoring and may, at times, require participation in the borrower's business strategy or in reorganization proceedings by the Client. To the extent that a Client becomes involved in such proceedings, the Client may have a more active participation in the affairs of its investments than that generally assumed by an investor. In addition, involvement by a Client in reorganization proceedings could result in the imposition of restrictions limiting the Client's ability to liquidate its position.

REAL ESTATE DEBT INVESTMENTS; COMMERCIAL MORTGAGE LOANS

Certain Clients have acquired (and may in the future acquire) sub-performing or non-performing debt interests and have acquired (and may in the future acquire) performing interests that become sub-performing or non-performing in the future. Some of these investments may be made with a goal of "loan-to-own." Investment in real estate debt generally carries with it many, if not most of, the risks associated with direct real estate investment. The collateral for debt investments may be mismanaged or otherwise decline in value. There exists the risk that re-financing will not be available for assets serving as collateral for debt acquired by a Client. The owner of the property may delegate the responsibility for the management and operation to a third party and, therefore, such investments may be adversely affected. Further, investments operating under the close supervision of a mortgage lender are, in certain circumstances, subject to certain additional potential liabilities that may exceed the value of the Client's original investment therein.

Certain Client investments include (and may include in the future) interests in commercial mortgage loans. Commercial mortgage loans are generally viewed as exposing a lender to a greater risk of loss through delinquency and foreclosure than residential mortgage loans on owner-occupied single-family residences. The ability of a borrower to repay a loan secured by commercial property primarily depends upon the successful operation and the operating income of that property (*i.e.*, the ability of tenants to make lease payments, the ability of a property to attract and retain tenants, and the ability of the owner to maintain the property, control operating expenses and comply with applicable zoning and other laws), rather than depending upon the existence of independent income or assets of the borrower. If the net operating income of the property deteriorates, the borrower's ability to repay the loan may be impaired. Net operating income of a commercial property can be affected by, among other things: tenant mix; success of tenant businesses; property management decisions; property location and condition; competition from



comparable types of properties; changes in laws that increase operating expenses or limit rents that may be charged; any need to address environmental contamination at the property or the occurrence of any uninsured casualty at the property; changes in national, regional or local economic conditions and/or specific industry segments; declines in regional or local real estate values; declines in regional or local rental or occupancy rates; increases in interest rates; real estate tax rates and other operating expenses; changes in governmental rules, regulations and fiscal policies, including environmental legislation; and acts of God, pandemic, terrorist attacks, social unrest and civil disturbances. Most commercial mortgage loans provide recourse only to the mortgaged property, and not against the borrower's other assets or personal guarantees, other than customary non-recourse carve-outs.

There is a significant risk that a Client may experience losses on its debt investments because of a default by the applicable borrowers. The factors that may result in borrower defaults and losses on a Client's investments include (i) adverse changes in economic and real estate market conditions generally and in the sectors and geographic locations applicable to the specific investment or underlying assets, (ii) the terms and structure of the mortgage loan and (iii) any specific limits on legal and financial recourse upon a default under the terms of the mortgage loan.

Most residential mortgage loans are fully self-amortizing (meaning that the periodic payments made by the borrower are sufficient over the life of the mortgage to pay all principal as well as interest). By contrast, most commercial mortgage loans do not fully amortize, so that at the maturity of the loan the borrower must repay a substantial principal balance. This loan feature frequently requires the borrower either to sell the property or to refinance the remaining principal balance at or prior to maturity of the mortgage loan. Accordingly, investors in commercial mortgage loans, or CMBS backed by one or a pool of commercial mortgage loans, bear the risk that the borrower will be unable to sell, refinance or otherwise generate the funds required to repay the mortgage loan at maturity, thereby increasing the ultimate likelihood of a default on the borrower's obligation. Such a default may be more likely if the value of the encumbered real estate has declined in value or if market interest rates have significantly increased. A default on one or multiple loans could trigger losses on a Client's investments.

In the event of any default under a mortgage loan held directly by a Client, such Client will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the mortgage loan, which could have a material adverse effect on the Client's cash flow from operations and limit amounts available for distribution to a Client's investors. In the event of the bankruptcy of a mortgage loan borrower, the mortgage loan to that borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law. Foreclosure of a mortgage loan can be an expensive and lengthy process that could have a substantial negative effect on a Client's anticipated return on the foreclosed mortgage loan.

As part of its investment program, certain Clients invest (and may in the future invest) in fixed-rate and/or floating-rate loans. Floating rate loan investments expose a Client to the risk of lower cash flow in the event that interest rates decrease from the date of investment. Fixed rate loan investments expose a Client to the risk of value deterioration in the event of interest rate increases. A Client's debt investments may be subject to early redemption features, refinancing options, prepayment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by the Client earlier than expected, resulting in a lower return to the Client than projected. If market interest rates decline, it is likely that borrowers will seek to repay



their loans prior to stated maturity in order to refinance at lower rates. If that happens, then, except as protected by any yield maintenance provisions, a Client will lose the benefit of the above-market interest rate payments it otherwise would receive on the repaid loans. In addition, certain of the mortgage loans in which a Client may invest may be structured so that all or a substantial portion of the principal will not be paid until maturity, which increases the risk of default at that time.

Moreover, in certain situations, because C-III (on behalf of a Client) may, in the exercise of remedies or rights under loan documents, obtain contractual rights to participate in or to influence the management of a borrower's property, the likelihood is increased that a borrower may claim that C-III or such Client interfered with the borrower's business, acted in bad faith in exercising its management rights or otherwise acted in a manner giving rise to a claim for lender liability. The exercise of rights or remedies may not be led or controlled by C-III, but may be led or controlled by a holder of a different debt position that may have interests that are in conflict with the interests of the Client. As a lender, a Client may also be subject to penalties for violations of state usury limitations; such penalties may be triggered by contracting for, charging or receiving usurious interest.

In the event of default and the exhaustion of any equity support, reserve fund or letter of credit support, a Client might not be able to recover all of its investment in the debt obligation acquired. A Client's investment in commercial real estate loans may involve workout negotiations, restructuring and/or the possibility of foreclosure. Even if a restructuring were successfully accomplished, there exists the risk of a substantial reduction in the interest rate and a substantial write-down of the principal of such loans. It is possible that C-III may find it necessary or desirable to foreclose on collateral securing one or more real estate loans acquired by a Client.

SUBORDINATE DEBT

Certain debt instruments in which a Client invests (and may in the future invest) may be subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured and/or subject such Client to a "first loss" subordinate holder position. The ability of a Client to exercise its remedies upon a default, or to take action in anticipation of a default to protect the value of its investment, is likely to be substantially less than that of senior creditors. For example, under the terms of a typical subordination agreement, senior creditors are able to block the acceleration of the junior debt or the exercise by junior debt holders of other rights they may have as creditors. Accordingly, in the case of an actual or pending default by the obligor on its investment, a Client may not be able to take the steps necessary to protect its interest in a timely manner or at all.

Debt securities and investments of the type in which a Client invests (and may in the future invest) are also subject to other risks arising out of the laws governing creditors' rights, including (i) the possible invalidation of an investment transaction (e.g., a mortgage lien or a payment made to a creditor) as a "fraudulent conveyance" under relevant creditors' rights laws, (ii) the possible assertion of so-called "lender liability" claims by borrowers or their owners and (iii) environmental liabilities that may arise with respect to the collateral securing the loans. In many cases, C-III's management of a Client's investments and its remedies with respect thereto, including the ability to foreclose on any collateral securing such investments, will be subject to the rights of the senior lenders and contractual inter-creditor provisions. Accordingly, there can be no assurance that a Client's rate of return objective will be realized.



COMMERCIAL MORTGAGE BACKED SECURITIES (“CMBS”)

Certain Clients invest (and may in the future invest) in CMBS, which are securities secured by a single commercial mortgage loan or a pool of commercial mortgage loans (including certificates of participation in such loans). Investing in CMBS involves the general risks typically associated with investing in traditional fixed-income securities (including interest rate and credit risk) and certain additional risks and special considerations, including the risk of principal prepayment, the risk of investing in real estate, lack of standardized terms, shorter maturities than residential mortgage loans and payment of all or substantially all of the principal only at maturity rather than regular amortization of principal. The exercise of remedies and successful realization of liquidation proceeds relating to CMBS may be highly dependent on the performance of the special servicer.

Some investments in CMBS may be subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured and/or subject to a “first loss” subordinate holder position. Investments in subordinate securities, such as CMBS, have a higher risk of such loss than investments in more senior securities. In the event that C-III underestimates the pool losses relative to the price the Client pays for a particular CMBS investment, the Client may experience losses with respect to such investment. With respect to CMBS, overall control over the special servicing of the related underlying mortgage loans may be held by a directing certificate holder or a controlling class certificate, which is appointed by the holders of the most subordinate class of CMBS in such series. Furthermore, if C-III or the Client does not have the right to appoint the directing certificate holder or controlling class representative, the related special servicer, at the direction of the directing certificate holder, may take actions with respect to specially serviced mortgage loans that could adversely affect the investments.

COMMERCIAL REAL ESTATE COLLATERALIZED DEBT OBLIGATIONS (“CRE-CDOs”)

Certain Clients invest (and may in the future invest) in CRE-CDOs, which are, generally, limited recourse obligations of the issuer thereof payable solely from the collateral owned by such issuer or the proceeds thereof. CRE-CDOs are subject to similar risks and provisions as commercial mortgage loans, B-Notes and CMBS, including:

- limited liquidity and secondary market availability;
- the possibility that income of a related borrower may be insufficient to meet its debt service;
- declining creditworthiness and potential for insolvency of the borrower during periods of economic downturn;
- spread compression over the reference interest rate available for reinvestment during any period in which prepayments are received; and
- subordination to the prior claims of other senior lenders and creditors in the event that a CRE-CDO includes loans with terms that, upon certain conditions, allow the spread subordinated.

The holder of an interest in a CRE-CDO must rely solely on distributions on the underlying collateral or proceeds thereof for payments in respect thereof. If distributions on the underlying collateral are insufficient to make payments on the CRE-CDO, no other assets will be available for



the payment of such deficiency and following realization of the underlying collateral, the obligation of such issuer to pay such deficiency shall be extinguished.

Many subordinate classes of CRE-CDOs provide that a deferral of interest thereon does not constitute an event of default and the holders of such securities will not have available to them any associated default remedies. During such periods of non-payment, such non-paid interest will generally be capitalized and added to the outstanding principal balance of the related security. Any such deferral will reduce the amount of current payments made on such CRE-CDO.

The underlying collateral of a CRE-CDO is subject to credit, liquidity and interest rate risks. Such assets may consist of commercial mortgage loans, structured finance securities and other real estate-related debt instruments, which may be rated either as investment grade or below investment grade (or of equivalent credit quality). The lower rating of below investment grade loans reflects a greater possibility that adverse changes in the financial condition of an issuer, general economic conditions or both may impair the ability of the issuer to make payments of principal or interest.

Many CRE-CDOs are actively managed securitization vehicles, and the manager's performance is vital to the performance of a CRE-CDO, particularly the most subordinate tranches. Accordingly, CRE-CDOs are subject to investment manager risk, characterized as the potential failure on the manager's part in some measure to select quality investments, effectively anticipate and act on market movements, manage conflicts and/or otherwise execute an investment strategy consistent with the interests of the investors.

BELOW INVESTMENT GRADE (HIGH YIELD OR JUNK BOND) SECURITIES

Certain Clients invest (and may in the future invest) in new issue non-rated CMBS tranches and CMBS tranches rated between "B3" and "Ba1", inclusive, by Moody's Investors Service at the time of issuance (or tranches that have an equivalent rating by another rating agency (such as Standard & Poor's or Fitch) at the time of issuance). Such Clients also invest (and may in the future invest) in a derivative instrument referencing a basket of CMBS issued for the purpose of hedging risks arising from investments described in the previous sentence. These high yield securities generally pay a premium above investment grade tranches or investment grade issuers because they are subject to greater risks. These risks, which reflect the speculative character of the securities, may include greater volatility, greater risk of default, greater sensitivity to general economic or industry conditions and a lack of attractive resale opportunities. If C-III is unable to correctly evaluate the value of the securities in which the Client invests or the probability that the Client will receive distributions or repayments on such securities, then the Client may lose part or all of its investment in such securities. Additionally, it may take a number of years for the fair value of such investments to ultimately reflect their intrinsic value as perceived by C-III, if at all. There is no assurance that the Client's investment objectives with respect to non-investment grade CMBS will be realized or that there will be any return on its investment in such securities.

CMBS INTEREST-ONLY CERTIFICATES

Certain Clients may invest in CMBS interest-only certificates ("IOs"). CMBS IOs receive no payment of principal from the underlying mortgage assets. IO class payments are derived by the excess interest that exists due to a higher weighted average coupon on the underlying mortgages than the weighted average coupon on the corresponding CMBS bonds. The notional amount of the IO bonds will equal the certificate balance of all or a portion of the other CMBS classes of the same issuance. The yields to maturity on IOs are very sensitive to the rate of principal payments (including prepayments) and defaults on the related underlying mortgage assets. If the underlying



mortgage assets experience greater than anticipated prepayments of principal or defaults, the Client may not fully recoup its initial investment in IOs.

UNRATED INVESTMENTS

Certain Clients invest (and may in the future invest) in debt instruments that are not rated by any recognized rating agency. The value of unrated debt obligations tends to be subject to more fluctuation as a result of economic conditions than rated debt obligations. Overall credit quality may move up or down frequently within this category. A Client's acquisition of credit support classes of securitizations (which may be "first loss" classes) that are unrated at the time of acquisition and that have lower ratings incrementally increase the risk of nonpayment or of a significant delay in payments on these classes. The downgrading of an asset may adversely affect the value of the asset and, ultimately, adversely affect the value of a Client's investment. Except as provided in a Client's Governing Documents, there are no limits on the percentage of unrated or noninvestment grade assets that a Client may hold in its portfolio.

PRIVATE COMPANIES

Certain Clients may invest in property management companies or other real estate-related businesses. Private companies are not subject to the same disclosure and reporting requirements that are generally applicable to public companies. There can be no guarantee that the small number of individuals on which a private company relies will continue to be employed by such company once a Client has invested in it. Although C-III will monitor the performance of each investment, a Client will necessarily rely on the management teams of the individual portfolio companies in which a Client invests for day-to-day management.

A Client may designate directors to serve on the board of directors of a portfolio company. The exercise of control over a portfolio company may impose additional risks of liability for environmental damage, failure to supervise management, violation of government regulations and other types of liabilities, which could have a material adverse effect on the performance of a Client.

A Client also may hold minority interests in portfolio companies alongside one or more other investors and may not be able to designate directors to serve on the board of directors of a portfolio company. Although C-III will aim to negotiate shareholder rights that give a Client protections and visibility over the direction of the portfolio company, certain major decisions will require the consent of other investors, thereby lessening a Client's control and, therefore, C-III's ability to protect the position of a Client in such company.

PARTICIPATION INTERESTS

Certain Clients' debt investments are (and may in the future be) in the form of loan participations and assignments of portions of such loans. Participations and assignments involve special types of risk, including credit risk, control and management risks, liquidity risk as well as the normal or typical risks of being a lender. Participations in commercial real estate loans may be secured or unsecured. Loan participations typically represent direct participation in a loan to a borrower; however, participation interests in a commercial real estate loan typically result in a contractual relationship only with the holder of the related whole loan, not with the borrower. With respect to a Client's investments structured as participation interests, the Client generally would have no right either to enforce compliance by the borrower with the terms of the underlying loan or to set-off obligations that the Client may otherwise owe to the borrower and may only be able to enforce its rights through the holder of the related whole loan. Furthermore, the Client may not directly benefit

from the collateral supporting the loan in which it holds the participation. As a result, the Client would assume the credit risk of both the borrower and the institution selling the participation. Investments in participation interests in commercial real estate loans raise many of the same risks as direct investments in commercial real estate loans and also carry risks of illiquidity and lack of control. It is likely that there will not be an active secondary market for participation rights of the kind that a Client might acquire.

B-NOTES

Certain Clients invest (and may in the future invest) in B-Notes, which are loans or participations therein that rank junior in priority to more senior debt secured by the same commercial real property or interests in the same commercial property. Inter-creditor, subordination and participation agreements generally provide that after the occurrence and during the continuation of certain events of default under the applicable loan documents, B-Notes are not entitled to receive any payments of interest or principal unless and until the senior debt has been paid in full. In addition, any losses and expenses, including losses of principal or interest, non-recoverable advances, interest on advances and special servicing compensation may be borne first by the B-Note and then by the related senior debt.

Further, B-Notes typically are secured by a single property, and so reflect the increased risks associated with a single property compared to a pool of properties. B-Notes also are less liquid than CMBS, and thus a Client may be unable to dispose of underperforming or non-performing investments. The higher risks associated with a subordinate position in a B-Note investment could subject a Client to an increased risk of loss.

Servicing of B-Notes is typically performed by a servicer or special servicer appointed pursuant to the documents governing the servicing of the related senior debt, subject to the provisions of the related inter-creditor, subordination or participation agreement. Although a Client may have the right to appoint the special servicer for the related whole loan and may have limited rights to consult with, and direct or approve certain servicing actions of, the servicer or special servicer appointed pursuant to the related senior debt, such rights will terminate if the principal balance of such B-Note is reduced below a specified percentage of its initial principal balance, as the result of principal write-downs or appraisal reductions. The shifting of such rights to a more senior debt holder would likely result in an adverse effect on a Client's B-Note investment.

A Client will not have the right to directly enforce compliance by the borrower under a B-Note with the terms of the loan documents or to waive enforcement thereof as the right to vote all claims in any bankruptcy of the borrower will have been granted to the holder of the related senior debt.

MEZZANINE LOANS

Certain Clients invest (and may in the future invest) in so-called "mezzanine loans," which are typically structured as a loan to a parent entity of the commercial mortgage borrower (with the parent mezzanine borrower typically contributing the loan proceeds to the subsidiary mortgage borrower) where the mezzanine borrower's repayment obligation is secured primarily by a pledge of its direct or indirect ownership interests in the mortgage borrower. If a Client makes an investment in a mezzanine loan, its ability to foreclose on the pledged ownership interests in the mortgage borrower will usually be constrained by inter-creditor arrangements with the mortgage lender that, for example, may require the Client to cure material defaults under the mortgage loan (and such curative action may be required) before being entitled to foreclose on its collateral. Foreclosure will also be limited by the rights of the mezzanine borrower under applicable law. Even



if a Client is able to foreclose on its collateral, as the new direct or indirect owner of the mortgage borrower, the Client will become the borrower, in effect, with respect to the underlying commercial mortgage loan and the owner (subject to the mortgage and any other senior mezzanine indebtedness) of the underlying property.

Moreover, a mezzanine loan may become unsecured as a result of a foreclosure by the senior lender. In the event of a bankruptcy of the entity providing the pledge of its ownership interests as security, a Client may not have full recourse to the assets of the property owning entity, or the assets of the entity may not be sufficient to satisfy such Client's mezzanine loan. If a borrower defaults on a Client's mezzanine loan or debt senior to the Client's mezzanine loan, or in the event of a borrower bankruptcy, such Client's mezzanine loan will be satisfied only after the senior debt is paid in full. As a result, a Client may not recover some or all of its mezzanine loan investment, which could result in losses.

Investments in mezzanine loans therefore involve not only the risks associated with subordination to the rights of senior mortgage lenders, but also the risks associated with ownership and management of the underlying property and the risks of being the borrower, in effect, with respect to a commercial mortgage loan that is in default.

In addition, a mezzanine loan may have a higher loan to value ratio than a conventional mortgage loan, resulting in less equity in the property and increasing the risk of loss of principal.

REPURCHASE AGREEMENTS

Repurchase agreements economically resemble short-term, floating-rate financing, and each usually requires the maintenance of a ratio similar to a specific loan-to-collateral value ratio. If the market value of the assets subject to a repurchase agreement decline, the Client may be required to provide additional collateral or make cash payments to maintain the loan-to-collateral value ratio. If the Client is unable to provide such collateral or cash repayments, it may lose its economic interest in the underlying assets. Further, the Client may maintain a certain amount of cash that is not invested, or set aside non-leveraged assets sufficient to maintain a specified liquidity position in the event of any requirement to post cash, in each case which would allow the Client to satisfy its collateral obligations. As a result, the Client may not be able to leverage its assets as fully as it would choose, which could reduce the Client's return on equity. If the Client is unable to meet these collateral obligations, its financial condition could deteriorate rapidly. In addition, because repurchase agreements provide short term financing, the Client is subject to the risk that the repurchase agreements will not be renewed or if renewed may be renewed only on terms that are less favorable to the Client, including in relation to the amount in collateral and the interest rate.

Repurchase agreements are also subject to counterparty risks. Through the Client's repurchase transactions, it sells assets to counterparties or lenders and receives cash from the lenders. The lenders are obligated to resell the same assets back to the Client at the end of the term of the transaction. Because the cash the Client will receive from the lender when it initially sells the assets to the lender is less than the value of those assets, if the lender defaults on its obligation to resell the same assets back to the Client, the Client would incur a loss on the transaction equal to the amount of that difference (assuming there was no change in the value of the assets). The Client would also lose money on a repurchase transaction if the value of the underlying assets has declined as of the end of the transaction term, as the Client would have to repurchase the assets for their initial value but would receive assets worth less than that amount. Further, if the Client defaults on one of its obligations under a repurchase transaction, the lender will be able to terminate the transaction. It is also possible that the Client's repurchase agreements will contain cross-default



provisions among multiple assets financed by one lender or assets financed by multiple lenders. As a result, if a default occurs under any one agreement, the lenders under the Client's other agreements may also declare a default or the lender may declare a default or the lender may declare a default on other assets financed by it. It is also expected that the Client's repurchase agreements will be cross-collateralized, so the Client could experience a concurrent loss of multiple financed assets in the event of a default. There can be no assurance that the Client will be successful in entering into any replacement repurchase agreements on the same terms as the repurchase agreements that were terminated or at all. Any losses incurred on repurchase transactions could adversely affect the Client's earning and thus cash available for distribution.

OTHER RISKS RELATING TO REAL ESTATE AND REAL ESTATE-RELATED DEBT AND/OR EQUITY INVESTMENTS

Enforcement of Rights against Borrower following Default

If a borrower under the debt instrument comprising a Client's investment defaults in its obligations, such Client (or the special servicer of a CMBS trust or the collateral manager of a CRE-CDO issuer) may seek to pursue the foreclosure and other remedies, if any, available under the terms of the related loan. Exercise of foreclosure and other remedies may involve lengthy delays and additional legal and other related expenses, which could adversely affect the value of the collateral and thus the Client's investment. The foreclosure process varies from jurisdiction to jurisdiction and can be lengthy and expensive. Applicable laws in certain jurisdictions may provide borrowers with an array of rights to resist foreclosure actions by asserting numerous claims, counterclaims and defenses against the holder of a real estate loan including, without limitation, lender liability claims and defenses. In some jurisdictions, foreclosure actions can take several years or more to litigate. Foreclosure litigation can create a negative public image of the applicable property and may result in disruption of the ongoing leasing and management of the property. In certain circumstances, foreclosing mortgage creditors may also become liable, upon taking title to collateral, for environmental or structural damage at the property site. Because of the potential difficulties presented by the foreclosure process, in some cases instead of pursuing foreclosure or other remedies, a Client or senior lender may seek to negotiate with the borrower to restructure the debt. Although a restructuring may avoid the delay and expense of foreclosure, it is likely to have other adverse consequences for a Client. Any restructuring may involve a substantial reduction in the interest rate and/or a substantial write-down of the principal of the restructured loan, which will reduce the value of a Client's investment and may result in a loss on the investment. A restructuring could also delay the realization of a Client's investment. If any of the above occurs, a Client's ability to make anticipated distributions to its limited partners or members could be delayed or otherwise adversely affected.

Bankruptcy Considerations

Claims on real estate assets operating in workout modes or under applicable bankruptcy laws could, if a Client inappropriately exercises control over the management and policies of the debtor, be subordinated or disallowed, and are, in certain circumstances, subject to additional potential liabilities that could exceed the value of the Client's original investment, including equitable subordination and/or disallowance of claims or lender liability. Furthermore, payments made to a Client in respect of such claims, and distributions by such Client, could be recovered if such payments or distributions are found to have been fraudulent conveyances or preferential payments or the equivalent under the laws of certain jurisdictions. Bankruptcy laws may delay the ability of a Client to realize on collateral for claims held by it or may adversely affect the priority of such claims through doctrines such as equitable subordination or may result in a restructuring of the debt



through principles such as the “cramdown” provisions of the bankruptcy laws. In addition, there are other risks and uncertainties related to litigation, bankruptcy and other laws and regulations affecting the rights and remedies of a Client with respect to these assets that can create additional financial risks to such Client.

Limited Liquidity of Real Estate Investments

There will likely be only a limited liquid market for a Client’s investments, and certain types of investments (B-Notes, mezzanine loans and preferred equity and, to a certain extent, certain classes of CMBS and CRE-CDO tranches) will generally be illiquid because there is no organized trading market and the sales that do occur tend to be sporadic. Dispositions of a Client’s investments also may be subject to contractually imposed limitations on transfer or other restrictions that could interfere with the sale of such Client’s investments or adversely affect the terms that could be obtained upon any sale. This limited liquidity may limit the ability of a Client to change the composition of its portfolio promptly in response to changes in economic or other conditions and limit near-term cash flow available for distribution to its investors. The limited liquid market for such investments also means that, if a Client for any reason sells an investment, the Client may receive a low price and, as a result, may realize a loss on that investment.

Certain of the debt instruments acquired by a Client have (and may in the future have) terms (including grace periods and extension rights) longer than the term of such Client. Thus, a Client may have acquired (and may in the future acquire) investments that cannot be readily sold prior to the date that such Client will be dissolved, either by expiration of the Client’s term or otherwise. Although C-III expects that Client investments will be repaid or disposed of prior to expiration of a Client’s term or be suitable for in-kind distribution at expiration of a Client’s term, C-III has only a limited ability to extend the term of a Client, and the Client may have to sell, distribute or otherwise dispose of its investments at a disadvantageous time as a result of the pending expiration of the Client’s term and subsequent dissolution.

Risks Associated with CMBS Trusts Containing Loans Secured by Non-U.S. Properties

Non-U.S. properties may comprise a small portion of the real property collateral of one or more CMBS trusts in which a Client may invest. An investment in CMBS trusts containing loans secured by non-U.S. properties involves certain risks not typically associated with investing in CMBS trusts containing only loans secured by properties in the U.S., including, but not limited to, risks relating to (i) jurisdiction specific laws, rules, and regulations and variances in the ability of lenders to enforce rights, (ii) the heightened risk of natural disasters in certain jurisdictions and (iii) currency fluctuation. The risks would vary depending upon the jurisdiction of each non-U.S. property.

Diversification Risk

There is no assurance as to the degree of diversification that will actually be achieved in a Client’s portfolio of investments. A Client’s Governing Documents may not impose any specific requirements as to diversification of such Client’s investments. A Client may make only a limited number of investments and, as a consequence, the aggregate return of a Client may be substantially adversely affected by the unfavorable performance of even a single investment. If the commercial real estate market experiences any negative trends, the value of the Client’s investments may be adversely affected.

If a Client makes an investment in multiple related assets in a single transaction with the intent of selling a portion of the investment, there is a risk that such Client will be unable to successfully



complete such a sale. This concentration could lead to increased risk as a result of a Client having an unintended long-term investment and reduced diversification.

Prepayment Risk

Certain commercial real estate loans (including loans underlying and collateralizing CMBS and CRE-CDO investments) are subject to prepayment. Prepayments on commercial mortgage loans comprising or underlying investments may be affected by a number of factors. If prevailing interest rates for similar mortgage loans fall below the interest rates on such mortgage loans, prepayment rates would generally be expected to increase. Conversely, if prevailing interest rates for similar mortgage loans (or interests therein) rise above the interest rates on such mortgage loans, prepayment rates would generally be expected to decrease. Certain commercial mortgage loans may have lockout periods and/or defeasance periods during which prepayment is prohibited or require prepayment penalties or premiums or defeasance features to be paid upon a prepayment. However, certain of such loans may permit prepayment after such lockout periods or the periods for such prepayment penalties or premiums have expired. Prepayments are also affected by the value of the related mortgaged property, the borrower's equity in the mortgaged property, the financial circumstances of the borrower, fluctuations in the business operated by the borrower on the mortgaged property, competition, general economic conditions and other factors. There can be no assurance that such mortgage loans will repay at any particular rate. If the loans underlying the investments prepay at rates that are below the projected rates, the value of the investments may be impaired.

LIBOR or the Rates Underlying LIBOR May Not Be Reported Accurately

Recently, several U.S. and U.K. regulators and governmental authorities commenced investigations into the veracity of the rates submitted by banks to the British Bankers Association (“BBA”) for the purpose of calculating LIBOR and to other rate-setting bodies for the purpose of calculating other interbank offered rates similar to LIBOR. Several banks have announced settlements with the U.S. Commodity Futures Trading Commission (“CFTC”), the U.S. Department of Justice Fraud Section and/or the United Kingdom Financial Services Authority in connection with investigations by such authorities into submissions made to the bodies that set LIBOR and other interbank offered rates. Additional investigations remain ongoing and there can be no assurance that there will not be additional admissions or findings of rate-setting manipulation or that future manipulation of LIBOR or other similar interbank offered rates will not occur.

Many commercial mortgage loans underlying a Client's investments bear interest at a floating rate based on LIBOR. Additional admissions or findings of manipulation may decrease the confidence of commercial mortgage borrowers in LIBOR and lead such borrowers to look for alternative, non-LIBOR-based types of financing, such as fixed rate loans or bonds or floating rate loans based on non-LIBOR indices. An increase in alternative types of financing at the expense of LIBOR-based syndicated commercial mortgage loans may adversely affect the value of a Client's investments or make it more difficult for a Client to source investments.

Interest Rate Fluctuations

The loans comprising or underlying a Client's portfolio (including loans underlying and collateralizing CMBS and CRE-CDO investments) bear interest at fixed rates or at variable rates. Generally, if market interest rates fall, fixed rate investments will become more valuable, whereas if market interest rates rise, fixed rate investments will become less valuable. The value of variable rate investments generally will be less affected by fluctuations in market interest rates, but the cash



flow generated by floating rate investments will decline if market interest rates decline. A loan comprising or underlying a Client's investment may permit the borrower to repay prior to stated maturity and, if market interest rates decline, it is likely that the borrower will seek to prepay its loan in order to refinance at lower rates. If that happens, such Client will lose the benefit of the above-market interest rate payments it otherwise would have received on the prepaid loan. This scenario might occur on multiple loans underlying an investment, which could adversely affect the value of the investment.

Credit Ratings

Credit ratings of debt securities represent the rating agencies' opinions regarding their credit quality and are not a guarantee of such quality. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value and, therefore, credit ratings by these agencies may not fully reflect the true risks of investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, such that an issuer's current financial condition may be better or worse than a rating indicates. Consequently, credit ratings of investments are only one of the factors indicating investment quality.

A Client's acquisition of credit support classes of CMBS or CRE-CDO securitizations (which may be "first loss" classes) that have lower ratings incrementally increases the risk of nonpayment or of a significant delay in payments on these classes.

Certain Clients invest (and may in the future invest) in new issue CMBS tranches and CRE-CDOs that are rated below investment grade. Securities with such ratings have greater credit and liquidity risk than more highly rated securities.

Certain Clients invest (and may in the future invest) in CMBS and CRE-CDO investments that were originally rated investment grade at issuance but may now be rated below investment grade by Standard & Poor's, Moody's or Fitch. These high yield securities generally pay a premium above investment grade tranches or investment grade issuers because they are subject to greater risks. These risks, which reflect the speculative character of the securities, may include greater volatility, greater risk of default, greater sensitivity to general economic or industry conditions and a lack of attractive resale opportunities. If C-III is unable to correctly evaluate the value of the securities in which a Client invests, or the probability that such Client will receive distributions or repayments on such securities, then the Client may lose part or all of its investment in such securities. Additionally, it may take a number of years for the fair value of such investments to ultimately reflect their intrinsic value as perceived by C-III, if at all. There is no assurance that a Client's investment objectives with respect to below-investment grade legacy CMBS and CRE-CDO investments will be realized or that there will be any return on its investment in such securities.

Moreover, because C-III seeks out (and may in the future seek out) investments in legacy CMBS that have experienced deteriorations in credit quality and that have been downgraded by credit rating agencies, there is heightened risk that the credit quality of such investments will deteriorate further and that their credit rating could be further downgraded after a Client has acquired the investment. Any downgrades of the credit ratings of a Client's investments may adversely affect their value and the value of such Client.

Downgrade Risk

The credit quality of a Client's investment(s) may deteriorate and its credit rating could be downgraded after the Client has acquired the investment. Any downgrade of the credit rating of a Client's investment may adversely affect its value and the value of the Client's account.

Investment Portfolio Financing Risks

Inability to Obtain Leverage. A Client's returns may be dependent upon its ability to grow its portfolio of invested assets through the use of leverage. A Client's ability to obtain the leverage necessary on attractive terms will ultimately depend upon the market's availability and the Client's ability to maintain interest coverage ratios meeting market underwriting standards which will vary according to lenders' assessments of the Client's creditworthiness and the terms of the borrowings. In addition, due to the volatility fueled by the subprime and broader residential mortgage lending market contagion, the market for capital markets financing transactions is effectively closed and traditional financing structures (secured facilities, credit repurchase and warehousing facilities) are not readily guaranteed to be available on attractive terms. The failure to obtain leverage at the contemplated levels, or to obtain leverage on attractive terms, could have a material adverse effect on a Client.

Leverage of Investments. C-III leverages (and may in the future leverage) certain Client investments with recourse or non-recourse debt financing. Although the use of leverage may enhance returns and increase the number of investments that can be made, it may also substantially increase the risk of loss. Additionally, the use of leverage on any particular investment will increase the exposure of such investment to adverse economic factors such as rising interest rates, severe economic downturns or deterioration in the condition of the real estate investment or its market. In the event a real estate investment is unable to generate sufficient cash flow to meet its principal and interest payments on its indebtedness, the value of a Client's equity investment in such real estate investment could be significantly reduced or even eliminated. In addition, if a property is mortgaged to secure payment of indebtedness and a Client is unable to meet its mortgage payments, the property could be foreclosed upon or otherwise transferred to the mortgagee, with a consequent loss of income and asset value to such Client.

In addition, a Client may have indebtedness that is directly or indirectly collateralized by multiple investments. Indebtedness that is secured by multiple investments may cause a loss on any one investment to result in losses on other investments.

Risks Involved in a Client's Use of a Subscription Facility. Certain Clients utilize indebtedness that is secured by unfunded commitments of certain investors that hold an interest in such Clients (a "**Subscription Facility**"). Such borrowings are generally secured by a pledge or other collateralization of the obligations of the Client's investors to make capital contributions to the Client.

Any borrower under a Subscription Facility may be required to make certain representations and warranties to the lender. Any borrower also may be required to indemnify the lender under the Subscription Facility with respect to any inaccuracy in such borrower's (or its subsidiary's) representations and warranties. These arrangements may create contingent liabilities of the Client, for which the general partner of such Client may establish reserves or escrow accounts, and in respect of which each investor whose commitments have been pledged or otherwise collateralized would be required to fund its *pro rata* share (up to its uncalled commitment).



A Client's use of a Subscription Facility may limit the transferability of interests in such Client. If a proposed transfer would negatively affect the ability of a Client to borrow money under the Subscription Facility (such as where the borrowing base or advance rate would be reduced by the lender upon the transfer of an interest in the Client to a new entity), the general partner of such Client may in its sole discretion reject such transfer request in accordance with the Governing Documents of the Client.

Additionally, if the lender under a Subscription Facility fails to fund a request by a Client to borrow money, such 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.

A Client may use a Subscription Facility to purchase investments and for general cash management purposes, including to finance costs incurred by such Client related to the acquisition of an investment (such as deposits due prior to closing of such investment) prior to the Client's receipt of proceeds from the issuance of capital call notices to investors in the Client. To the extent a Client draws amounts from a Subscription Facility prior to issuing capital call notices to investors in the Client, the returns on capital contributions from the investors in the Client in respect of such investment will differ from the returns that might be achieved had such Subscription Facility not been utilized. This difference is because, assuming all other facts were the same in both instances, the beginning date for purposes of computing the returns, including any preferred return, to investors in a Client occurs on the date capital contributions related to such investment are due from investors in that Client (and not the earlier date on which capital is drawn from the Subscription Facility). Moreover, higher returns generated by the use of a Subscription Facility to finance investments may result in the general partner of a Client receiving carried interest (or promote) that are greater than if a Subscription Facility were not used.

The lender may provide a Client varying levels of credit, or no credit at all, for different investors, but all investors would still participate in the benefits and risks associated with the credit facility's use. Generally, a Client expects the subscription facility to provide for a specified maturity date, but the lender may have the ability to demand early repayment in the event of a default. A Client will pay interest on amounts borrowed under the subscription facility and may also pay one-time and recurring fees and/or expenses, including in connection with establishing the subscription facility.

In addition, the inability of the Client to repay borrowings under a Subscription Facility secured by uncalled capital obligations could enable a lender to "step into" the place of the general partner of such Client and (i) issue a capital call for capital contributions from each investor in the Client to the extent of each investor's then unpaid capital obligations in the applicable Client, (ii) exercise remedies in the event of the failure to honor such capital call and (iii) exercise the right to receive and apply capital contributions in respect of such capital call to repay such indebtedness. In addition, in the event that a Client does not have sufficient cash to repay the Subscription Facility debt and certain investors in such Client fail to honor their commitments, investors whose commitments have been pledged or otherwise collateralized may be called upon to fund their entire commitment to repay indebtedness, which may result in a particular investor's contribution exceeding its *pro rata* share of such indebtedness.

Finally, the use of a Subscription Facility in lieu of capital contributions from the investors in a Client may cause the general partner of such Client to call a larger lump sum amount of capital pursuant to one capital call notice rather than calling smaller increments of capital pursuant to multiple capital call notices if a Subscription Facility were not used. If an investor in a Client fails to fund its *pro rata* share of the larger lump sum capital call amount, the other investors in such



Client will be required to fund a greater share of the capital call amount in order to cover the deficiency.

Financing Risks of Acquisition, Redevelopment and Development Activities. The failure to obtain necessary debt and equity financing on favorable terms could have a material adverse effect on a Client's ability to acquire, redevelop and develop investments. Moreover, in the event that the cost of debt or equity financing for new acquisitions, redevelopment and development increases, the increased cost of such financing may result in a lower margin of profit on a Client's investments than initially contemplated. If market conditions deteriorate, the financial condition of a Client may be materially adversely affected.

Lenders May Require a Client to Enter Into Restrictive Covenants Relating to its Operations. In connection with obtaining financing, a bank or other lender could impose restrictions on a Client affecting its ability to incur additional debt and its distribution and operating policies. Loan documents entered into by a Client may contain negative covenants limiting a Client's ability to, among other things, further mortgage a Client's properties, discontinue insurance coverage or replace C-III as the investment manager or investment adviser.

Risk Involved in a Client Borrowing from its General Partner, C-III Parent or a General Partner. The general partner of a Client, C-III Parent or an affiliate may, subject to limitations in any agreements between each of the foregoing and its respective lenders, may make short-term loans to the Client. The same risks apply to such short-term borrowings from the general partner of such Client, C-III Parent or an affiliate as those that apply to borrowings under a Subscription Facility.

In addition, there may be conflicts of interest involved if a Client borrows from its general partner, C-III Parent or an affiliate, particularly because the interest rate that may be charged by its general partner, C-III Parent or an affiliate may be higher than the interest rate charged under the Subscription Facility, and because C-III Parent or an affiliate benefits from collecting the interest.

Risks of Insufficient Cash Flow. A Client will be subject to the risks normally associated with debt financing, including the risk that such Client's cash flows may be insufficient to meet required payments of principal and interest. Alternatively, a Client's cash flows may be sufficient to satisfy the debt service on its debt financing, but such Client may not be able to retire the entire outstanding principal at maturity. Therefore, a Client may be required to refinance at least a portion of its outstanding debt when it matures. There is a risk, however, that a Client may not be able to refinance existing debt or that the terms of any refinancing may not be as favorable as the terms of the existing debt.

Risks of Forfeiture on Default. Certain Client investments have been (and may in the future be) acquired, redeveloped and/or developed to some extent through borrowings, generally through the use of bank credit facilities, mortgage loans on real estate and other borrowings. Accordingly, if a Client cannot satisfy its obligations under any debt instrument, then the unpaid amounts likely will promptly become due and, thus, such Client may be required to forfeit the asset serving as collateral for debt secured by the affected asset(s). Forfeiture of an asset or foreclosure upon an event of default under a debt instrument will likely decrease or eliminate any proceeds from the disposition of such asset, thereby decreasing a Client's return.

Recourse to Assets. All of a Client's assets are available to satisfy all liabilities and other obligations of such Client including certain guarantees that a Client's General Partner may make. If a Client becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to a Client's assets generally and may not be limited to any particular asset, such as the asset giving rise



to the liability. Accordingly, limited partners or members could find their interests in a Client's assets adversely affected by a liability arising out of an investment in which they did not participate because, for example, they were excluded or excused by the Client's General Partner.

Risks of Credit Facilities. Certain Clients have entered into (and a Client may in the future enter into) a credit facility to, among other things, finance the acquisition of its investments. Any such credit facility might contain a number of covenants that, among other things, restrict the ability of the Client and any subsidiary, if applicable, to: (i) acquire or dispose of investments; (ii) incur additional indebtedness; (iii) make cash distributions; (iv) create liens on its investments; (v) make capital calls to the Client's investors; (vi) amend certain Governing Documents of the Client; (vii) engage in certain transactions with affiliates; and (viii) otherwise restrict the activities of the Client (including its ability to acquire additional investments) without the consent of the lenders. In addition, such a credit facility may require the Client to maintain specified financial ratios and comply with tests, including minimum interest coverage ratios, maximum leverage ratios, minimum net worth and minimum equity capitalization requirements. These types of covenants may prevent the Client from taking actions that otherwise would be beneficial for the Client and its investors.

Posting additional collateral to support the Client's credit facilities will reduce its liquidity and limit its ability to leverage the Client's assets. In the event the Client does not have sufficient liquidity to meet such requirements, lending institutions can accelerate the Client's indebtedness, increase interest rates and terminate its ability to borrow. Such a situation likely would result in a rapid deterioration of the Client's financial condition and solvency. Any default by the Client under such credit facility could result in adverse consequences for the Client.

Risks of Leverage. The amount of borrowings and leverage which a Client have outstanding, and/or to which its investments are subject, at any time may be large in relation to its capital and available capital commitments. Although the use of leverage may enhance returns, it will also substantially increase the risk of loss. Because many borrowings may be cross-collateralized, it is likely that the Client could experience concurrent forced sales of multiple financed assets, accompanied by attendant losses upon lender liquidations. Also, the Client may be exposed to cross-default risk if the Client and/or another Client under common management by C-III enter into financing arrangements that contain cross-default provisions which result in a default under the Client's financing arrangement if a related Client defaults. The amount of borrowings and leverage which a Client may have outstanding and/or to which its investments may be subject could result in the complete loss in the value of the Client if the Client is required to satisfy indebtedness in excess of the Client's aggregate assets.

Rising Interest Rates on Borrowings Would Increase Costs. Certain Clients have incurred (and a Client may in the future incur) variable rate indebtedness under credit facilities. In such a case, an increase in interest rates would increase the Client's interest costs, thereby, among other things, decreasing the amount of available funds for distribution to its investors. Increases in interest rates also may cause a reduction in the value of the Client's investments. Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond the control of the Client. Certain Clients have employed (and a Client may in the future employ) a hedging strategy to limit the effects of changes in interest rates on its operations, including engaging in interest rate swaps, caps, floors and other interest rate exchange contracts. There is a cost associated with the use of these types of derivatives to hedge a Client's assets and liabilities. Moreover, there is no perfect hedge for any investment, and a hedge may not perform its intended use of offsetting losses on an investment. With respect to certain potential hedge instruments, a Client is exposed to the



risk that the counterparty with which such Client trades may cease making markets and quoting prices in such instruments, which may render the Client unable to enter into an offsetting transaction with respect to an open position. Consequently, the profitability of a Client may be adversely affected during any period as a result of changing interest rates.

Counterparty Risk. A Client will be subject to the risk of the inability of a lender or swap counterparty to perform with respect to a loan or derivative transaction, whether due to insolvency, bankruptcy or other causes, which could subject such Client to substantial losses. Such counterparty risk is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where C-III has concentrated the Client's transactions with a single counterparty or small group of counterparties.

Valuation Risks

Because C-III does not expect there to be any liquid market, or only a limited liquid market, for certain Client investments, the fair value of such investments likely will not be readily determinable and C-III may not be able to dispose of the investments at fair value. To the extent required, C-III or its affiliates will value a Client's investments as set forth in such Client's Governing Documents, which in certain circumstances include (and may in the future include) fair value, as and when determined by C-III. The valuations used by C-III for a substantial portion of a Client's investments may therefore not reflect the most recently available market information. The types of factors that C-III considers in its determination of the fair value of a Client's investments include discounted cash flows, prevailing market conditions with respect to the location of a property, similar sales (in the case of a real estate equity investment) and other relevant factors. Because such valuations are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, C-III's determination of fair value may differ materially from the actual results obtainable in arm's-length sales of investments to third parties.

Regulatory Changes Affecting CMBS

Recent regulatory changes affecting mortgage-backed securities may create uncertainty in the financial markets and make the issuance or holding of mortgage-backed securities more burdensome. In particular, recently adopted rules implementing the credit risk retention requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**") require the "sponsor" of any transaction involving the issuance of mortgage-backed securities or other asset-backed securities, subject to certain exceptions, to retain, and to refrain from transferring, selling, conveying to a third party, or hedging, 5% of the credit risk of the assets transferred, sold, or conveyed through the issuance of such securities. Similar rules in Europe restrict the ability of certain financial institutions to purchase securities issued by securitization vehicles for which the relevant sponsor or originator has not retained sufficient credit risk. These requirements have in many cases increased the costs to sponsors and originators of structuring new issuances of mortgage-backed securities and may in certain cases also increase the costs to other parties of involvement in such transactions, including potentially any Client that invests in such securities. In addition, the increased costs of doing business may discourage sponsors or originators from issuing such securities in the future, resulting in a less liquid and efficient market for such securities, and potentially limiting the investment choices available to a Client. While certain legacy CMBS and legacy CRE-CDO investments that a Client purchases in the secondary market may not be subject to the new rules, there is no guarantee that additional regulations issued in the future would not negatively affect the value or the liquidity of such investments.



Portfolio Acquisition Risks

Certain Clients have acquired (and may in the future acquire) multiple assets in a single transaction. Portfolio acquisitions are more complex and expensive, however, than single asset acquisitions, and the risk that a multiple asset acquisition will not close may be greater than in a single asset acquisition. A seller may require that a group of assets be purchased as a package, even though one or more of the assets in the portfolio does not satisfy a Client's investment criteria (in such a case, the Client may attempt to make a joint bid with another buyer that may default on its obligations, or the Client may purchase a portfolio of assets with the intent of subsequently disposing of those assets that do not satisfy its criteria).

Multi-Step Transactions

In the event that a Client chooses to effect a transaction by means of a multi-step acquisition, there can be no assurance that all of such required steps can be successfully consummated. This could possibly result in a Client owning a significant real estate investment without having working control over the assets or access to its cash flow to service debt incurred in connection with the acquisition and without being able to dispose of such position at prices equal to or greater than its purchase price.

Investments through Partnerships and Joint Ventures

Instead of purchasing an investment directly, certain Clients have invested (and may in the future invest) as a partner or a co-venturer with respect to an investment. A partnership or joint venture investment may, under certain circumstances, involve risks not otherwise present, including the possibility that a Client's partner or co-venturer might become bankrupt or otherwise have financial difficulties that negatively affect an investment or the ability to consummate an investment, that such partner or co-venturer might at any time have economic or other business interests or goals that are inconsistent with the business interests or goals of a Client or that such partner or co-venturer may be in a position to take action contrary to the instructions or the requests of a Client or contrary to such Client's policies or objectives. Such investments may also have the potential risk of impasse on decisions because neither the partner nor the co-venturer would have certain controls over the partnership or joint venture.

Controlling Person Liability

A Client may effect an investment through the buyout or acquisition of a controlling interest in a real estate company. The acquisition of a company has certain risks over and above the risks associated with the purchase of properties directly. In addition, the exercise of control over an entity can impose additional risks of liability for environmental damage, failure to supervise management, violation of government regulations (including securities laws) or other types of liability in which the limited liability characteristic of business ownership may be ignored. If these liabilities were to arise, a Client might suffer a significant loss.

Real Estate Investment Trusts ("REITs")

Certain Clients invest (and may in the future invest) all or a portion of their assets in a REIT and, accordingly, such Clients may also be subject to certain risks associated with the direct investment in a REIT. A REIT may be affected by changes in the value of its underlying properties and by defaults by borrowers or tenants. Furthermore, a REIT is dependent upon specialized management skills, has limited diversification and is, therefore, subject to risks inherent in financing a limited



number of projects. A REIT depends generally on its ability to generate cash flow to make distributions to its shareholders, and certain REITs have self-liquidation provisions by which mortgages held may be paid in full and distributions of capital returns may be made at any time. In addition, the performance of a REIT may be affected by changes in the tax laws or by its failure to qualify for tax-free pass-through of income.

ERISA

There is the possibility that certain investments which C-III might prefer to make might have to be rejected or deferred, in light of, if applicable, a Client's efforts to comply with the "venture capital operating company" or "real estate operating company" rules. It is also possible that timing of the liquidation of investments might not be optimal, in light of, if applicable, a Client's efforts to comply with the "venture capital operating company" or "real estate operating company" rules.

Forward-Looking Statements

A Client's discussion materials contain forward-looking statements and descriptions of goals and objectives. Although these forward-looking statements and stated goals and objectives are based upon assumptions that are believed to be reasonable, actual results of operations and achievements may differ materially from the statements, goals and objectives set forth in the discussion materials.

UNCONSUMMATED INVESTMENTS

Prior to making an investment, C-III Parent will typically incur expenses in order to conduct appropriate due diligence related to such investment. Such expenses may include (among other things), legal fees, fees of consultants, and employee travel, meals and accommodations. The expenses incurred in connection with an unconsummated investment will be charged to such Client or among such Clients (or Affiliated Investment Entities (defined in *Conflicts of Interest - Other Activities of C-III* below) that were expected, or would have been eligible, to participate in such investment opportunity, in proportion to their expected participation percentages, or if their participating percentages had not yet been determined, the pro rata based on the amount available for investment by each eligible Client or Affiliated Investment Entities (unless another third party is contractually obligated to reimburse C-III Parent or an affiliate for such amounts), which could result in the Client paying a larger percentage of such expenses.

In certain cases, a co-investment vehicle may be formed in connection with an investment opportunity that is not consummated and in such cases the aforementioned expenses will be borne by the Client that was expected to participate in the investment opportunity or shared between such Client and the co-investment vehicle or proposed co-investor that was expected to participate in such investment opportunity, in proportion to their expected participation percentages (unless there is some other agreed-upon arrangement for the reimbursement of such amounts). If a potential co-investment transaction is not consummated and no such co-investment vehicle has been formed, the full amount of any expenses relating to such potential but not consummated co-investment transaction will be borne by the Client or Clients and Affiliated Investment Entities that were expected to participate in such co-investment opportunity, in proportion to their expected participation percentages (unless there is some other agreed-upon arrangement for the reimbursement of such amounts). In the absence of an agreement to the contrary, co-investors will not be allocated any expenses from a transaction (including unconsummated transactions) unless and until they are contractually required to invest in that transaction.

DERIVATIVES RISK

Certain Clients utilize (and may in the future utilize) a variety of derivative instruments primarily for hedging and risk management purposes, although such Clients have used (and may in the future use) derivative instruments for investment purposes. Derivative instruments include futures contracts, forward contracts, options on futures contracts, indexed securities, credit default swaps, interest rate swaps, caps, floors and other swap agreements. Derivatives are subject to a number of risks, such as liquidity risk, interest rate risk, volatility risk, credit risk, management risk and counterparty risk. Derivatives prices can be volatile, market movements are difficult to predict and financing sources and related interest rates are subject to rapid change. One or more markets may move against the derivatives positions held by the Client, thereby causing substantial losses. Many of these instruments are not traded on exchanges but rather through an informal network of banks and dealers who have no obligation to make markets in them and can apply essentially discretionary margin and credit requirements (and, thus, in effect, force the Client's derivative position to be closed-out).

Risk of Derivatives Instruments

Derivative instruments, especially when traded in large amounts, are not liquid in all circumstances. Although both over-the-counter ("OTC") and exchange-traded derivatives markets may experience the lack of liquidity, OTC non-standardized derivative transactions generally are less liquid than exchange-traded instruments. The illiquidity of the derivatives markets may be due to various factors, including congestion, disorderly markets, limitations on deliverable supplies, the participation of speculators, government regulation and intervention, and technical and operational or system failures. The absence of liquidity may make it more difficult for the Client to ascertain a market value for such instruments. In addition, in volatile markets the Client may not be able to close out a position without incurring a loss due to illiquidity. The inability to close derivatives positions also could have an adverse impact on the Client's ability to effectively hedge its portfolio.

When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent a Client from achieving the intended hedging effect or expose such Client to the risk of loss. The imperfect correlation between the value of a derivative and the underlying assets of the Client may result in losses on the derivative transaction that are greater than the gain in the value of the underlying assets in such Client's portfolio.

Trading in derivative instruments can result in large amounts of leverage. Thus, the leverage offered by trading in derivative instruments will magnify the gains and losses experienced by a Client. If the market moves against the Client's position or margin levels are increased, the Client may be called upon to pay substantial additional funds on short notice to maintain its position. If the Client were to fail to make such payments, its position could be liquidated at a loss, and the Client would be liable for any resulting deficit in its account. If the Client invests in a derivative instrument, it could lose more than the principal amount invested.

Derivatives are highly specialized instruments that require investment techniques and risk analyses different from those associated with equities and bonds. The use of a derivative instrument requires an understanding not only of the underlying instrument but also of the derivative itself, without the benefit of observing the performance of the derivative under all possible market conditions. In particular, the use and complexity of derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the Client and the ability to forecast price, interest rate or currency rate movements correctly. Furthermore,



the ability to successfully use derivative instruments depends on the ability of C-III to predict pertinent market movements, which cannot be assured. Thus, the use of derivative instruments for hedging, currency or interest rate management, or other purposes may result in losses greater than if they had not been used.

Derivatives Counterparty Risk

Derivatives also are subject to counterparty risk, which is the risk that the other party in the transaction will not fulfill its contractual payment obligation (whether a clearing organization in the case of cleared instruments or another third party in the case of OTC instruments). Certain participants in the derivatives market, including larger financial institutions, have experienced significant financial hardship and deteriorating credit conditions. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract, a Client may experience significant delays in obtaining any recovery under the derivative contract in bankruptcy or other reorganization proceeding. In such circumstances, a Client may obtain only a limited recovery or may obtain no recovery. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a Client has concentrated transactions with a single counterparty or small group of counterparties. The counterparty risk for exchange-traded or cleared derivatives is generally lower than for uncleared OTC derivatives since generally a clearing organization becomes substituted for each counterparty to a cleared derivative. The clearing organization, in effect, guarantees the parties’ performance under the contract as each party to a trade looks only to the clearing house for performance of financial obligations. However, there can be no assurance that the clearing house, or its members, will satisfy its obligations to the Client. In addition, a failure by a dealer to take delivery of the underlying securities in connection with an OTC derivative transaction (for example, an option) would result in the loss of the premium paid by the Client as well as the loss of the expected benefit of the transaction.

Regulatory Changes

The derivatives market is subject to a changing regulatory environment. In particular, adoption of derivatives legislation by the United States Congress, including the Dodd-Frank Act, and the rules and regulations promulgated pursuant to the Dodd-Frank Act by the CFTC and SEC could have an adverse effect on the Client’s ability to use derivative instruments. The Dodd-Frank Act provides for new regulation of certain portions of the derivatives market, including clearing, margin, reporting, recordkeeping, and registration requirements. These new margin and regulatory requirements will increase the overall costs for OTC derivatives dealers. Dealers can be expected to try to pass those increased costs along, at least partially, to market participants such as Clients in the form of higher fees or less advantageous dealer marks. In addition, the European Union (and some other countries) is implementing similar requirements, which will affect Clients when they enter into derivatives transactions with a counterparty organized or otherwise subject to that country’s derivatives regulations. The overall impact of the Dodd-Frank Act, the corresponding rules and regulations promulgated by the CFTC and SEC, and other non-U.S. regulations on Clients is highly uncertain and it is unclear how the OTC derivatives markets will adapt to this new regulatory regime.

Failure of Futures Commissions Merchants and Clearing Organizations

Certain Client have deposited (and may in the future deposit) funds required to margin open positions with a clearing broker registered as a “futures commission merchant” (“FCM”). The U.S. Commodity Exchange Act (“CEA”) requires an FCM to segregate all funds received from



customers with respect to any orders for the purchase or sale of U.S. domestic futures contracts and cleared swaps from the FCM's proprietary assets. However, an FCM holds all funds and other property received from its customers on a commingled basis in an omnibus account and may freely access and invest any such funds in certain permitted instruments. There is a risk that assets deposited by the Client with any FCM as margin for futures contracts or cleared swaps may, in certain circumstances, be used to satisfy losses of other clients of the Client's clearing broker. In addition, the assets of a Client might not be fully protected in the event of such Client's clearing broker's bankruptcy, as such Client would be limited to recovering only a pro rata share of all available funds segregated on behalf of the clearing broker's combined domestic customer accounts.

The CEA requires a clearing organization approved by the CFTC as a derivatives clearing organization to segregate all funds and other property received from a clearing member's clients in connection with domestic futures, swaps and option contracts from any funds held at the clearing organization to support the clearing member's proprietary trading. A clearing organization may use the assets of a non-defaulting customer held in an omnibus account at the clearing organization to satisfy payment obligations of a defaulting customer of the clearing member to the clearing organization. As a result, in the event of a default of the clearing broker's other clients or the clearing broker's failure to extend its own funds in connection with any such default, the Client would not be able to recover the full amount of assets deposited by the clearing broker on behalf of the Client with the clearing organization.

LIMITED LIQUIDITY OF AN INVESTMENT IN A FUND OR CDO

Interests in a Fund (and, to a certain extent, a CDO) are generally illiquid and cannot be transferred or sold except as permitted in the Client's Governing Documents.

RISK OF MANAGING MULTIPLE CLIENT ACCOUNTS IN THE SAME OR SIMILAR STRATEGY

C-III manages (and may in the future manage) multiple Client accounts in the same or similar strategy at the same time on a *pari passu* basis, notwithstanding that one Client may have different interests (including, among other things, different investment restrictions or limitations) than another Client. A Client's Governing Documents and/or Investment Advisory Agreement will set forth C-III's duties and obligations to each such Client, and may provide that C-III will consider only the interests of one Client (and will not independently consider the interests of other Client(s)) in any analyses or decisions even though the interests of one Client may differ from the interests of the other Client(s). For example, C-III's decision to buy, hold or sell an investment for one Client may be influenced by the opportunity for such Client to (i) leverage its investments, (ii) receive a share of certain special servicing fees or (iii) employ hedging strategies, some or all of which may not apply to other Client(s). As a result, the returns of such other Client(s) may be substantially different than if C-III was making investment decisions solely based on the interests of such Client(s). ICG and C-III Parent have adopted and implemented policies and procedures that, among other things, seek to ensure that investment opportunities are allocated in a manner that is consistent with the relevant Governing Documents and on an otherwise fair and equitable basis (the "**Allocation Policies and Procedures**").

POSSESSION OF NONPUBLIC INFORMATION

C-III, its affiliates, employees and Supervised Persons may from time to time obtain nonpublic information regarding certain issuers or other investment opportunities.



C-III has adopted and implemented policies and procedures for itself, its Clients and its employees and Supervised Persons with respect to purchasing and selling securities while in possession of nonpublic information. Nonetheless, a Client may face, as a result of securities laws prohibition on trading on the basis of material nonpublic information, certain restrictions on its ability to pursue a transaction. In addition, a Client may enter into a transaction involving securities, participations, assignments or other investments in which it may be deemed to be in possession of material nonpublic information.

CHANGES AND PROPOSED CHANGES TO THE REGULATION OF INVESTMENT ADVISERS AND PRIVATE FUNDS

C-III and its affiliates operate in a heavily regulated environment. As an SEC-registered investment adviser, which does not imply a certain level of skill or training, C-III is subject to the requirements of the Advisers Act and the rules thereunder. In 2022 and 2023, the SEC proposed numerous amendments to the Advisers Act rules applicable to SEC-registered investment advisers. In addition to the significant proposals described in more detail below, the SEC also proposed amendments to:

- Form PF to enhance certain private fund reporting;
- Create a specific framework for due diligence and recordkeeping requirements applicable to the oversight of service providers;
- Require adoption of an incident response program under Regulation S-P to safeguard customer records and information and to notify affected individuals whose sensitive information has been accessed or used without authorization; and
- Require enhanced cybersecurity safeguards, including (i) the adoption of certain policies and procedures, (ii) reporting significant cybersecurity incidents to the SEC, (iii) the disclosure of cybersecurity risks and incidents to clients and prospective clients, and (iv) the maintenance of related records.

SEC's Proposed Changes to Private Fund Regulation

On February 9, 2022, the SEC proposed a package of new rules and amendments that would significantly affect all private fund advisers, which would include C-III. This package covers a range of issues including (i) new prohibitions on certain conflicted activities (including the charging of certain fees and expenses such as accelerated monitoring fees and the non pro rata allocation of broken deal expenses), (ii) new prohibitions on preferential treatment relating to redemptions and fund and investment information and increased transparency on other types of preferential treatment, (iii) new quarterly statements to investors on performance, fees and expenses, and adviser and related person compensation, (iv) enhanced annual audit requirements, and (v) new requirements relating to adviser-led secondary transactions (including a requirement to obtain a fairness opinion). If adopted, this package would prohibit activities that had previously been addressed through disclosure, while significantly expanding the information being provided to both private fund investors as well as the SEC with respect to its examination and enforcement activities.

SEC's Proposed Changes to ESG Disclosure Rules

On May 25, 2022, the SEC proposed a package of new rules to address and enhance investor disclosure practices, and related policies and procedures, regarding Environmental, Social and Governance (“ESG”) investment considerations and objectives (the “**Proposed ESG Disclosure**



Rules”) by investment advisers to registered investment companies and private funds and other clients. The Proposed ESG Disclosure Rules are intended to provide investors with clear and comparable information about how advisers consider ESG factors. Among other things, registered investment advisers to private funds (which would include C-III) would be required to make ESG disclosures in the brochure depending on the category of ESG investment strategies and potentially engage in extensive measuring and disclosure regarding greenhouse gas impacts associated with their portfolio investments, including the carbon footprint and the weighted average carbon intensity of portfolio investments.

SEC’s Proposed Changes to the Custody Rule

On February 15, 2023, the SEC proposed a significant transformation of Rule 206(4)-2 (the “**Custody Rule**”) under the Advisers Act into a new Rule 223-1 (the “**Safeguarding Rule**”) applicable to SEC-registered investment advisers (which would include C-III). The proposed Safeguarding Rule would, among other things:

- Broaden the Custody Rule to cover all Client assets (and not just funds and securities), including, among other things, digital assets and real estate interests;
- Expand the definition of “custody” to include discretionary investment authority for assets regardless of whether or not they are processed or settled on a delivery versus payment (“**DVP**”) basis (and will subject separately managed accounts with non-DVP assets (*e.g.*, loans and privately offered securities) to surprise examinations);
- Overhaul the requirements relating to qualified custodians, including that C-III enter into written agreements with the custodians with an extensive list of required provisions, particularly that the custodian has “possession or control” of Client assets; and
- Narrow the availability of the exception from the qualified custodian requirement for uncertificated privately-offered securities and physical assets and impose new restrictions where the exception still applies.

If adopted, the Safeguarding Rule would represent another radical change in the regulation of custodial practices under the Advisers Act and, like the existing Custody Rule, would likely present a number of significant and burdensome compliance challenges for C-III.

BANKING RISKS

Inflation, and resulting rapid increases in interest rates, have led to a decline in the trading values of previously issued government securities with interest rates below current market interest rates. Certain financial institutions holding significant positions in these government securities have accumulated substantial unrealized losses, which has impaired or could impair the ability of such institutions to meet customer and other liquidity needs.

The U.S. Federal Deposit Insurance Corporation (the “**FDIC**”), the U.S. Department of Treasury (the “**Treasury**”) and/or the Board of Governors of the Federal Reserve System (“**Federal Reserve**”) have taken extraordinary measures with respect to Silicon Valley Bank and Signature Bank. Despite these efforts, concerns about the overall financial health and stability of the U.S. banking sector remains high, with many bank stocks trading at significantly lower prices than they did before the crisis began. Further governmental intervention may be required to stabilize the U.S. banking sector in the future if additional U.S. banks, particularly larger banks, appear to be at a risk

of failure; it is unclear, however, whether the government would intervene in such circumstances and, if it did, whether such governmental intervention would be sufficient to forestall a full-blown banking crisis. It is also possible that further government intervention could result in other unforeseen adverse impacts on the economy over the short or long term. Although in recent years governmental intervention has resulted in additional protections for depositors, there can be no assurance that governmental intervention will be successful or avoid the risk of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

At the same time, global markets are being adversely impacted by the financial uncertainties surrounding Credit Suisse, which uncertainties have resulted in UBS agreeing to acquire Credit Suisse.

Even if, ultimately, market concerns about the financial health and stability of the U.S. and global banking sectors are successfully addressed, many observers believe that the risk of a recession occurring in the U.S., and perhaps in other major global economies, has increased because of the recent events in the banking sector. Relatedly, these events may prompt the Federal Reserve and other central banking authorities to slow down the pace of future increases in benchmark interest rates, which could make it more difficult for the U.S. and other governments to mitigate inflationary pressures in the economy and contribute to a period of higher inflation.

The events described above (“**Distress Events**”) present several potential risks including to C-III, their Clients, investors in the Clients, and the assets held by such Clients. Certain of these risks are described in more detail below but other risks may arise in the future as Distress Events unfold. In evaluating such risks in the context of a rapidly evolving situation like this one, one should assume that circumstances may change in ways that are not necessarily predictable, and that conditions may deteriorate. Any of the risks described below, or other risks not described, if realized, could have a material adverse effect on the liquidity, current and/or projected business operations, financial condition and/or performance results, as applicable, for any of the Adviser or its related parties, a Fund and/or the portfolio investments.

Banking Sector Risks on Fund Operations and Performance

It is likely that, if the banking sector situation continues to deteriorate, the U.S. and/or other global economies would be adversely affected, including the possibility of recession, the duration and severity of which are difficult to predict. Among other things, a weakening in the macroeconomic situation could make it more difficult for the Fund[s] to identify and source investments; finance and consummate investments which are sourced or refinance existing investments; and dispose or otherwise monetize investments at attractive valuations. In addition, it is possible that the incidence of Fund investor capital call defaults may increase. The cumulative effect of the foregoing could adversely impact the value of Fund holdings and overall Fund performance.

Specific Risks Associated with Banking Relationships

RF II and RF III (and certain of their underlying real estate investments (including joint ventures and properties) have accounts with Signature Bank (now Flagstar Bank, N.A. (“**Flagstar**”))). As of March 29, 2023, (a) RF II’s portion of the cash in accounts with Flagstar represent approximately 0.01% of RF II’s total assets, with no amounts in excess of the FDIC-insured amount, and (b) RF III has no cash in any account with Flagstar. Except as provided below under “*Risk of Access to Fund Subscription Lines*,” none of RF II or RF III are borrowers under any credit facility with, or have any other banking, custodial or other commercial relationships with, Signature Bank or any other bank or financial institution now in receivership (although RF II partially owns, indirectly,



eleven (11) properties that have mortgage loans with Signature Bank (now Signature Bridge Bank, N.A. (“**Signature Bridge Bank**”)). None of C-III’s other Clients have any accounts at, are borrowers under any credit facility with, or have any other banking, custodial or other commercial relationships with, Flagstar, Signature Bridge Bank or any other bank or financial institution now in receivership.

None of C-III Parent, ICG, C-III SAM or the General Partners have any accounts at, are borrowers under any credit facility with, or have any other banking, custodial or other commercial relationships with, Flagstar, Signature Bridge Bank or any other bank or financial institution now in receivership.

There can be no assurance, however, that any or all of C-III, C-III Parent, ICG, the General Partners, any of their related parties or the Clients (or their underlying investments, including any joint venture or properties) will not have a business relationship with another bank or other financial institution that, in the future, experiences a Distress Event or is placed in receivership.

Custody Risk

If a bank has custody of Client assets and the bank goes into receivership, the receivership could adversely impact the safekeeping of those assets and the ability to retrieve and secure such assets, and the Client may experience delayed access to deposits or other financial assets or the uninsured loss of deposits or other financial assets. Although C-III seeks to do business with custodians that it believes are creditworthy and capable of fulfilling their respective obligations to its Clients, C-III is under no obligation to use a minimum number of custodians with respect to its Clients, or to maintain account balances at or below the relevant insured amounts.

Risk of Access to Fund Subscription Lines

RF III currently has a subscription facility with Signature Bridge Bank, although RF III has no ability to make any additional borrowings under this subscription facility.

C-III and/or General Partner Risk; Service Provider Risk

If C-III, C-III Parent, ICG, a General Partner or related party has a banking relationship with the bank that is subject to a Distress Event, C-III’s ability to manage or operate a Client consistent with its past business practices could be negatively impacted, potentially resulting in a disruption in operations.

In addition, service providers with whom C-III or a Client conduct business may have relationships with banks or financial institutions that experience a Distress Event or go into receivership, which could negatively impact such service providers and, therefore, the services that C-III or the Clients receive from such service providers.

GENERAL MARKET RISKS

A Client’s strategy may be based, in part, upon the premise that real estate and real estate-related businesses and assets will be available for purchase by such Client at prices that C-III considers favorable. Further, a Client’s strategy may rely, in part, upon local market recoveries continuing during the term of such Client. No assurance can be given that real estate and real estate-related businesses and assets can be acquired at favorable prices or that the market for such assets will

recover or continue to improve, as the case may be, since this will depend, in part, upon events and factors outside the control of C-III.

General Economic, Political and Regulatory Conditions

General economic, political or regulatory conditions may affect a Client's activities. Interest rates, general levels of economic activity, the price of securities, availability and terms of credit, changes in laws, regulatory interventions and changes in regulations, changes in fiscal policies, trade barriers, commodity prices, currency exchange rates and controls, national and international political circumstances and participation by other investors in the financial markets may affect the value and number of investments made by a Client or considered by a Client for prospective investments. A Client's investments can be expected to be sensitive to the performance of the overall economy. A negative impact on economic fundamentals and consumer confidence would likely increase market volatility and reduce liquidity, both of which could have a material adverse effect on the performance of a Client's investments. No assurances can be given as to the effect of these economic, political or regulatory conditions on a Client's investment objectives.

The recent change in U.S. presidential administration has increased uncertainty regarding future political, legislative or administrative changes that may affect C-III, a Client and its investments, and the range and potential implications of possible outcomes are difficult to predict. Such uncertainty may have an adverse effect on, or cause volatility in, the U.S. or global economies and currency and financial markets in the short or long term, which in turn could have a material adverse effect on the performance of a Client's investments. In addition, such changes could impact the regulations applicable to C-III, a Client or its investments. While certain of such changes could be beneficial, other changes may more beneficially affect competitors relative to a Client, or could adversely affect C-III, a Client or its investments.

Competition

The activity of identifying, completing and realizing attractive real estate and real estate-related investments is highly competitive and involves a high degree of uncertainty. The acquisition of investments may be based on competitive bidding. Moreover, other competitors for the acquisition, development and redevelopment of properties, including REITs, insurance companies, pension funds, partnerships, investment companies and real estate investment funds, may have greater economic and personnel resources than those of C-III or a Client or better relationships with sellers of the investments, lenders and others, thereby putting such Client at a competitive disadvantage. These entities, because of their resources, may also generally be able to accept more risk than C-III or a Client prudently can manage. This competition may generally reduce the number of appropriate prospective investments offered to a Client and increase the prices for real estate and real estate-related investments of the type such Client would likely pursue. In addition, no assurance can be given that a Client will be able to make investments on terms, including financing, favorable to such Client. As a result, a Client may not be able, or have the opportunity, to make appropriate investments on favorable terms, which could have an adverse effect on such Client's results of operations and hinder such Client's returns. There can be no assurance that a Client will be able to locate, complete and exit investments which satisfy such Client's rate of return objectives, or realize upon their values, or that such Client will be able to invest fully its committed capital.

U.S. Financial Systems

Events over the course of the past years in the subprime mortgage market and other areas of the fixed income markets have caused significant dislocations, illiquidity and volatility in the

mezzanine debt, structured credit and high-yield bond markets, as well as in the wider global financial markets. The scale of the credit freeze starting in mid-2008 shook investor, consumer and corporate confidence to the point that macroeconomic fundamentals turned significantly downward. This downturn resulted in high-profile bankruptcies, government seizures and forced mergers/acquisitions transactions, among other broad effects of fundamental deterioration. In addition, the turmoil in the financial system had an adverse impact on the availability of credit to businesses generally and has led to an overall weakening of global economies. Any such future events in the marketplace may materially restrict the ability of a Client to sell or liquidate investments at favorable times or for favorable prices. In particular, a Client's investment strategy with respect to its investments may rely in part on the stabilization or improvement of the conditions in the global economy generally and credit markets specifically. In the event of another market deterioration, the value of a Client's investments may be significantly reduced.

Also, C-III's ability to generate attractive investment returns for its Clients and investors in its Clients may be materially and adversely affected to the extent such Client intends, but is unable, to obtain favorable financing terms for its investments. Because certain Clients invest (and may in the future invest) in subordinated debt instruments, they are at greater risk of losing the entire value of such investments than if it invested in senior debt instruments.

Brexit

On June 23, 2016, the United Kingdom (the "UK") voted to leave the European Union (the "EU"). The UK left the European Union on January 31, 2020. The terms of the UK's future relationship with the EU and the remaining member states remains unclear. A separate agreement on the future relationship between the UK and the EU must now be negotiated following the UK's exit from the EU. It remains possible that at the expiry of the implementation period no such agreement will have been agreed between the EU and the UK. In that event, it is likely that a high degree of political, legal, economic and other uncertainty will result.

The UK's exit from the EU is likely to significantly affect the political, fiscal, legal and regulatory landscape in the UK and could have a material impact on its economy and the future growth of its various industries. Given the size and importance of the UK's economy, uncertainty or unpredictability about its legal, political and economic relationship with Europe may be a source of instability, create significant currency fluctuations, and/or otherwise adversely affect international markets, arrangements for trading or other existing cross-border co-operation arrangements (whether economic, tax, fiscal, legal, regulatory or otherwise) for the foreseeable future, including during negotiations and beyond the date of the UK's withdrawal from the EU. The outcome of the UK's exit from the EU could also have a destabilizing effect if other member states were to consider the option of leaving the EU. Such market fluctuations and uncertainties may have adverse effects on financial markets and businesses in the U.S., including the New York City real estate market and economy. For these reasons, the decision of the UK to leave the EU could have adverse consequences on a Client, the performance of its investments, and its ability to fulfil its investment objectives.

Market and Credit Risks; Geopolitical Tension

Client investments are subject to market and credit risks that could diminish their value and these risks could be greater during periods of extreme volatility or disruption in the financial and credit markets. Periods of macroeconomic weakness or recession, heightened volatility or disruption in the financial and credit markets could increase these risks, potentially resulting in other-than-temporary impairment of assets in Client investment portfolios. The impact of geopolitical tension,

such as a deterioration in the bilateral relationship between the U.S. and China or further escalation in conflict between Russia and Ukraine, including any resulting sanctions, export controls or other restrictive actions that may be imposed by the U.S. and/or other countries against governmental or other entities in, for example, Russia, also could lead to disruption, instability and volatility in the global markets, which may have an impact on Client investments across negatively impacted sectors or geographies.

Communicable Diseases

Historically, widespread outbreaks of communicable diseases have affected investment sentiment and caused sporadic volatility in global markets. Such impacts will be unevenly distributed across sectors, businesses and national economies. The 2019-20 outbreak of coronavirus disease 2019 (COVID-19) began in Wuhan, China, in December 2019. On January 30, 2020, the World Health Organization declared the outbreak of COVID-19 to be a Public Health Emergency of International Concern. Cases of COVID-19 have been recorded in countries worldwide. Although it is not possible to predict fully the consequences of COVID-19, the pandemic has had an adverse impact on global, nation and local economies. Disruptions to commercial activity from COVID-19 or any other public health crisis, pandemic, epidemic or outbreak of a contagious disease relating to the imposition of quarantines or travel restrictions (or more generally, a failure of containment efforts) may adversely impact the ability of tenants of the investments to make ongoing rental payments with respect to the investments. Further, prospective tenants may delay their leasing decisions or choose to lease less space at a particular investment. In addition, the imposition of travel restrictions may impact the ability of C-III to travel in connection with potential or existing investments or to C-III's offices, which could negatively impact the ability of C-III to effectively identify, monitor, operate and dispose of the investments. A Client's and/or C-III's ability to timely execute on any planned construction, development or repositioning of any of the investments may also be adversely affected.

Such negative changes in the global financial markets, or the economies in which a Client's investments are located, may therefore in turn have a material adverse effect on the business of such Client or its investments. The impact of a public health crisis such as COVID-19 (or any future pandemic, epidemic or outbreak of a contagious disease) is difficult to predict, which presents material uncertainty and risk with respect to a Client's performance.

CYBERSECURITY RISK

C-III, the Clients' service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the investors in the Clients, despite the efforts of C-III and such service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to investors in the Client. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems of C-III, the Clients' service providers, counterparties or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of C-III's systems to disclose sensitive information in order to gain access to C-III's data or that of Clients or the Clients' investors. A successful penetration or circumvention of the security of C-III's systems could result in the loss or theft of a Client's or an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system



repairs. Such incidents could cause C-III, Clients, the investors of the Clients or their service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss.

C-III maintains a cyber liability insurance policy that covers, among other things, media content, security and privacy liability, regulatory action liability, network interruption, event management and cyber extortion. However, the coverage may not be adequate to compensate for all losses that may occur and no assurance can be given that such insurance will continue to be available on acceptable terms or will be available in sufficient amounts to cover one or more claims, or that C-III's insurer will not deny or attempt to deny coverage as to any future claim.

CONFLICTS OF INTEREST

Broad and Wide-Ranging Activities

C-III and its affiliates engage in a broad spectrum of activities, including, but not limited to, financial advisory services, underwriting, financing, capital markets, special and primary commercial loan servicing, sponsoring and managing private investment funds and separate accounts, managing and administering issuers of CRE-CDOs, real estate services and other activities. In the ordinary course of its business, C-III engages in activities where its interests or the interests of its affiliates may conflict with the interests of its Clients. Throughout this Brochure, disclosure is made regarding conflicts relating to, among other things, the activities, ownership and relationship of C-III and/or its affiliates.

Affiliate (Principal or Cross) Transactions

Certain Clients have acquired investments from, and/or sold investments to, C-III, its affiliates or Clients in accordance with the Advisers Act and such Clients' Governing Documents, and a Client may do so in the future. See Item 11 below for more information regarding such transactions.

Conflicts Affecting the Acquisition of Investments

Affiliates of C-III are engaged by, and perform a range of services for, many of the CMBS trusts and CRE-CDO issuers that issue the CMBS and CRE-CDO tranches, respectively, which have been (and may in the future be) targeted by a Client. Insofar as C-III serves as the collateral manager of issuers of CRE-CDOs in which a Client is invested, C-III may have contractual or other obligations that conflict with the interests of such Client.

One or more Clients may seek opportunities to invest in the unrated or certain non-rated tranches of securities (each, a B-Piece) issued by CMBS trusts. Because the B-Piece represents the "first loss position" or riskiest portion of the trust, the buyers of the senior CMBS tranches typically depend on the B-Piece buyer to conduct due diligence on the underlying loans expected to be contributed to the CMBS trust in the securitization. In such cases, C-III, as the investment adviser to the Client, will analyze the loans and negotiate with the issuer to exclude certain loans determined to be too risky.

C-III and its affiliates also receive (and may in the future receive) indirect benefits from certain investments made by a Client. The Governing Documents of legacy CMBS trusts and CRE-CDO issuers grant to the controlling class certificateholder (typically an affiliate of C-III) certain Purchase Rights. Furthermore, C-III, in its capacity as the collateral manager for many CRE-CDO issuers in which a Client invests or may seek to invest, is paid certain fees for collateral manager



services provided to such CRE-CDO issuer. The fact that C-III or their affiliates are engaged by certain CRE-CDO issuers in which a Client is invested (or may in the future invest) presents a conflict of interest relating to investment decisions undertaken by C-III on behalf of a Client.

A Client may have the right to utilize C-III's Purchase Rights. As the investment adviser to such Client, C-III would evaluate any such opportunity and may decline such opportunity if it determines that the risk-adjusted profile of such opportunity is not consistent with the Client's investment objectives and criteria.

Other Activities of C-III

Except as limited by a Client's Governing Documents, C-III and its directors, members, partners, shareholders, officers, employees, agents and affiliates (collectively, the "**Affiliated Parties**") are conducting and may conduct any other business, whether or not such business is in competition with a Client. Without limiting the generality of the foregoing, the Affiliated Parties are, or may in the future act as, investment adviser or investment manager for others, are or may in the future manage funds, separate accounts or capital for others and are or may in the future serve as an officer, director, consultant, partner or stockholder of one or more investment funds, partnerships, securities firms or advisory firms (such other entities, "**Affiliated Investment Entities**"). Affiliated Investment Entities have, or may in the future have, investment objectives or implement investment strategies similar to (or different from) those of a Client and/or make the same type of investments as a Client. There is no limit to the number of Affiliated Investment Entities that may exist now or in the future.

In addition, the Affiliated Parties, through other investments, including Affiliated Investment Entities, own, bid for or sell interests in the securities or own, bid for or sell interests senior to or subordinate to securities in which a Client invests (or may do so in the future), as well as interests in investments in which such Client does not invest, and in some cases the Affiliated Parties are or may in the future engage in transactions directly with a Client, provided that such Client will not acquire assets from or sell assets to C-III, its affiliates or Clients, except in accordance with such Client's Governing Documents and the Advisers Act. Any bid by an Affiliated Party on investments held by a Client may have an adverse impact on the price of such investments. The Affiliated Parties also have (or may in the future have) investments in their own names and in certain of the entities managed by the Affiliated Parties. The Affiliated Parties give advice or take action with respect to such other Affiliated Investment Entities (or may do so in the future) that differs from the advice given with respect to a Client. Furthermore, C-III may determine, in its sole and absolute discretion, not to pursue certain transactions or potential investments on behalf of a Client because of its other businesses or relationships between one or more Affiliated Parties and Affiliated Investment Entities.

Allocation of Investment Opportunities to C-III

Certain investment opportunities with limited availability may be appropriate for one or more Clients, as well as C-III Parent for one or more of its proprietary investment accounts or "balance sheet" account. The Chief Investment Officer or Portfolio Manager of the Client sourcing the investment opportunity, or the Chief Investment Officer of C-III Parent, determines whether a particular opportunity with limited availability is appropriate for one or more Clients, as well as C-III Parent. Such determination is based on, among other criteria, each Client's or C-III Parent's, as applicable, investment objective(s) and strategy(ies), investment restrictions and guidelines, cash position, liquidity requirements, applicable tax and regulatory considerations and exclusivity or priority to particular types of investments granted to one or more Clients and entered into during



certain time periods, if any. Neither account performance nor fee structure are considered in determining the allocation of investment opportunities.

C-III Parent always gives priority to a Client over C-III Parent with respect to any such investment opportunity, as set forth in the Allocation Policies and Procedures. C-III Parent is not permitted to participate in such investment opportunity unless (1) each applicable Client's investment needs related to such investment opportunity have been fully satisfied and (2) any required consent has been obtained in accordance with the Allocation Policies and Procedures and the applicable Client's Governing Documents.

In the event that C-III Parent acquires all or a portion of an investment that may be an appropriate investment opportunity for both one or more Clients and C-III Parent, a memorandum will be prepared explaining the basis for the determination not to allocate all of the investment to the applicable Client(s). The memorandum will be maintained as a record of each applicable Client and indicate (1) whether C-III Parent or any of its affiliates may be expected to benefit financially from the investment in a manner different from the applicable Client(s) and (2) the amount of such financial benefits, if known at the time of the investment.

Allocation of Investment Opportunities to Clients

C-III and its affiliates serve (and may in the future serve) as a sponsor of and/or an investment adviser to Affiliated Investment Entities (including, without limitation, one or more publicly registered (whether listed or unlisted) REITs), some or all of which have (or may in the future have) investment objectives or guidelines that overlap, or are in competition, with those of a Client. It is the policy of C-III and its affiliates (including IIM) to fairly and equitably allocate investment opportunities to its Clients in accordance with the Allocation Policies and Procedures. C-III does not allocate investment opportunities on the basis of the amount of compensation or profits that are likely to be realized for C-III and/or its Supervised Persons. To address situations when the investment objectives or guidelines of multiple Clients overlap, ICG and C-III Parent have established an allocation committee (the "**Allocation Committee**") that will determine how to allocate investment opportunities to a Client or between or among multiple Clients, as applicable. The members of the Allocation Committee may serve on the investment committee and/or acquisitions team for Affiliated Investment Entities and for C-III's balance sheet, some of which may have investment objectives substantially similar to or in competition with those of a Client.

The allocation of investment opportunities to Clients is subject to the allocation provisions that are set forth in the Governing Documents of the applicable Client (each, an "**Investment Allocation Requirement**"). Such Investment Allocation Requirements include, but are not limited to, provisions that relate to exclusivity or priority to particular types of investments entered into during certain time periods, and specified exceptions thereto; permit certain types or categories of investments to be made by a Client, notwithstanding a conflicting Investment Allocation Requirement; limit investments to be made by a Client to particular geographies; limit the concentration of a Client in one or more particular categories of investments; specify expected distribution rates, anticipated cashflows, expected stability or volatility of cash flows and other features of the applicable investment opportunity and its impact on portfolio diversification; and concern allocations that could result in de minimis investments (including, without limitation, maintaining REIT qualifications). If and to the extent that any Investment Allocation Requirement requires that an investment opportunity to be allocated to a specific Client, such investment will generally be so allocated. To the extent the Governing Documents either do not include Investment Allocation Requirements or allow C-III discretion in making allocation decisions between or



among Clients, C-III generally will allocate such investments in accordance with the Allocation Policies and Procedures then in effect.

To the extent any Other C-III Account has an investment objective or guideline that overlaps with those of a Client, in whole or in part, the Allocation Committee will allocate any investment that falls within such common investment objectives or guidelines to the Client or such Affiliated Investment Entities (or between or among the Client and such Affiliated Investment) in accordance with the Allocation Policies and Procedures then in effect. As a result, in certain circumstances, a Client may receive a smaller or no allocation in, or inferior terms regarding, particular investments than it would otherwise have received if the C-III or its affiliates did not advise, and the Allocation Committee did not allocate opportunities to, Affiliated Investment Entities. In addition, a Client may not be afforded any opportunity to make a particular investment because the Allocation Committee may offer such opportunity to an Other C-III Account, although this would only apply to Investment Allocation Requirements if certain consents are obtained.

Pursuant to the Allocation Policies and Procedures, the Allocation Committee will allocate each investment opportunity to, between or among one or more clients on a basis that is fair and equitable. The Allocation Committee will first consider, among other criteria, each Client's investment objectives and strategies, investment restrictions and guidelines, cash position, liquidity, applicable tax and regulatory considerations and exclusivity or priority to particular types of investments entered into during certain time periods granted to each Client, if any. Account performance or fee structures will not be considered in determining the allocation of investment opportunities.

If, after considering the criteria described above, the Allocation Committee determines that an investment opportunity is equally appropriate for more than one Client, then the Allocation Committee will allocate such investment on a basis that the Allocation Committee believes to be fair and equitable taking into account all factors that the Allocation Committee deems relevant, which may include the pro rata allocation of limited opportunities between or among Affiliated Investment Entities or determining to allocate those investments on an alternating basis.

Moreover, C-III may, from time to time, consider and reject an investment opportunity on behalf of one Client and C-III or its affiliates may subsequently determine to have another Client, or a client of IIM, to make such investment. A conflict of interest arises because one Client or the IIM client will, in such circumstances, benefit from the initial evaluation, investigation and due diligence undertaken by C-III on behalf of the original Client considering the investment. In certain circumstances, the benefitting client or clients may not be required to reimburse the original Client for expenses incurred in connection with underwriting such investment.

Conflicts of Interest Involving a Client's and C-III's Investment Committees, Acquisitions Team and/or the Allocation Committee

A Client's and/or C-III's Investment Committee, C-III's acquisitions team and/or the Allocation Committee may be comprised of the same persons (or largely the same persons) who may also serve on the Investment Committee and/or acquisitions team for Affiliated Investment Entities and for C-III's balance sheet, each of which may have investment objectives similar to those of the Client.

Members of a Client's and/or C-III's Investment Committee, C-III's acquisitions team and/or C-III's Allocation Committee may have (i) direct investments in the Client, or be entitled to receive a portion of the "carried interest" held by the Client's general partner or have other direct or

indirect financial incentives with respect to the performance of the Client, (ii) direct investments in Affiliated Investment Entities (or be entitled to a “carried interest” in such vehicles held by the general partners, managing members, or other managing entities thereof) or other direct or indirect financial incentive with respect to the performance of such Affiliated Investment Entities, (iii) direct or indirect investments in C-III Parent (including incentive equity units), or (iv) other direct or indirect financial incentives with respect to the performance of C-III Parent, or investment vehicles that have invested in C-III Parent. Moreover, members of a Client’s and/or C-III’s Investment Committees, acquisition team or C-III’s Allocation Committee receive compensation (including discretionary bonuses and other incentive compensation) from C-III Parent that may be based, among other things, on the profitability of C-III Parent and its affiliates and the Client. Accordingly, members of such Investment Committees, acquisitions teams and/or Allocation Committee have conflicts of interest with respect to the acquisition, disposition, investment, management and/or allocation decisions for the Client, although the Client, C-III and C-III Parent maintain investment, allocation, conflicts of interest and other policies and procedures intended to mitigate such conflicts.

Co-Investment Opportunities; Lack of Exclusivity

In addition, from time to time, and to the extent permitted under Client Governing Documents, C-III may raise one or more co-investment funds, establish one or more co-investment vehicles or engage in one or more joint venture arrangements by which an investor in a Client, a Strategic Investor (as defined below), or a third party may participate in an investment opportunity alongside such Client. C-III, in its discretion, may offer a co-investment opportunity to, or engage in transactions, including joint venture arrangements, with, one or more (but not all) Clients, investors in pooled investment vehicle Clients or Strategic Investors to which it is not required to make such offer or engage in such transaction, based on various factors, including, among other things: the size of the offeree’s investments in C-III or with affiliates of C-III; the size of the offeree’s proposed investment in the transaction; the nature of the offeree; the expertise of the offeree; the ability of the offeree to invest quickly; the expected amount of negotiations required in connection with a potential co-investor’s commitment; commercial considerations for the applicable investment; the determination of the general partner of the Client as to the appropriateness of offering a co-investment opportunity; and other benefits that the offeree of the co-investment opportunity or joint venture may afford C-III, its affiliates or Clients.

Subject to any requirements set forth in a Client’s Governing Documents (including any Side Letter) (“**Co-Investment Requirements**”), in general, (i) no investor in a Client has a right to participate in any co-investment opportunity, (ii) decisions regarding whether and to whom to offer co-investment opportunities are made in the sole discretion of C-III or its related persons or other participants in the applicable transactions, such as co-sponsors, (iii) co-investment opportunities may, and typically will, be offered to some and not other investors in the Clients, in the sole discretion of C-III or its related persons, (iv) certain persons other than investors in the Clients may be offered co-investment opportunities, in the sole discretion of C-III or its related persons, and (v) co-investors may purchase their interests in an investment at the same time as the Client or may purchase their interests from the applicable Client after such Client has consummated its investment (also known as a post-closing sell down or transfer). Additionally, non-binding acknowledgements of interest in co-investment opportunities are not Co-Investment Requirements and do not require C-III to notify the recipients of such acknowledgements if there is a co-investment opportunity. Certain Side Letters require C-III or its affiliates to offer co-investment opportunities to certain investors in Clients or Strategic Investors.



C-III's exercise of its discretion in allocating investment opportunities with respect to a particular investment among the persons discussed above, including the Clients, potential co-investors and third parties, and in the manner discussed above may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to other such persons. While C-III will determine how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant, but in its sole discretion, there can be no assurance that a Client's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable as they would be if the conflicts of interest to which C-III may be subject, discussed herein, did not exist. Clients have received (and may in the future receive) a smaller or no allocation or inferior terms in particular investments than they would otherwise have received if their respective general partner, C-III or their affiliates did not advise, and allocate opportunities to, Affiliated Investment Entities or co-investors. A Client may not be afforded any opportunity to make a particular investment because C-III and/or its affiliates may offer such opportunity to an Other C-III Account.

In the event C-III determines to offer an investment opportunity to a potential co-investor, there can be no assurance that C-III will be successful in offering a co-investment opportunity to a potential co-investor, in whole or in part, that the closing of such co-investment will be consummated in a timely manner, that the co-investment will take place on the terms and conditions that will be preferable for the Client or that expenses incurred by the Client with respect to the syndication of the co-investment will not be substantial. In the event that C-III is not successful in offering a co-investment opportunity to a potential co-investor, in whole or in part, the Client may consequently hold a greater concentration and have exposure in the related investment opportunity than was initially intended, which could make the Client more susceptible to fluctuations in value resulting from adverse economic and/or business conditions with respect thereto.

In addition, to the extent C-III has discretion over a secondary transfer of interests in a Fund pursuant to such Fund's Governing Documents, or is asked to identify potential purchasers in a secondary transfer, C-III will do so in its sole discretion, generally taking into account the following factors: C-III's evaluation of the financial resources of the potential purchaser, including its ability to meet capital contribution obligations; C-III's perception of its past experiences and relationships with the potential purchaser, including its belief that the potential purchaser would help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits to current or future Clients and/or C-III; whether the potential purchaser would subject C-III, the applicable Fund, or their affiliates to legal, regulatory, reporting, public relations, media or other burdens; the expected amount of negotiations required in connection with a potential purchaser's investment; requirements in such Fund's Governing Documents; and such other facts as it deems appropriate under the circumstances in exercising such discretion. A purchaser's potential investment into another Fund (including any commitment to a future fund) may be considered, but will not be the sole determining factor considered by C-III in determining whether to grant or withhold its consent to a secondary transfer of interests in a Fund.

Additional Compensation to C-III and its Affiliates

C-III and its affiliates are engaged in a number of real estate and other services businesses. As discussed in Item 5 above, Clients engage (and may in the future engage) C-III affiliates for Property-Related Services (as defined in Item 5 above). C-III uses an affiliate to provide Property-Related Services, rather than a third party, if it determines that such affiliate has the requisite expertise to provide such services and that the use of an affiliate to provide such Property-Related Services, rather than an independent third party, is beneficial to its Clients. No such affiliated service provider will bear any responsibility for selecting the investments or for their performance



solely as a result of providing such services to a Client. To the extent C-III or any of its affiliates perform any Property-Related Services and are Property-Related Service Fees are included in the operating expenses of a Fund or a separate account (and such Fund or separate account therefore bears the cost of such Property-Related Services), such Property-Related Service Fees and the terms and conditions of such Property-Related Services shall be on such terms as would generally be available in arm's-length transaction with a third party (provided that such third parties are generally in the business of providing such services) in the applicable market, although such compensation will not actually be determined through arm's-length negotiation. C-III monitors the Property-Related Service Fees charged by each such affiliate to its Clients to ensure that they are reasonable relative to the fees charged by third parties by obtaining quotes or estimates (where practical) of the fees to be charged by third parties. In addition to the payment of Property-Related Service Fees, certain Clients will also be required to reimburse C-III or its affiliates for their out-of-pocket expenses incurred in providing the Property Related Services. For certain Clients, C-III has also engaged (and may in the future engage) an independent consultant to determine whether the Property-Related Service Fees and other terms of C-III and its affiliates for Property-Related Services are reasonable.

In addition, such affiliates earn or share (and may in the future earn or share) Transaction Fees paid by a Client upon the closing of the sale of assets by such Client, including a sale to another Client.

When engaging an affiliated service provider, C-III has an incentive to select the affiliate even if another person may be more qualified to provide the applicable services and/or can provide such services at a lesser cost. Any Property-Related Service Fees or Transaction Fees, and associated reimbursements (as discussed above in Item 5) will be in addition to any Management Fee or performance based compensation paid by a Client to C-III. This creates a conflict of interest between C-III and its affiliates and the Clients and investors in the Funds because the amounts of these fees and reimbursements may be substantial and the Clients and investors in the Funds generally do not have an interest in these fees and reimbursements. C-III determines the amount of these Property-Related Service Fees, Transaction Fees and reimbursements in its own discretion, subject to agreements with service providers, sellers and buyers, and/or third party co-investors in its transactions, and the amount of such fees and reimbursements often are not disclosed to investors in Funds. In many cases with respect to the implementation of the arrangements described above, there is not an independent third-party involved on behalf of the relevant Client, though in certain cases C-III has retained an independent consultant to determine whether the Property-Related Service Fees and other terms of C-III and its affiliates for Property-Related Services are reasonable. Therefore, a conflict of interest exists in the determination of any such fees and other related terms in the applicable agreement with the Client.

Moreover, in some instances, CMBS trusts have engaged (and may in the future engage) C-III or its affiliates to perform brokerage or other business-to-business services in connection with the disposition of assets. C-III or its affiliates earn or share (and may in the future earn or share) in brokerage commissions or other fees paid by the CMBS trusts upon the closing of the sale of assets by the CMBS trusts, including sales to a Client, as compensation for such brokerage or other business-to-business services.

Transactions with Strategic Investors

C-III and its affiliates, including Clients, have engaged (and may in the future engage) in transactions, including co-investment opportunities and joint venture arrangements with respect to real estate and real estate-related equity and debt investments, with a Client, an investor in a Client, an investor in C-III Parent or other affiliate, a joint venture partner in another real estate equity



investment or others with which C-III and/or its affiliates has (and may in the future have) a current or prior relationship (collectively, “**Strategic Investors**”). The nature of such transactions can be diverse and may include benefits relating to a Client and its respective investments. Examples may include the ability to co-invest alongside a Client, investments in another Client, sales of companies to limited partners and recommendations to underwriters for allocations in initial public offerings, loans to co-investors (or joint venture partners) by C-III or a Client. Moreover, certain Strategic Investors may provide services (e.g., as operating advisor, property manager or otherwise) to real estate equity investments owned by certain Clients.

Conflicts of Interest Involving Unaffiliated Investors in a Client that Are Investors in C-III Parent and/or Affiliated Investment Entities

Certain unaffiliated investors in a Client may also be direct or indirect investors in C-III Parent and/or Affiliated Investment Entities. Those relationships may create a conflict of interest with other unaffiliated investors in a Client who do not have existing relationships with C-III Parent or C-III. Neither C-III nor any of its affiliates will provide any undisclosed benefit(s) to any investor in a Client who has any other relationship with C-III or its affiliates at the expense of other investors in such Client due to such other relationship with C-III or its affiliates. Notwithstanding the foregoing, C-III and the Client may, in accordance with the Client’s Governing Documents, provide additional rights to investors through Side Letters that do not result in any detriment to investors in such Client.

Gifts, Contributions, Donations and Events

In order to provide quality service, C-III establishes, maintains and enhances relationships with professionals in the real estate industry, such as attorneys, consultants, title companies, investors and other third parties with whom C-III does business (including without limitation investment professionals who may, from time to time, provide Clients with investment opportunities) and other service providers and professionals (collectively, “**Relationship Parties**”). C-III, its employees and affiliates may from time to time invite, or be invited by, Relationship Parties to participate in activities, such as meals, conferences, sporting events, concerts, golf and other outdoor outings and other entertainment and recreational activities, may give or receive gifts related to attendance or participation in such activities, and may be asked to make charitable, political or other contributions or donations to organizations or political officeholders or candidates for political office at the request of a Relationship Party or one of its executives (collectively, “**Events**”). C-III’s subsequent selection and retention of such Relationship Parties as service providers or partners in an investment opportunity, as applicable, could be viewed as a form of reimbursement for attending such Events, and C-III may have an incentive to select service providers or partners in an investment opportunity based on the expectation of receiving gifts or invitations to future Events. Notwithstanding that potential conflict of interest, C-III has adopted policies and procedures designed to help prevent any Event from influencing its decision to hire or retain a Relationship Party or to engage in any transaction on behalf of a Client. C-III’s policies and procedures require gifts and entertainment valued in excess of certain thresholds to be reported to and, in certain cases, pre-approved in writing by C-III’s Chief Compliance Officer.

C-III employees are prohibited from (a) giving or receiving meals (including dinners and lunches), gifts or entertainment (including tickets to athletic events) of any value to or from any independent auditing firm, or any member or employee of an independent auditing firm, that provides services to Clients and (b) soliciting charitable donations from any independent auditing firm, or any member or employee of an independent auditing firm, that provides services to Clients. If meals,



gifts or entertainment are provided as part of an event sponsored by an independent auditing firm, C-III's Chief Compliance Officer may in his discretion provide an exception to this prohibition.

In addition, independent auditing firms that provide services to Clients managed by C-III and their members and employees are prohibited from (a) giving or receiving meals (including dinners and lunches), gifts or entertainment (including tickets to athletic events) of any value to or from any C-III employee and (b) making any charitable donations to a charity in response to solicitation from C-III, its affiliates or any C-III employee.

For more information regarding policies, procedures, prohibitions, reporting obligations and pre-clearance requirements, including prohibitions on giving meals, gifts and/or entertainment from or to independent auditing firms, please see Item 11 below.

Dis-alignment of Interests

As part of the return to a Client's general partner from the investments of a Client, a Client's general partner is entitled to a "carried interest." In an effort to increase the potential return of a Client's general partner, a Client's general partner may, among other things, select investments for a Client that involve a higher degree of risk than might otherwise be the case if a Client's general partner were not so incentivized.

Furthermore, a Client's general partner may take into account the capital needs of C-III Parent, ICG, any Affiliated Parties and Affiliated Investment Vehicles when determining the amount and timing of distributions by a Client to its partners.

Diverse Investor Base

The investors in the Funds generally include U.S. taxable and tax exempt entities, and institutions from jurisdictions outside of the United States. Such investors may have conflicting investment, tax and other interests with respect to their investments in a Fund. The conflicting interests among the investors generally relate to or arise from, among other things, the nature of investments made by a Fund, the structuring of the acquisition of investments and the timing of the disposition of investments. As a consequence, conflicts of interest arise in connection with decisions made by C-III or its affiliates, including with respect to the nature or structuring of investments, that are more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for a Fund, C-III and its affiliates will consider the investment and tax objectives of the applicable Fund, not the investment, tax or other objectives of any investor individually.

Side Letter Agreements; Advisory Committee Rights

C-III may enter into certain Side Letter arrangements with certain investors in a Fund that provide such investors with different or preferential rights or terms that other Fund investors are not entitled to receive, which may include different fee structures and other preferential economic rights, information and reporting rights, excuse or exclusion rights, waiver of certain confidentiality obligations, co-investment rights, certain rights or terms necessary in light of particular legal, regulatory or policy requirements of a particular investor, additional obligations and restrictions with respect to structuring particular investments in light of the legal and regulatory considerations applicable to a particular investor, veto rights and liquidity or transfer rights. Except as otherwise agreed with an investor, C-III (or the applicable General Partner) is not required to disclose the terms of any Side Letter arrangement with other investors in the same Fund.



Certain Funds have established an advisory committee, consisting of representatives of investors. A conflict of interest may exist when some, but not all of a Fund's limited partners are permitted to designate a member to the advisory committee. The advisory committee may also have the ability to approve conflicts of interests with respect to C-III and the applicable Fund, which could be disadvantageous to the investors, including those investors who do not designate a member to the advisory committee. For example, in circumstances when there is a reasonable question of whether it is appropriate for C-III to participate in the acquisition of all or a part of an investment opportunity that may be appropriate for one or more Clients, C-III may obtain the approval of the advisory committee of such Client(s) (or other appropriate independent person or committee) to participate in that investment opportunity. Each advisory committee (or other appropriate person or committee) will consist of persons designated by the investors in such Fund who are not officers or employees of C-III.

Advisory Committee Rights

A Client may have established an advisory committee, consisting of representatives of certain limited partners of such Client. A conflict of interest may exist because some, but not all, of a Client's limited partners are permitted to designate a member to the Client's advisory committee. A Client's advisory committee also has the ability to approve conflicts of interests with respect to C-III Parent or ICG and a Client, which could be disadvantageous to a Client's investors, including those limited partners who do not designate a member to a Client's Advisory Committee.

Relationships with Service Providers

Employees of C-III or its affiliates, and/or their family members or relatives, may have ownership, employment, or other interests in service providers selected by C-III for its Clients. These relationships that C-III may have with a service provider can influence C-III in determining whether to select, or recommend such service provider to perform services for a Client or an investment. C-III will have a conflict of interest with the Clients in recommending the retention or continuation of such a service provider to the Clients or an investment if such recommendation, for example, is motivated by a belief that the service provider will continue to invest in Clients or will provide C-III information about markets and industries in which C-III operates or is interested or will provide other services that are beneficial to C-III. Although C-III selects service providers that it believes will be beneficial for its Clients, there is a possibility that C-III, because of family, 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. While C-III often does not have visibility or influence regarding advantageous service rates or arrangements, there will be situations in which C-III receives more favorable service rates or arrangements than the Clients or investment. In order to mitigate such conflicts, C-III performs initial and ongoing due diligence for third-party service providers to C-III and its Clients.

Relationships with Placement Agents and Other Parties

The personnel of C-III or its affiliates may have board, advisory or other relationships with issuers, distributors, consultants and others that may have investments in a Client and/or related funds or that may recommend investments in a Client and/or related funds or distribute interests in a Client and/or related funds. To the extent permitted by applicable law, C-III and its affiliates may make charitable contributions to institutions, including those that have relationships with investors or personnel of investors. As a result of such relationships and arrangements, placement agents, consultants, distributors and other parties may have conflicts associated with their promotion of a Client, or other dealings with a Client, that create incentives for them to promote a Client.

Key Employees

The success of a Client depends to a significant extent upon the experience of the senior management and other members of the management team of C-III and its affiliates (the "**Key Employees**"), whose continued service is not guaranteed. Any of these individuals could be difficult to replace, and the loss of the services of one or more members of C-III's senior management team could have a material and adverse effect on the operations of a Client. In addition, some of the investment professionals of a Client may devote some of their business time and attention to other businesses of affiliates of a Client. There are no means of predicting whether they will successfully implement a Client's investment strategy, especially during changing economic conditions.

The Key Employees are not under any obligation to devote their full time and attention solely to the business of a Client nor are any of them obligated to devote any particular portion of time to the affairs of a Client. They may work on other projects for C-III, its affiliates or any Affiliated Investment Vehicles. Consequently, conflicts of interest may arise in allocating management time, services or functions of Key Employees, as well as other officers and employees of C-III and its affiliates to the extent they are needed for services or functions on behalf of a Client.

Other Conflicts

C-III and its Clients often engage common legal counsel and other advisers in a particular transaction, including a transaction in which there may be conflicts of interest. Members of the law firms engaged to represent Client may also represent one or more investors in such Client. In the event of a significant dispute or divergence of interest between Clients, C-III and/or its affiliates, the parties may engage separate counsel in the sole discretion of C-III and its affiliates, and in litigation and other circumstances separate representation may be required. Additionally, C-III and its Clients will, from time to time engage other common service providers, including but not limited to accountants and auditors. In certain circumstances, the service provider may charge varying rates or engage in different arrangements for services provided to C-III and its Clients. This may result in C-III receiving a more favorable rate on services provided to it by such a common service provider than those payable by the Clients, or C-III receiving a discount on services even though the Clients receive a lesser, or no, discount. This creates a conflict of interest between C-III, on the one hand, and the Clients, on the other hand, in determining whether to engage such service providers, including the possibility that C-III will favor the engagement or continued engagement of such persons if it 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 Clients.

C-III may, in its discretion, cause Clients to have ongoing business dealings, arrangements or agreements with persons who are former employees or executives of C-III and its affiliates. Clients may bear, directly or indirectly, the costs of such dealings, arrangements or agreements. In such circumstances, there may be a conflict of interest between C-III and the applicable Client in determining whether to engage in or to continue such dealings, arrangements or agreements, including the possibility that C-III may favor the engagement or continued engagement of such persons even if a better price and/or quality of service could be obtained from another person.

In no event should this Brochure be considered to be an offer of interests in the Funds or relied on in determining to invest in the Funds. It is also not an offer of, or agreement to provide, advisory services directly to any recipient of the Brochure. Rather, this Brochure is designed solely to provide information about C-III for the purpose of compliance with certain obligations under the Advisers Act and, as such,

responds to relevant regulatory requirements under the Advisers Act, which may differ from the information provided in the Governing Documents and/or offering documents for the Funds.

ITEM 9: DISCIPLINARY INFORMATION

Neither C-III nor any of its management persons have been involved in any material legal or disciplinary events that would be material to your evaluation of C-III's advisory business or the integrity of C-III's management.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. REGISTERED BROKER-DEALER OR REGISTERED REPRESENTATIVE

Anubis, an affiliate of C-III, is indirectly owned by ICG and is registered as a broker-dealer with the SEC, all 50 states and the District of Columbia, and is a member of FINRA.

Anubis has previously served as (i) placement agent with respect to the offering of interests in RF II, RF III and HYREDF IV, (ii) solicitor for a separate account Client to C-III SAM and (iii) placement agent and structuring agent for pooled investment vehicles sponsored by ICG, C-III Parent and their affiliates, and may in the future serve as placement agent for the offering of interests in other pooled investment vehicles that may be organized in the future to be sponsored or managed by ICG, C-III Parent or their affiliates.

Certain of C-III's management persons or employees of C-III's affiliates are or may become registered representatives and/or principals of Anubis and, when such person(s) engages in securities-related transactional activities, will be subject to Anubis' policies and procedures in addition to C-III's policies and procedures.

B. REGISTERED FUTURES COMMISSION MERCHANT; COMMODITY POOL OPERATOR, COMMODITY TRADING ADVISOR OR ASSOCIATED PERSON

HY Directives IV is an exempt commodity pool operator for HYREDF IV.

One of C-III's management persons, who is the sole director of C-III High Yield Real Estate Debt Fund IV TIER Holdings Inc. ("**HY IV TIER Holdings**"), which is a wholly-owned subsidiary of HYREDF IV, is an exempt commodity pool operator for HY IV TIER Holdings.

Certain of C-III's management persons or employees of C-III's affiliates provide (and may in the future provide) services for HY Directives IV and HY IV TIER Holdings.

C. OTHER RELATIONSHIPS OR ARRANGEMENTS

C-III has other financial industry affiliations and activities (described below), and C-III and its affiliates have entered into (and may in the future enter into) transactions directly with (to the extent permitted by applicable law), and/or on behalf of, a Client, which may present certain conflicts of interest as described below.

RELYING ADVISER

C-III SAM serves as a sub-advisor to the non-affiliated investment manager of a separate account Client.



GENERAL PARTNERS

- (a) RF Directives II serves as the general partner of RF II and RF II COIV;
- (b) RF II COIV (NY2) GP serves as the general partner of RF II COIV (NY2);
- (c) RF Directives III serves as the general partner of RF III; and
- (d) HY Directives IV serves as the general partner of HYREDF IV.

Certain of C-III's management persons or employees of C-III's affiliates are providing (or may in the future provide) services for C-III SAM or a General Partner.

OTHER C-III FINANCIAL INDUSTRY AFFILIATES

C-III Parent, the parent company of C3IM, and/or its affiliates has served (and may in the future serve) as the sponsor of a Fund for which (a) C-III has served (and may in the future serve) as investment manager, investment adviser or other similar capacity and (b) a General Partner has served as general partner.

Island Investment Management LLC ("**IIM**"), an affiliate of C-III, is an SEC-registered investment adviser that began providing investment advisory services in 2020. It is wholly-owned by ICG. IIM serves as investment manager to various collective investment vehicles.

Affiliates of IIM provide investment advisory services and is considered a "relying adviser" of IIM (IIM is the "filing adviser") in accordance with Form ADV's General Instructions as follows:

- (1) ICG Charge Me Directives, a wholly-owned subsidiary of ICG, provides investment advisory services and serves as the managing member of ICG Charge Me LLC and ICG Charge Me II LLC; and
- (2) MV ESC Directives, a wholly-owned subsidiary of ICG, provides investment advisory services and serves as the managing member of MV ESC Holdings LLC.

Certain other affiliates of IIM serve as general partner of pooled investment vehicle clients and rely on IIM's registration as an investment adviser in accordance with the 2005 SEC Letter and Form ADV's General Instructions.

C-III Realty Services LLC, d/b/a NAI Global Capital Markets ("**NAI GCM**"), an affiliate of C-III and a wholly-owned subsidiary of C-III Parent, is licensed as a real estate brokerage firm in New York and Tennessee. C-III Realty Services (Texas) LLC is licensed as a real estate brokerage firm in Texas. NAI GCM provides commercial real estate brokerage services. C-III has retained (and may in the future retain) NAI GCM or C-III Realty Services (Texas) in connection with the purchase or sale of a real estate asset to or from a Client and has earned or share (and may in the future earn or share) in real estate brokerage commissions or other fees paid by a Client upon the closing of the sale of assets by such Client as compensation for such real estate brokerage services.

New America Network Inc. ("**NAI**"), an affiliate of C-III and a wholly-owned subsidiary of C-III Parent, is a global network of independent commercial real estate brokerage firms, each of

which is appropriately licensed. NAI is licensed as a real estate brokerage firm in Pennsylvania. NAI Global of New York City, Inc. (“**NAI NY**”) is licensed as a real estate brokerage firm in New York. C-III has retained (and may in the future retain) NAI and NAI NY in connection with the purchase or sale of a real estate asset to or from a Client and/or leasing services for an asset owned by a Client and has earned or share (and may in the future earn or share) in real estate brokerage or leasing commissions or other fees paid by a Client as compensation for such real estate brokerage services. C-III has retained (and may in the future retain) an independent NAI member firm in connection with the purchase or sale of a real estate asset to or from a Client and/or leasing services for an asset owned by a Client and has earned or share (and may in the future earn or share) in leasing commissions paid by a Client as compensation for such real leasing services. In addition, C-III has entered into, and may in the future enter into, joint venture arrangements with independent NAI member firms with respect to the acquisition of investments by or for a Client, and such independent NAI member firms may provide additional services (such as acting as the operating partner, property manager and/or leasing agent) with respect to such underlying investment.

ICG Realty LLC (“**ICG Realty**”), an affiliate of C-III and a wholly-owned subsidiary of ICG, is licensed as a real estate brokerage firm in New York and provides commercial real estate brokerage services. C-III has retained (and may in the future retain) ICG Realty in connection with the purchase or sale of a real estate asset to or from a Client and has earned or share (and may in the future earn or share) in brokerage commissions or other fees paid by a Client upon the closing of the sale of assets by such Client as compensation for such real estate brokerage services.

ICG Hypersonic Sponsor, an affiliate of C-III and a wholly-owned subsidiary of ICG, is the sponsor of ICG Hypersonic, a special purpose acquisition company.

Exantas Real Estate Funding, LLC, an affiliate of C-III and an indirect wholly owned subsidiary of C-III Parent, is licensed as a Finance Lender in California.

Certain of C-III’s management persons or employees of C-III’s affiliates are providing (or may provide in the future) services for each of C-III’s affiliates mentioned above. For more information regarding the services provided by certain of the above C-III affiliates to Clients, and the associated conflicts of interest, please see Items 5 and 8 above.

D. RECOMMEND OTHER ADVISORS

N/A

ITEM 11: CODE OF ETHICS, SUPERVISED PERSON CONDUCT, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

A. CODE OF ETHICS

C-III strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. As such, C-III has adopted a Code of Ethics (included in C-III’s Compliance Manual) for its officers, employees and other persons who provide investment advice and related services on behalf of C-III (each, a “**Supervised Person**”), which describes C-III’s high standard of business conduct and fiduciary duty to each Client.



C-III's Code of Ethics is designed to ensure that the activities and interests of each Supervised Person and the personal securities transactions of each Supervised Person that has access to information regarding a Client's investments or that are involved in making recommendations to a Client (or who have access to such recommendations) (each, an "**Access Person**") will not interfere with making and implementing decisions in the best interests of each Client, while at the same time allowing each Access Person to invest for his or her own account (consistent with applicable law, rules and regulations and the Code of Ethics). As such, the Code of Ethics contains policies and procedures that, among other things:

- requires each Supervised Person to place the interests of each Client first and prohibits a Supervised Person from taking personal advantage of an opportunity that belongs to a Client;
- requires each Supervised person to participate in initial compliance training with a member of C-III's compliance department and annual compliance training thereafter, logs on which will be maintained by the Chief Compliance Officer;
- requires each Access Person to conduct all personal investment transactions in compliance with the Code of Ethics and requires each Supervised Person to comply with the federal securities laws and all other applicable laws, rules and regulations;
- requires each Access Person to disclose upon hire and thereafter each personal securities account held by the Access Person or by such Access Person's spouse, minor children or others living in the Access Person's household;
- requires each Access Person to disclose upon hire and each quarter thereafter all securities holdings (other than those classes of securities designated as exempt) and securities transactions (i) by the Access Person or by such Access Person's spouse, minor children or others living in the Access Person's household and (ii) for which the Access Person has direct or indirect influence or control over investment decisions (including as a trustee or by providing discretionary advisory services);
- requires each Access Person to provide copies of monthly and/or quarterly account statements and trade confirmations for all securities transactions (other than transactions in those classes of securities designated as exempt) (i) by the Access Person or by such Access Person's spouse, minor children or others living in the Access Person's household and (ii) for which the Access Person has direct or indirect influence or control over investment decisions (including as a trustee or by providing discretionary advisory services);
- requires each Supervised Person to pre-clear any securities offered in an initial public offering or private placement (including investments in hedge funds, fund-of-funds, private equity funds, venture capital funds and other unregistered pooled investment vehicles);
- requires the Chief Compliance Officer to monitor the activities of each Supervised Person and Access Person to ensure compliance with the Code of Ethics and to prevent and detect violations of applicable law, violations of C-III's Code of Ethics and conflicts of interest between C-III and each Client; and
- requires each Supervised Person to acknowledge the terms of the Code of Ethics upon hire and annually (or as amended) thereafter and to certify annually as to his or her compliance with the Code of Ethics.

An investor or prospective investor may request a copy of C-III's Code of Ethics by contacting Lawrence S. Block, C-III's Chief Compliance Officer, at (212) 705-5090 or by e-mail at lblock@c3cp.com.

B. SUPERVISED PERSON CONDUCT

C-III's Compliance Manual contains additional policies, procedures, prohibitions, reporting obligations and pre-clearance requirements that are designed to prevent Supervised Persons from engaging in activities that may interfere with making and implementing decisions in the best interests of each Client, including:

- prohibiting each Supervised Person from trading on the basis of, or misappropriating, material nonpublic or proprietary information (*i.e.*, insider trading);
- prohibiting each Supervised Person from purchasing or selling securities of any issuer on the Restricted Issuers List;
- prohibiting each Supervised Person from engaging in certain prohibited transactions, including market manipulation, front-running and trading on rumors;
- requiring each Supervised Person to obtain the prior written approval of C-III's Chief Compliance Officer before engaging in any transaction that involves the acquisition or disposition of a security of a CMBS trust or issuer of a CRE-CDO for an account (a) held by a Supervised Person or by such Supervised Person's spouse, minor children or others living in the Supervised Person's household and (b) for which the Supervised Person has direct or indirect influence or control over investment decisions;
- requiring each Supervised Person to report and obtain the prior approval of the Chief Compliance Officer before engaging in any outside business activity;
- requiring each Supervised Person to report any gift or entertainment (given or received) in excess of \$250 per recipient per year and to obtain the prior written approval of the Chief Compliance Officer for any gift or entertainment (given or received) in excess of \$1,000 per recipient per year;
- prohibiting each Supervised Person from giving or receiving any meals, gifts and/or entertainment from or to the independent auditing firm, or any member or employee of an independent auditing firm, that provides services to Funds;
- prohibiting C-III and each Supervised Person from making corrupt payments to any officer or employee of a foreign government, a public international organization or any department or agency thereof or any person acting in an official capacity for such government or organization to obtain or retain business, to secure any improper advantage or to act in violation of any lawful duty; and
- requiring each Supervised Person to obtain the prior approval of the Chief Compliance Officer before making any political contribution and to report each political contribution, and if a political contribution involves hosting a fundraising event, providing certain details about to fundraising event, and prohibiting certain political contributions in violation of applicable law, rule or regulation.

C. PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

C-III has recommended (and may in the future recommend) to a Client, and has bought or sold (and may in the future buy or sell) for such Client, securities in which C-III (or an affiliate) has a material financial interest (such as securities of a CDO in which C-III or an affiliate is entitled to receive collateral management fees, collateral administration fees, special servicing fees and other fees for services provided to such CDO). To the extent a Client invests in a pooled investment vehicle that is advised by, or that has another business or other relationship with, C-III or its affiliates, such Client (or its investors, in the case of a Fund) will bear not only the direct Management Fees and expenses of the Client, but also the expenses and fees associated with the Client's investment in the underlying pooled investment vehicle, some of which fees and expenses may be paid to C-III or its related persons. Additionally, the interests of the Client, as an investor, may conflict with the interests of the underlying pooled investment vehicle owned by the Client, or C-III's related persons in their capacity as a service provider to the underlying pooled investment vehicle, which would create a conflict of interest for C-III.

C-III and its affiliates have engaged (and may in the future engage) in principal, agency cross or cross transactions with or for a Client, consistent with the Advisers Act, SEC rules, the policies and procedures set forth in C-III's Compliance Manual and a Client's Governing Documents (including a Client's Investment Advisory Agreement).

C-III and its affiliates have caused (and may in the future cause) a Client to purchase investments from another Client, or to sell investments to another Client. Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, a Client may not receive the best price otherwise possible, or C-III 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. In connection with such transactions, C-III, its affiliates and/or their professionals (i) will, from time to time, have significant investments, or intentions to invest, in the Client that is selling and/or purchasing such an investment or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment). C-III and its affiliates may receive management or other fees in connection with their management of the relevant Clients involved in such a transaction, and may also be entitled to share in the investment profits of the relevant Clients.

To address these conflicts of interest, in connection with effecting such transactions, C-III will follow any investment allocation requirements set forth in the Governing Documents of the relevant Clients. To the extent such matters are not addressed in the Governing Documents, C-III's Chief Compliance Officer and, in certain cases, the Client's advisory committee, will be responsible for confirming that C-III (i) considers its respective duties to each Client, (ii) determines whether the purchase or sale and price or other terms are comparable to what could be obtained through an arm's length transaction with a third party on commercially reasonable terms, and (iii) obtains any required approvals of the transaction's terms and conditions. The Client will not directly or indirectly receive any commission or other transaction-based compensation for effecting any such transaction, and C-III will not effect any such transaction for any Client where C-III is deemed to own more than 25% of the Client, unless such transaction complies with the requirements of C-III's "principal transactions" policy, as described below.

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 an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a "principal transaction"), the adviser must make certain



disclosures to the client of the terms of the proposed transaction and obtain the client's consent to the transaction. In connection with C-III's management of its Clients, C-III and its affiliates may engage in principal transactions. C-III has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including that disclosures required by Section 206 of the Advisers Act be made to the applicable Client(s) regarding any proposed principal transactions and that any required prior consent to the transaction be received.

The Chief Compliance Officer will, on not less than an annual basis, review and test the adequacy of the policies and procedures relating to the above transactions and the effectiveness of their implementation. The annual review shall also include a description of the need, if any, for revisions to these policies and procedures. The Chief Compliance Officer shall document such testing, which shall be maintained as a record of C-III and each affected Client.

For information regarding the allocation of investment opportunities to C-III that may be appropriate for one or more Clients, and the associated conflicts of interest, please see Item 8 above.

D. INVESTING IN ASSETS RECOMMENDED OR HELD BY A CLIENT

C-III and its affiliates have invested (and may in the future invest) in the same (or related) assets that are held by, or recommended to, a Client.

E. PURCHASE AND SALES OF SECURITIES BY RELATED PERSONS

Generally, C-III does not recommend a security to a Client, or buy or sell a security for a Client account, at or about the same time that it buys or sells the same security for its own account, although it does on occasion occur. In the event that a security is potentially an appropriate investment opportunity for a Client, C-III will present the opportunity to the Client's investment committee for consideration, and only in the event that the Client's investment committee declines to pursue the investment opportunity will C-III consider the investment opportunity for its own account. Notwithstanding the foregoing, in the event the Client's investment committee determines to acquire only a portion of the investment opportunity presented, C-III may from time to time acquire the balance of the investment opportunity for its own account.

In addition, there have been (and may in the future be) instances where different securities of a particular issuer are (or may in the future be) appropriate investment opportunities for both a Client and C-III (for example, one class of a CMBS trust may be an appropriate investment opportunity for C-III while a different class of the same CMBS trust may be an appropriate investment opportunity for a Client). C-III shall only pursue the investment opportunity if the Client investment committee has determined that the security being considered by it is not an appropriate investment opportunity for such Client.

Officers, principals and employees of C-III and its affiliates may also buy securities in transactions offered to but rejected by a Client. In addition, officers, principals and employees of C-III and its affiliates may seek to accommodate a Client and buy securities from such Client (for example, if such Client is required to divest from such investment on off-market terms for legal, regulatory or other similar reasons). In those circumstances, a conflict of interest may arise because such investing personnel will, for some investments, benefit from the evaluation, investigation, and due diligence undertaken by C-III on behalf of the Client. In such circumstances, the investing personnel will not share or reimburse the relevant Client and/or C-III for any expenses incurred in connection with the investment opportunity. The transactions described above are subject to the



policies and procedures set forth in the Code of Ethics and Compliance Manual, and Clients and investors will not benefit from any such investments.

Officers, principals and employees of C-III and its affiliates may also buy securities in transactions in which a Client invests. The investment policies, fee arrangements and other circumstances of these investments may vary from those of the Funds. If officers, principals and employees of C-III have made large capital investments in or alongside the Funds they may have conflicting interests with respect to these investments.

ITEM 12: BROKERAGE PRACTICES

A. SELECTING OR RECOMMENDING BROKER-DEALERS FOR CLIENT TRANSACTIONS

Unless otherwise specified in a Client's Governing Documents or Investment Advisory Agreement, C-III has the authority to determine for each Client, without obtaining specific Client consent (except as otherwise provided below), (a) the securities to be bought or sold, (b) the amount of the securities to be bought or sold, (c) the broker or dealer to be used and (d) if applicable, the commission rates paid. Limitations on C-III's authority are guided by, among other things, (i) its responsibility to act as a fiduciary when handling a Client's account, (ii) its duty to seek to obtain "best execution," (iii) the investment strategies and objectives of each Client and (iv) a Client's Governing Documents. C-III is required to obtain consent of a Client and/or its limited partners or members (or the consent of an independent representative or advisory committee, advisory management committee or investment management committee of the Client) for any principal transaction involving C-III, an affiliate and one or more Clients and may be required to obtain consent of a Client and/or its limited partners or members (or the consent of an independent representative or advisory committee, advisory management committee or investment management committee of the Client) for any affiliate or cross transaction involving C-III, an affiliate and one or more Clients.

In determining which broker or dealer to use, C-III seeks to obtain "best execution" with respect to its securities transactions for its Clients. C-III evaluates the character of the market for the security, including, but not limited to, the security's price, volatility and liquidity, as well as the size and type of transaction. Specifically, in making any such determination, C-III considers a number of factors, including, but not limited to:

- the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any);
- the operational efficiency with which transactions are effected and the efficiency of error resolution, taking into account the size of order and difficulty of execution;
- the financial strength, integrity and stability of the broker;
- special execution capabilities;
- clearance;
- settlement;
- reputation;



- on-line pricing;
- block trading and block positioning capabilities;
- willingness to execute related or unrelated difficult transactions in the future;
- order of call;
- on-line access to computerized data regarding each Client's account;
- custodial (and other) services provided by such brokers and/or dealers that may potentially enhance C-III's general portfolio management capabilities;
- performance measurement data;
- financing terms;
- the quality, comprehensiveness and frequency of available research and related services considered to be of value (including economic forecasts, investment strategy advice, fundamental and technical advice on individual securities, valuation advice and market analysis);
- provision of the opportunity to participate in capital introduction events sponsored by the broker-dealer; and
- commission-sharing agreements that are in effect at the time of the transaction.

C-III is not required to weigh any of these factors equally.

In selecting a broker-dealer to execute a transaction (or a series of transactions) and determining the reasonableness of the broker-dealer's compensation, C-III is not required to solicit competitive bids and is not required to seek the lowest available commission cost. C-III does not negotiate "execution only" commission rates; therefore, a Client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate (see below).

1. RESEARCH AND OTHER SOFT DOLLAR BENEFITS

While C-III does not enter into traditional "soft dollar" arrangements, C-III does not have "execution only" commission rates; thus C-III may receive, and a Client may be deemed to be paying for, research and related products and services provided by the broker-dealer executing a trade that are included in the commission rate. Research and related products or services furnished by a broker-dealer will be limited to services that constitute research within the meaning of Section 28(e) of the Securities and Exchange Act of 1934, as amended. Accordingly, research and related products or services may include, but are not limited to: written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts, as well as discussions with research personnel; financial and industry publications; quantitative analytical software; market data-related software and services; statistical and pricing services utilized in the investment process; and databases and other technical services utilized in the investment management process. Research and related products or services may include both proprietary research created or developed by



the broker-dealer and research created or developed by a third party. Research services obtained by the use of commissions arising from a Client's portfolio transactions may not only benefit such Client's investing, but may benefit one or more other Clients and/or may be used by C-III in its other investment activities.

When C-III uses Client brokerage commissions to obtain research or other products or services, it may receive a benefit because it does not have to produce or pay for the research, products or services. The receipt of research and other "soft dollar" benefits from broker-dealers may provide an incentive for C-III to select or recommend a broker-dealer based on C-III's interest in receiving the research or other products or services, rather than on its Client's interest in receiving the most favorable execution. Using a broker-dealer that provides C-III with research or other "soft-dollar" benefits may cause a Client to pay commissions higher than the commissions charged by broker-dealers who do not provide such research or "soft-dollar" benefits.

During the past fiscal year, C-III acquired the following types of research and related products and services from broker-dealers with whom it conducted business: written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts, as well as discussions with research personnel; financial and industry publications; market data-related services; statistical and pricing services utilized in the investment process; and databases and other technical services utilized in the investment management process. C-III may have directed certain Client transactions to a particular broker-dealer in return for research and other "soft dollar" benefits.

2. BROKERAGE FOR CLIENT REFERRALS

In selecting or recommending broker-dealers, C-III does not consider whether it or a related person receives Client referrals from a broker-dealer or third party.

3. DIRECTED BROKERAGE

C-III does not recommend, request or require that a Client direct it to execute transactions through a specified broker-dealer ("directed brokerage").

4. AGGREGATE ORDERS FOR VARIOUS CLIENT ACCOUNTS

Generally, Clients do not own, or contemplate the ownership of, the same security, although it may on occasion occur (e.g., in the case of HYREDF IV and a separate account Client). However, in the event that C-III determines to buy or sell the same security on behalf of more than one Client, it may, but is under no obligation to (except as provided by the applicable Client Governing Documents or Investment Advisory Agreements), C-III will use its best efforts to aggregate (to the extent permitted by applicable law, rule and regulation) the securities to be purchased or sold in order to seek more favorable prices, lower brokerage commissions or more efficient execution.

5. TRADE ERROR POLICY

While it is the policy of C-III to use the utmost care in making and implementing investment decisions on behalf of its Clients, trade errors may inevitably occur. C-III views a trade error as involving an unintentional mistake in placing a trade or in making an investment decision that is not detected until after the trade is settled and for which C-III is responsible. Trade errors

include, but are not limited to: (a) purchasing an investment not legally permitted for a Client, or not within a Client's investment guidelines; (b) purchasing or selling the wrong investment for a Client; (c) purchasing or selling an investment for the wrong Client; (d) purchasing the wrong amount of an investment for a Client; or (e) allocating an investment to the wrong Client. A trade error does not include an intentional act, an error that is corrected prior to settlement or an error that is clearly the fault of an unaffiliated third party, such as an executing broker.

To the extent that a trade error occurs, it is the policy of C-III to correct such error as soon as practicable and in such a manner whereby the Client incurs no loss. Because each trade error presents a unique set of facts, each will be resolved on a case-by-case basis. However, when correcting a trade error, C-III shall not: (a) pass the cost of losses on to the Client; (b) use soft dollar credits with broker-dealers to cover losses; (c) use other Clients to correct errors; or (d) enter into an agreement with an executing broker to absorb any correction costs. Prior to the settlement of a trade, C-III may reverse out a trade error. After settlement of a trade, C-III must ensure that the guidelines detailed above are enforced.

ITEM 13: REVIEW OF ACCOUNTS

A. CLIENT ACCOUNT REVIEWS

C-III has an Investment Committee, Chief Investment Officer and/or asset manager for each Client, and each Client may have its own investment committee (each, an “**Investment Committee**”). Such Investment Committee, Chief Investment Officers, portfolio managers, acquisitions team members and/or asset managers are responsible for recommending acquisitions and dispositions of Client assets and monitoring and reviewing on an on-going basis the investment portfolio of the Client for which it is responsible. Each Client's Investment Committee (if applicable) reviews each investment recommendation(s) made by C-III's Investment Committee for such Client and may approve, reject or take other action with respect to such recommendation.

B. CONTENT AND FREQUENCY OF REGULAR REPORTS

An investor in a Fund generally receives quarterly and annual financial information for such Fund, including, for each quarter, a summary description of (a) each investment, (b) any material event or development regarding the Fund's investments and (c) each disposition of an investment, during such quarterly period.

The owner of a separate account (or its investment manager) generally receives, on a quarterly basis, a summary description of (a) each investment, (b) any material event or development regarding the Fund's investments and (c) each disposition of an investment, during such quarterly period.

An investor in a CDO receives information as provided in such Client's Governing Documents and other documents provided to such investors.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

A. COMPENSATION RECEIVED BY C-III FOR CLIENT REFERRALS

C-III does not receive any compensation for the referral of clients or investors to any other managers for the provision of advisory services.

B. COMPENSATION PAID BY C-III OR RELATED PERSON FOR CLIENT REFERRALS

C-III Parent has previously retained Anubis to serve as placement agent with respect to the offering of interests in RF II, RF III and HYREDF IV. C-III Parent has previously paid Anubis a fee with respect to the offering of interests in RF II, RF III and HYREDF IV. C-III has designated a portion of the Management Fee payable to it by RF II, RF III and HYREDF IV as a reimbursement of the placement fee paid by C-III Parent to Anubis.

RF III previously engaged RSI as dealer manager for the offering of interests in RF III to qualified customers of third-party broker-dealers. RSI was compensated by commissions and dealer manager fees from certain limited partners of RF III who were introduced to RF III by such third-party broker-dealers. See Item 10A above.

C-III Parent also retained Anubis to solicit and refer the separate account Client to C-III SAM. C-III Parent paid Anubis a fee with respect to the solicitation and referral of the separate account Client. In such circumstances, the separate account Client did not pay any portion of any referral fee and will not pay any additional fees to C-III with respect to the advisory services provided by C-III as a result of such arrangement. C-III SAM has designated a portion of the Management Fee payable to it by the separate account Client as a reimbursement of the solicitation fee paid by C-III Parent to Anubis. See Item 10A above.

C-III has engaged (and may in the future engage) one or more affiliates, rather than an independent third party, to provide certain services to its Clients. C-III believes that the use of affiliates to provide such services rather than an independent third party is beneficial to its Clients. C-III monitors the fees charged by each such affiliate to its Clients to ensure that they are reasonable relative to the fees charged by independent third party service providers. See also Items 5.C, 8.B and 10.C above.

ITEM 15: CUSTODY

Each Client's cash and securities is required to be maintained by a "qualified custodian" in such Client's name, unless the security is otherwise exempt from this requirement (*e.g.*, certain privately offered securities).

Each General Partner is deemed to have "custody" of the assets of such Fund.

The financial statements of RF II, RF II COIV, RF III and HYREDF IV are (a) prepared in accordance with GAAP, (b) audited by an independent accounting firm that is registered with, and subject to regular examination by, the Public Company Accounting Oversight Board ("PCAOB") and (c) distributed to the Fund's investors (i) within 120 days following such Fund's fiscal year end and (ii) promptly after liquidation. Accordingly, C-III is exempt from the requirements of certain aspects of Rule 206(4)-2 under the Advisers Act for each such Fund.

Rule 206(4)-2 is not applicable to C-III with respect to a separate account Client and each CDO, because neither C-III nor any of its affiliates has "custody" (as that term is defined in Rule 206(4)-2) of the assets of a separate account or CDO.

ITEM 16: INVESTMENT DISCRETION

C-III has the authority to recommend each investment decision for each Client, in accordance with the Allocation Policies and Procedures, and subject to compliance with the investment criteria, policy and

guidelines contained in the Governing Documents of the relevant Client. Such criteria, policy and guidelines include, among other things:

- in the case of a Fund, (i) approval by such Fund's general partner, (ii) approval by such Fund's limited partners, members, independent representative(s) (if applicable) with respect to any affiliate (principal or cross) transaction between the Fund, on the one hand, and C-III, an affiliate or another Client, on the other hand, and (iii) review and approval by such Fund's advisory committee (if applicable);
- in the case of a separate account Client, compliance with the Investment Advisory Agreement (as applicable); and
- in the case of a Managed CDO, (i) approval by the independent member of such CDO's advisory committee, advisory management committee or investment management committee, with respect to any affiliate (principal or cross) transaction between the CDO, on the one hand, and C-III, an affiliate or another Client, on the other hand, and (ii) approval by one or more rating agencies.

C-III has discretion to recommend the investments to be acquired and/or sold, the amount of Client capital to be invested, the broker-dealers to execute transactions and the price and timing of a Client's purchases and sales.

C3IM does not have investment discretion with respect to the Static CDOs.

ITEM 17: VOTING CLIENT SECURITIES

Clients do not often receive proxies and, accordingly, C-III is generally not called upon to vote proxies. If C-III were to receive a proxy on behalf of a Client and is requested or required to vote a proxy, C-III will consider, among other things, the financial interests of the applicable Client and the recommendation of management on the particular issue.

In reviewing the proxy statements, C-III will seek to identify any potential conflict of interest with the company and determine, on a case-by-case basis, if the conflict is material. If material, C-III will determine, in light of all the facts then currently available, the manner by which to proceed. This may, or may not include abstention from voting such proxy. C-III will document its decision making process with respect to resolving material conflicts of interest.

C-III has adopted Proxy Voting Policies and Procedures as set forth in the Compliance Manual whereby it exercises discretion to vote proxies for Client securities. A copy of these policies and procedures, as well as a record of all proxy decisions and any documentation maintained with respect to proxy votes, is available to each existing and prospective Client and investor by contacting Lawrence S. Block, C-III's Chief Compliance Officer, at (212) 705-5090 or by e-mail at lblock@c3cp.com.

ITEM 18: FINANCIAL INFORMATION

A. PREPAYMENT

C-III does not require or solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance.

B. FINANCIAL CONDITION DISCLOSURES

C-III is not aware of any financial condition or commitment that is reasonably likely to impair its ability to satisfy its contractual and fiduciary commitments to each of its Clients.

C. BANKRUPTCY

C-III has never been the subject of a bankruptcy proceeding.

ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Not applicable.

MISCELLANEOUS: ADDITIONAL INFORMATION

A. RELYING ADVISER

C3IM (the filing adviser) and C-III SAM (a relying adviser) (as described in Section 4.B. above) are together filing a single Form ADV in accordance with Form ADV's General Instructions.

B. OTHER ADVISERS RELYING ON THE REGISTRATION OF C3IM

Each General Partner (as described in Section 4.B. above) is relying on C3IM's registration under the Advisers Act and is not registering itself, in accordance with the 2005 SEC Letter and Form ADV's General Instructions.

C. BUSINESS CONTINUITY PLAN

C-III is covered under ICG's and C-III Parent's Business Continuity Plan. ICG's and C-III Parent's Business Continuity Plan is drafted with the expectation that in the event of a significant business disruption, ICG, C-III Parent and/or their affiliates (including C-III) shall, as quickly as practicable and to the extent reasonably feasible given the scope and severity of the significant business disruption: safeguard each Supervised Person and property; recover and resume business operations; make financial and operational assessments; protect its books and records, including Client and investor information; and assist investors to transact business.

A copy of ICG's and C-III Parent's Business Continuity Plan Summary is available to each existing Client and investor by contacting Lawrence S. Block, ICG's and C-III Parent's Chief Compliance Officer, at (212) 705-5090 or by e-mail at lblock@c3cp.com.

D. PRIVACY POLICIES AND PROCEDURES

C-III has adopted Privacy Policy and Procedures as set forth in the Compliance Manual and distributes a Privacy Policy Notice to each existing and prospective Client and investor upon entering into an advisory relationship and annual thereafter that explains the manner in which C-III and its affiliates collect, utilize and maintain non-public personal information about investors who are individuals, as required under federal and other applicable law. C-III is committed to protecting Client's and each investor's privacy and maintaining the confidentiality and security of an investor's personal information and restricts access to personal account information to those Supervised Persons who need to know that information to provide C-III's products and services.



C-III Investment Management

C-III also maintains appropriate physical, electronic and procedural safeguards to guard each Client's and each investor's non-public personal information.

A copy of C-III's Privacy Policy Notice is posted on C-III Parent's website at www.c3cp.com and is available to each existing and prospective Client and investor by contacting Lawrence S. Block, C-III's Chief Compliance Officer, at (212) 705-5090 or by e-mail at lblock@c3cp.com.

[End of Brochure]