

## **Form ADV Part 2A**

### **Sculptor Advisors LLC**

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**Firm Brochure**  
**November 27, 2023**

**This Brochure provides information about the qualifications and business practices of Sculptor Advisors LLC (the “Adviser”).**

**The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. Registration as an investment adviser does not imply any level of skill or training. This Brochure contains certain material information in the manner and format promulgated by the SEC. Additional information, which must be read and considered with the information in this Brochure, is found in other documents, including, as applicable, offering memoranda and/or investment management agreements, among others. Please also read and understand the entire Brochure, as responses to certain Items also respond to or provide additional or fuller information regarding the responses to other Items.**

**A copy of our Brochure may be requested by contacting us at (212) 790-0000 or by email at [ADV@sculptor.com](mailto:ADV@sculptor.com). Additional information is also available via the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or at [www.sculptor.com](http://www.sculptor.com).**

## **Item 2 – Material Changes**

This document serves as the Adviser's Brochure and is dated as of November 27, 2023.

This Brochure has been amended from the last annual Brochure amendment dated March 31, 2023 to reflect the following changes:

Item 4 has been updated with respect to the Firm being acquired and indirectly owned by Rithm Capital Corp. ("RITM"), resulting in the de-listing of our affiliate, Sculptor Capital Management, Inc. ("SCU").

Item 10 has been updated to add one of the Adviser's affiliates, and separately to remove one of the Adviser's affiliates.

### **Item 3 – Table of Contents**

Item 1 – Cover Page.....	1
Item 2 – Material Changes.....	2
Item 3 – Table of Contents.....	3
Item 4 – Advisory Business.....	4
Item 5 – Fees and Compensation.....	6
Item 6 – Performance-Based Fees and Side-by-Side Management.....	11
Item 7 – Types of Clients.....	12
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	13
Item 9 – Disciplinary Information.....	69
Item 10 – Other Financial Industry Activities and Affiliations.....	72
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	74
Item 12 – Brokerage Practices.....	80
Item 13 – Review of Accounts.....	94
Item 14 – Client Referrals and Other Compensation.....	94
Item 15 – Custody.....	95
Item 16 – Investment Discretion.....	95
Item 17 – Voting Client Securities.....	96
Item 18 – Financial Information.....	97

## **Item 4 – Advisory Business**

### **A. General Description of Advisory Firm**

The Adviser, directly or indirectly through its subsidiaries, provides investment advisory services to Sculptor Diversified Real Estate Income Trust, Inc. and its consolidated subsidiaries, including Sculptor REIT Operating Partnership, LP (“the Operating Partnership,” and collectively with Sculptor Diversified Real Estate Income Trust, Inc., “Sculptor REIT”), and any other future investment advisory clients of the Adviser (collectively, and together with Sculptor REIT, the “Clients”).

The Adviser is wholly owned by Sculptor Real Estate Advisors LP, which is wholly owned by Sculptor Capital LP (together with the Adviser and, where applicable, its affiliated advisers, “Sculptor,” or the “Firm”). The Firm was founded in 1994 and is indirectly owned by Rithm Capital Corp. (“RITM”), a publicly traded company listed on the New York Stock Exchange (“NYSE”) under the ticker symbol “RITM,” which acquired the Firm on November 17, 2023. The Firm is also owned in part by its limited partners who are principals.

The Adviser is registered with the SEC as an investment adviser pursuant to the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

### **B. Description of Advisory Services**

Sculptor is a global institutional asset management firm that provides investment advice on a discretionary and non-discretionary basis. More specifically, the Adviser is responsible for sourcing, evaluating and monitoring the investment opportunities of Sculptor REIT and making decisions related to the acquisition, management, financing and disposition of Sculptor REIT’s assets in accordance with its investment objectives, guidelines, policies and limitations, subject at all times to the terms and conditions of the advisory agreement between the Adviser and Sculptor REIT (the “Sculptor REIT Advisory Agreement”) and to the supervision of the board of directors of Sculptor REIT.

While not currently expected, to the extent the Adviser were to serve as investment adviser to other Clients in addition to Sculptor REIT, it would do so pursuant to the terms and conditions of applicable advisory agreements. The Adviser tailors its advisory services to the particular needs of each Client. However, the specific needs of the individual investors in a Client are not the basis for recommendations by the Adviser. Investment advice is provided directly to the Client, not individually to the respective investors in the Client.

The Adviser provides investment advice regarding income-oriented commercial real estate across a variety of both traditional and non-traditional sectors in the United States and Europe, including equity interests, debt and hybrid investment structures, and to a lesser extent, real estate-related securities. In performing investment advisory services for Clients, Sculptor acts as a fiduciary. Sculptor’s fiduciary duty derives from Section 206 of the Advisers Act and includes an:

- Obligation to disclose all material conflicts of interest to the Clients;

- Obligation to disclose if the Adviser, or an affiliate of the Adviser, receives additional compensation from a Client or a third party as a result of Sculptor’s relationship with a Client;
- Obligation to obtain informed consent before engaging in certain transactions with Clients for its own account, that of an affiliate, or another Client when acting in an advisory capacity;
- Obligation to treat all advisory clients fairly and equitably over time, and not unfairly advantage one Client to the disadvantage of another over time;
- Obligation to make investment decisions that are suitable and appropriate for Clients and consistent with their investment objectives, goals, and restrictions placed on the Adviser; and
- Obligation to act in what the Adviser reasonably believes to be in each Client’s best interests and, in the event of a conflict of interest, place each Client’s interests before the Adviser’s and its affiliates’ own interests.

Throughout this Brochure, the Adviser discloses actual and potential conflicts of interest. In addition, the Firm has adopted policies designed to mitigate any conflicts that arise or may arise. We encourage Clients, investors, and prospective Clients to review these policies and inquire directly with Sculptor about them. Sculptor’s conflict policies—and all policies described in this Brochure—are available for review by Clients and investors, in the Firm’s offices or on a password-protected website.

In addition to such policies, the Firm has established an internal Compliance and Conflicts Committee (the “Conflicts Committee”), which seeks to mitigate certain conflicts by considering and reviewing them to determine appropriate actions, as needed. Separately, Sculptor REIT’s corporate governance guidelines require it to have a standing affiliated transaction committee of the board of directors composed of all the independent directors.

Further, any Clients’ offering materials (including the private placement memorandum (“PPM”) of Sculptor REIT) identify in additional detail certain conflicts of interest and specific risks that exist or may exist and may set forth additional conflict resolution procedures. A copy of any Clients’ most current offering materials (including the PPM) of Sculptor REIT) is available upon request to investors in those Clients, as applicable.

To ensure that employees have the information and skills necessary to perform their duties in accordance with all applicable laws, regulations, the terms of any Clients’ most current offering materials (including the PPM of Sculptor REIT), and Sculptor’s requirements for the workplace, all Firm employees are required to complete certain annual trainings. Mandatory annual compliance trainings are designed to reinforce our policies and procedures for the handling of material non-public information, conflicts of interest, and employee securities trading. Annual training specifically targeted at ensuring the understanding of, and compliance with, the Foreign Corrupt Practices Act and, as applicable, other foreign anti-corruption laws and regulations is also

mandatory. Mandatory annual trainings also cover areas relating to information security and harassment prevention.

C. Availability of Customized Services for Clients

The investment objectives, guidelines, and any investment restrictions applicable to the Clients, including Sculptor REIT, are described in the relevant offering documents and are not tailored to the needs of specific investors in the Clients.

D. Wrap Fee Programs

As of the date of this Brochure, the Firm does not currently participate in any wrap fee programs (as defined by the SEC) but may do so in the future.

E. Assets Under Management

As of November 1, 2023, the Adviser managed approximately \$232.0 million in assets on a discretionary basis and no client assets on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

### ***Management Fees***

The Adviser charges Sculptor REIT a management fee of 1.25% with respect to Class D, Class I and Class S; 0.75% with respect to Class A and Class AA; and 0.5% with respect to Class F and Class FF of Sculptor REIT's aggregate net asset value ("NAV") per annum payable monthly in arrears. Additionally, to the extent that the Operating Partnership issues Operating Partnership units to parties other than Sculptor REIT, the Operating Partnership will pay the Adviser a management fee equal to 1.25% of aggregate of the NAV of the Operating Partnership attributable to such Operating Partnership units not held by Sculptor REIT per annum payable monthly in arrears. As set forth in Item 6 below, the Adviser is also entitled to receive incentive fees in the form of performance participation interests.

Management fees and incentive fees are otherwise calculated based on the terms set forth in a Client's offering materials (including the PPM of Sculptor REIT) and other constituent documents and are paid in a manner consistent with such documents. Investors should review carefully the specific terms set forth in the relevant Client's offering documents (including the PPM of Sculptor REIT).

Management fees and incentive fees are generally subject to modification, waiver or reduction by the Adviser. The Adviser negotiates specific terms of investment for certain investors that differ from the terms applicable to other investors. As a result, certain investors receive additional benefits that other investors will not receive, such as economic arrangements. Fees may differ from one Client to another, as well as among investors with the same Client or tranche.

The Adviser offers different tranches or different share classes of securities in the Sculptor REIT that may afford preferential rights to certain investors (such as "founders shares") that differ from

the terms and economics applicable to other investors, including for instance different management fees and terms relating to performance participation interests. Any such tranches or different share classes will be offered in accordance with the Sculptor REIT's offering materials.

### ***Other Fees Payable to the Adviser and its Affiliates***

Sculptor REIT may retain certain of the Adviser's affiliates, from time to time, for services relating to its investments or its operations, which may include property management services, leasing services, corporate services, statutory services, transaction support services (including but not limited to coordinating with brokers, lawyers, accountants and other advisors, assembling relevant information, conducting financial and market analyses and coordinating closing procedures), construction and development management and loan arrangement, management and servicing, and within one or more such categories, providing services in respect of asset or investment administration, accounting, technology, tax preparation, finance (including but not limited to budget preparation and preparation and maintenance of corporate models), treasury, operational coordination, risk management, insurance placement, human resources, legal and compliance, valuation and reporting-related services, as well as services related to mortgage servicing, group purchasing, health care, consulting/brokerage, capital markets/credit origination, property, title and other types of insurance, management consulting and other similar operational matters. Any fees paid to the Adviser's affiliates for any such services will not reduce the management fee. Any such arrangements will be at market rates.

### ***Additional Expenses***

The Adviser is entitled to reimbursement of all costs and expenses incurred by it or its affiliates on Sculptor REIT's behalf, provided that the Adviser is currently responsible for the expenses related to any and all personnel of the Adviser who provide investment advisory services to Sculptor REIT pursuant to the Advisory Agreement (including, without limitation, each of the executive officers and any directors who are also directors, officers or employees of the Adviser or any of its affiliates), including, without limitation, salaries, bonus and other wages, payroll taxes and the cost of employee benefit plans of such personnel, and costs of insurance with respect to such personnel. Without limiting the generality of the foregoing, costs eligible for reimbursement include for out-of-pocket costs and expenses the Adviser incurs in connection with the services it provides to Sculptor REIT related to (1) organization and offering expenses but excluding upfront selling commissions and distribution fees, (2) the actual cost of goods and services used by Sculptor REIT and obtained from third parties, including fees paid to administrators, consultants, attorneys, technology providers and other services providers, and brokerage fees paid in connection with the purchase and sale of investments and securities, (3) expenses of managing and operating Sculptor REIT's properties, whether payable to an affiliate or a non-affiliated person, and (4) out-of-pocket expenses in connection with the selection and acquisition of properties and real estate debt, whether or not such investments are acquired. Such out-of-pocket costs and expenses will include expenses relating to compliance-related matters and regulatory filings relating to Sculptor REIT's activities (including, without limitation, expenses relating to the preparation and filing of Form PF, Form ADV, reports to be filed with the CFTC, reports, disclosures, and/or other regulatory filings of the Adviser and its affiliates relating to Sculptor REIT's activities (including Sculptor REIT's pro rata share of the costs of the Adviser and its affiliates of regulatory expenses that relate to Sculptor REIT and other Sculptor Clients)). Sculptor

REIT may change its expense reimbursement arrangements with the Adviser in the future.

If expenses are incurred in connection with an investment that is not ultimately consummated by any Clients of Sculptor and its affiliates, including Sculptor REIT, (“Sculptor Clients”), e.g., due diligence expenses, investment-related travel expenses, legal and other professional service expenses (“Broken Deal Expenses”), these expenses generally are borne *pro rata* by the Sculptor Clients, including Sculptor REIT, who would have participated in the investment had the investment been consummated; provided, that any Broken Deal Expenses incurred in connection with a Co-Investment Transaction (as defined below in Item 12) are allocated as set forth in Item 12.

Please refer to Item 12 below for additional information regarding the factors Sculptor considers in selecting broker-dealers for Sculptor Client transactions and in assessing the reasonableness of their compensation.

### ***Related Conflicts***

Strategic Relationships, Joint Ventures and Affiliated SPACs. Sculptor and its affiliates invest (either directly or through joint ventures or other strategic relationships, and in minority or majority positions) in asset managers, general partners, or other entities (“Sculptor Management Entities”), including in such Management Entities formed to sponsor SPACs. Sculptor Clients sometimes invest in investment funds or other vehicles managed by Sculptor Management Entities without receiving an economic interest or revenue share in such Sculptor Management Entities. If a Sculptor Client is subject to an incentive allocation or pays a management fee to a Sculptor Management Entity which accrues to the benefit of Sculptor or its affiliates, the portion of such allocation or fee that benefits Sculptor or its affiliates will be offset against other fees or allocations due to Sculptor or its affiliates. Any incentive allocation, performance fee, or management fee that accrues to the benefit of any owner of a Sculptor Management Entity (other than Sculptor, its affiliates, or any of their respective employees) or any expenses of Sculptor Management Entities, or expenses charged to underlying funds or vehicles in which a Sculptor Client is directly or indirectly invested, will not be offset against any other fees due to Sculptor or its affiliates. Notwithstanding any offset of fees or compensation as described above, Sculptor will nonetheless benefit indirectly from the allocation of Sculptor Client capital to the funds or vehicles with economic arrangements with Sculptor Management Entities.

In addition, the Firm has a conflict of interest in determining whether to invest a Sculptor Client’s capital in any Sculptor Client and/or any such investment vehicle managed by such a joint venture or strategic relationship, including any fund or vehicle that has been capitalized with substantial investments by partners, principals, employees and other affiliates, in each case, of the Adviser.

From time to time, Sculptor Clients (i) are allocated investments in subordinated notes or equity investments in affiliated collateralized loan obligations (“CLOs”), affiliated collateralized bond obligations (“CBOs”), affiliated securitizations or one or more other vehicles established to make investments in other similar securities or strategies or (ii) may be allocated investments in one or more affiliated SPACs including under a Forward Purchase Agreement (“FPA”) or in connection with the consummation of a private investment in public equity (“PIPE”) transaction, in each case, as the Firm believes appropriate in accordance with each Sculptor Client’s investment objectives



and the Firm's investment allocation policies and procedures. Please refer to "Allocation of Aggregated Orders and Other Investment Opportunities" in Item 12 for more detailed information regarding the Firm's allocation policies and procedures. Sculptor Clients may also, under certain circumstances, purchase other tranches of securities (in addition to subordinated notes) issued by an affiliated CLO/CBO or an affiliated securitization and purchase subordinated notes or other tranches of securities in the secondary market. Additionally, the Firm and/or its affiliates expect, from time to time, to provide at-risk capital to affiliated SPACs in exchange for private placement warrants (each, a "Private Warrant"). Affiliates of the Adviser receive management fees and incentive fees from affiliated CLOs/CBOs, affiliated securitizations and affiliated SPACs. However, in the case of a Sculptor Client's investment in an affiliated CLO, affiliated CBO or affiliated securitization, Sculptor or its affiliates will waive or rebate all fees and incentive income payable by the affiliated CLO/CBOs or affiliated securitization in proportion to the Sculptor Client's investment therein so that a Sculptor Client will not bear two layers of fees and incentive income with respect to such investments. In the case of a Sculptor Client's investment in affiliated SPACs, the Firm or its affiliates (including partners, agents, and employees) will hold SPAC sponsor shares and/or Private Warrants in connection with such affiliated SPAC's formation and initial public offering (collectively, such SPAC sponsor shares and Private Warrants, the "Affiliated SPAC Sponsor Shares"). The Affiliated SPAC Sponsor Shares will have a dilutive effect on the interests of the participants in the underlying SPAC (including any Sculptor Clients that have invested in or entered into agreements with the affiliated SPAC) at the time of the underlying initial business combination ("IBC") or otherwise after a dilutive event. Where a Sculptor Client invests in an affiliated SPAC and there is such a dilutive event, to the extent the Firm or its affiliates benefit from such dilution, the Firm will seek to partially or completely mitigate the impact of such dilution on a Sculptor Client. For example, the Firm may limit a Client's participation in an affiliated SPAC to a SPAC PIPE transaction that is funded on a concurrent basis with the consummation of the underlying IBC. When a Client invests in an affiliated CLO, CBO, securitization or SPAC, such investment may facilitate a successful launch of such affiliated CLO, CBO, securitization or SPAC and, although Sculptor and its affiliates will not receive additional fees or performance-based compensation from the Sculptor Client or, in the case of an affiliated SPAC, will seek to limit any dilutive effect as a result of the Sculptor Client's investment in the affiliated SPAC, such investment provides additional tangible and intangible benefits to Sculptor, such as seed capital to a vehicle that will generate fees from third-party investors including management, incentive, rental, lease, sales and/or other similar fees (as described above) as well as the development of good will. In addition, the Firm's and/or its affiliates' receipt of Affiliated SPAC Sponsor Shares, such affiliated SPAC's common stock/ordinary shares, or any other form of equity or compensation from such affiliated SPAC will create a conflict of interest where the Sculptor Client invests in such affiliated SPAC. Among other things, the sponsor of the affiliated SPAC could be incentivized to take increased investment risk or complete an IBC on terms that are less favorable to the Sculptor Client to complete an IBC within the affiliated SPAC's designated time period. This conflict will be increased as the affiliated SPAC nears the end of the designated time period. Additional conflicts will also be posed if the Sculptor Client makes a contractual commitment to an affiliated SPAC at the time of the IBC under an FPA or otherwise consummates a SPAC PIPE transaction in an affiliated SPAC.

The Firm does not expect to offer a Sculptor Client, including Sculptor REIT, participation in affiliated SPAC Sponsor Shares or Private Warrants in an affiliated SPAC, although it may.

Furthermore, neither the Firm nor any affiliate of the Firm that is the SPAC sponsor has any obligation to offer to any Sculptor Client (including Sculptor REIT) any opportunities to invest in any affiliated SPAC through an FPA, a SPAC PIPE or any other form of investment.

Notwithstanding the foregoing and that each affiliated SPAC has generally been established to pursue opportunities distinct from the investment programs, strategies, and opportunities that are customarily pursued by and suitable for Sculptor Clients, insofar as the discrete business of an affiliated SPAC is to identify, acquire and operate businesses situated to take themselves public. An affiliated SPAC's pursuit of a business in any industry, sector, or geography may be suitable and appropriate for investment by certain Sculptor Clients. Under such circumstances (i.e., where the affiliated SPAC pursues an opportunity within the investment mandate of a Sculptor Client), conflicts of interest arise with respect to the allocation of such opportunities. Any and all potential and actual conflicts relating to the allocation of investments among an affiliated SPAC and a Sculptor Client would be resolved in favor of the applicable Sculptor Client in a manner consistent with the terms of all governing Sculptor Client agreements and the Firm's fiduciary duties under the Advisers Act.

Affiliated and Unaffiliated Sub-Advisers. As discussed in Item 8 below, Sculptor has retained in the past and may retain again in the future certain sub-advisers to provide investment research and analysis and/or discretionary management to Sculptor Clients, including Sculptor REIT, (directly or through investment funds, separately managed accounts, or other structures) with respect to discrete portions of Sculptor Clients' assets. Compensation (including, without limitation, management and other fees, carried interest, profit participation, and reimbursement of operating and other expenses) to sub-advisers that are not affiliates of Sculptor will be borne by Sculptor Clients, and Sculptor will not offset, or compensate such sub-advisers from, its management fees or incentive income. Sculptor does, however, offset the compensation received against compensation received by sub-advisers that are Sculptor's wholly owned subsidiaries.

Potential Intangible or Other Benefits. The Firm and its personnel have in the past and may, from time to time in the future, receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of a Sculptor Client (including Sculptor REIT), including benefits and other discounts provided from service providers. For example, airline travel or hotel stays incurred as Sculptor Client expenses may result in "miles" or "points" or credit in loyalty/status programs to the Firm and/or its personnel, and such benefits, rewards and/or amounts (whether or not de minimis or difficult to value), will exclusively benefit the Firm and/or such personnel even though the cost of the underlying service is being borne by the Sculptor Clients and/or their investors. Any such benefits, rewards and/or amounts will not offset any fees the Firm receives or otherwise be shared with Sculptor Clients and/or their investors. In addition, airline travel incurred as a Sculptor Client expense for any Firm personnel travelling for appropriate Sculptor Client-related purposes (including, without limitation, investment-related travel expenses) may benefit such Firm personnel to the extent the trip also serves a personal purpose.

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

As noted in Item 5 above, Sculptor REIT pays the Adviser performance-based fees in the form of a performance participation interest.

The receipt of performance-based fees could motivate Sculptor to make investments that are riskier or more speculative than Sculptor would make if it did not receive performance-based fees. This incentive is particularly acute when the performance-based fees are payable only upon exceeding a hurdle rate or highwater mark, and the performance of a Client is below any such hurdle or highwater mark. In addition, as a result of net capital appreciation generally including unrealized appreciation of Client assets, Sculptor may receive more incentive income than if net capital appreciation were based solely on realized gains. Certain Sculptor Clients have objectives that are similar to, or which overlap with, those of other Sculptor Clients, including Sculptor REIT. Additionally, Sculptor and its affiliates typically retain ownership interests in their investment funds. In certain circumstances, particularly when Sculptor or its affiliates sponsor a new investment fund, platform, or other investment vehicle (because Sculptor and its affiliates may provide most of the initial seed money), the product or platform may be wholly owned or majority-owned by Sculptor or its affiliates. In such cases, Sculptor faces a conflict of interest in determining the allocation of investment opportunities because Sculptor may allocate those opportunities believed to be attractive to those accounts in which Sculptor or its affiliates have a substantial ownership interest. Additionally, certain Sculptor Clients pay higher fees to Sculptor than other Sculptor Clients, including Sculptor REIT. As a result, Sculptor faces a conflict of interest in determining the allocation of investment opportunities because Sculptor may allocate those opportunities believed to be attractive to those Sculptor Clients paying higher fees. Sculptor seeks to mitigate these conflicts by allocating investment opportunities to Sculptor Clients in accordance with the Firm's Investment Allocation Policy (the "Allocation Policy").

The Firm and its affiliates give advice and recommend securities to Sculptor Clients, including Sculptor REIT, which differs or conflicts with advice given to, or securities recommended or bought for, other Sculptor Clients, even though the investment objectives of the respective Sculptor Clients are the same or similar. As discussed in Item 12 below, the Firm and its affiliates seek to allocate investment opportunities fairly and equitably across Sculptor Clients to the extent such opportunities are appropriate for such Sculptor Clients, subject to the Firm's Investment Allocation Policy. The Allocation Policy includes periodic reviews of Sculptor Client holdings and objectives and seeks to preset allocation percentages across Sculptor Client accounts for set periods of time. However, there are certain situations in which a Sculptor Client or group of Sculptor Clients has a specific geographical, sector or strategy focus; situations (for example, seeding, ramp-ups, resets, etc.) in which specific Sculptor Clients can receive priority in allocations as disclosed in Item 12 below; or situations where an agreement exists with an unaffiliated co-sponsor or joint venture partner or other Sculptor Client, that investment opportunities appropriate for other Sculptor Clients are first allocated to these type of Sculptor Clients, with any remaining portions allocated to every other Sculptor Client. Sculptor Clients that receive investment opportunities in priority over other Sculptor Clients will, from time to time, have been initially seeded by the Firm or its affiliates, and, at the time of a referral or priority allocation, may, to the extent there has been only limited investment by third-party investors, remain wholly or principally owned by the Firm or its

affiliates. If a Sculptor Client does not receive an investment opportunity, it will not benefit from, and will have no right to profits arising out of, investments made by Sculptor Clients that did receive the investment opportunity. Certain Sculptor Clients seek more concentrated exposures to the same securities than are acceptable to other Sculptor Clients. The Firm has an Allocation Policy and related procedures to help ensure that all Sculptor Clients are treated fairly in regard to allocations over time. For additional information regarding allocation procedures, please see Item 12 below.

Sometimes, following an investment by a Sculptor Client (or Sculptor Clients), the Firm has the opportunity to make additional or follow-on investments in the same entity or a related entity. Generally, such allocations will be made *pro rata* based on the allocation of the initial investment. Occasionally, rather than allocate these additional or follow-on investment opportunities to the Sculptor Client(s) that participated in the original investment, the Firm allocates the opportunity to other Sculptor Clients (including Sculptor Clients that may be wholly or principally owned by the Firm or its affiliates) and one or more strategic investors (which may include third parties and/or other investors in Sculptor Clients). This can be done if and when the additional investment opportunity or follow-on investment could not, because of available capital, liquidity, risk limits, size, tax considerations, concentration or other reasons, be allocated in the same manner as the original investment to which it relates. Additional investment opportunities and follow-on investments can be more or less profitable than the original investment to which they relate. Follow-on investments related to Special Investments are described in Item 12 below.

From time to time, Sculptor Clients make firm commitments to provide capital for investments at a certain date in the future. At the time the investment requires funding, the Firm sometimes allocates the investment opportunity among that Sculptor Client, other Sculptor Clients eligible to participate in the investment (including other Sculptor Clients that are wholly or principally owned by the Firm or its affiliates), and/or one or more strategic investors (which sometimes includes third parties and/or Sculptor Clients). In addition, the Firm and its affiliates may establish investment platforms or strategic relationships with institutional and other clients to facilitate the investment of Sculptor Clients in certain opportunities. To the extent that other Sculptor Clients make an initial investment in or increase their investment in an investment platform, the investment will dilute the existing interest holders (and the underlying investments therein) unless the Firm determines to increase the other interest holders' commitment to the platform on a proportionate basis. Accordingly, Sculptor Clients can be disadvantaged if the Firm allocates profitable opportunities away from them or if the Firm allocates unprofitable opportunities to them.

The portfolio strategies the Firm and its affiliates use for certain Sculptor Clients conflict with the transactions and strategies the Firm employs in managing other Sculptor Clients and may affect the prices and availability of the securities and other financial instruments in which Sculptor Clients invest.

## **Item 7 – Types of Clients**

As noted in Item 4 above, the Adviser currently provides investment advice to Sculptor REIT. The Investors in Sculptor REIT may consist of individuals and retail investors, as well as institutional clients such as financial institutions, public and private pension funds, sovereign wealth funds, endowments, and foundations.

Class F and Class FF shares are available only through one financial intermediary. Purchasers of Class FF shares must purchase a minimum of \$25,000 of shares. Class F shares may be purchased through an offshore fund formed for the purpose of investing in Sculptor REIT, or directly from Sculptor REIT by institutional investors purchasing at least \$50 million of shares (unless the minimum investment amount is waived by Sculptor REIT). Purchasers of Class A and Class AA shares must purchase a minimum of \$25,000 of shares. Class S, D and I shares are expected to be issued commencing October 1, 2023. The minimum initial investment for Class S shares is expected to be \$2,500; the minimum initial investment for Class D shares is expected to be \$2,500; and the minimum initial investment for Class I shares is expected to be \$1,000,000, unless waived by Sculptor REIT.

All Investors in Sculptor REIT are subject to applicable suitability requirements. These include (without limitation) customary representations, including (without limitation) those needed to show that the Investor is an “accredited investor” as defined in Rule 501(a) of Regulation D promulgated under the Securities Act. Certain brokers have established or may in the future establish suitability standards in addition to the foregoing “accredited investor” requirement. Shares in Sculptor REIT will only be sold to Investors who meet applicable suitability standards. Suitability standards for Sculptor REIT’s Investors are as set forth in Sculptor REIT’s then current PPM, subscription agreements and other Investor documentation relating to the sale of Sculptor REIT shares to such Investor.

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

### ***Investment Strategies***

Through its affiliation with Sculptor Real Estate Advisors LP, the Adviser acquires, manages, and sells properties in the Clients’ portfolios on its behalf, subject to the supervision and oversight of its board of directors. The Clients’, including Sculptor REIT’s, investment strategy is to invest in income-oriented commercial real estate across a variety of both traditional and non-traditional sectors in the United States and Europe. The Clients invest primarily in equity interests, but also invests in debt and hybrid investment structures, as well as real estate-related securities.

The Clients’ investment strategy is expected to capitalize on Sculptor Real Estate Advisors LP’s experience investing across real estate-related asset classes to identify and acquire target investments. These asset classes may include traditional sectors (office, hotel, industrial, multifamily and retail) as well as non-traditional real estate-related asset classes, including, without limitation, cellular towers, gaming, health care, leisure-related sectors, student housing, senior housing, and manufactured housing.

## ***General Risks Related to Investments in Real Estate***

Ownership of Real Property. The Client's operating results will be affected by economic and regulatory changes that impact the real estate market in general. These risks include:

- changes in global, national, regional or local economic, demographic or capital market conditions;
- future adverse national real estate trends, including increasing vacancy rates, declining rental rates and general deterioration of market conditions;
- changes in supply of or demand for similar properties in a given market or metropolitan area, which could result in rising vacancy rates or decreasing market rental rates;
- increased competition for properties targeted by the Clients' investment strategy;
- bankruptcies, financial difficulties or lease defaults by the Clients' tenants, particularly for tenants with net leases for large properties;
- increases in interest rates and lack of availability of financing; and
- changes in government rules, regulations and fiscal policies, including changes in tax laws and increases in property taxes, changes in zoning laws, climate-change initiatives, limitations on rental rates and increasing costs to comply with environmental laws.

All of these factors are beyond the Clients' control. Any negative changes in these factors could affect the Clients' performance and its ability to meet its obligations and make distributions to stockholders.

General Market and Economic Conditions. The real estate industry generally and the success of the Clients', including Sculptor' REIT's, investment activities in particular will both be affected by global and national economic and market conditions generally and by the local economic conditions where Client properties are located, including interest rates, availability of credit, lack of price transparency, inflation rates, economic uncertainty, changes in tax and other applicable laws and regulations, trade barriers, national and international and environmental and socioeconomic circumstances. These factors may affect the level and volatility of real estate prices, which could impair the Clients' profitability or result in losses. In addition, general fluctuations in the market prices of securities and interest rates may affect the Clients' investment opportunities and the value of the Clients' investments. Sculptor's financial condition may be adversely affected by a significant economic downturn, and it may be subject to legal, regulatory, reputational and other unforeseen risks that could have a material adverse effect on Sculptor's businesses and operations (including the Adviser).

A recession or slowdown in the U.S. real estate market or one or more regional real estate markets, and to a lesser extent, the global economy (or any particular segment thereof) would have a pronounced impact on the Clients, the value of the Clients' assets and the Clients' profitability; impede the ability of the Clients assets to perform under or refinance their existing

obligations; and impair the Clients' ability to deploy the Clients' capital or realize upon investments on favorable terms. The Clients would also be affected by any overall weakening of, or disruptions in, the financial markets. Any of the foregoing events could result in substantial losses to the Clients' business, which losses will likely be exacerbated by the presence of leverage in the Clients' capital structure or the Clients' investments' capital structures.

Market disruptions in a single country could cause a worsening of conditions on a regional and even global level, and economic problems in a single country are increasingly affecting other markets and economies. A continuation of this trend could result in problems in one country adversely affecting regional and even global economic conditions and markets. For example, concerns about the fiscal stability and growth prospects of certain European countries in the last economic downturn had a negative impact on most economies of the Eurozone and global markets. The occurrence of similar crises in the future could cause increased volatility in the economies and financial markets of countries throughout a region, or even globally.

For example, as a result of the global financial crisis of 2007-2008 (the "Global Financial Crisis"), the availability of debt financing secured by commercial real estate had been significantly restricted as a result of tightened lending standards for a prolonged period. As a result of the uncertainties in the credit market, real estate investors were unable to obtain debt financing on attractive terms, which adversely affected investment returns on acquisitions or their ability to make acquisitions or property improvements. Any future financial market disruptions (including financial market distributions related to COVID-19 or future pandemics) may force the Clients to use a greater proportion of the Clients' offering proceeds to finance the Clients' acquisitions and fund property improvements, reducing the cash available to pay distributions or satisfy repurchase requests and reducing the number of acquisitions the Clients would otherwise make.

The outbreak of the COVID-19 pandemic has had a negative impact on the economy and business activity globally (including in the markets in which the Clients invest), and thereby could adversely affect the performance of the Clients' investments. Epidemics or pandemics could have particularly adverse impacts on certain industries, such as the hospitality and leisure industries, and may also have particular negative effects on certain regions in which the Clients' own investments.

Reliance on Tenants. The Clients, including Sculptor REIT, will depend on tenants for the Clients' revenue, and therefore the Clients' revenue is dependent on the success and economic viability of the Clients' tenants. the Clients' reliance on single or significant tenants in certain buildings may decrease the Clients' ability to lease vacated space and could adversely affect the Clients' income, performance, operations and ability to pay distributions. Rental income from real property will, directly or indirectly, constitute a significant portion of the Clients' income. Delays in collecting accounts receivable from tenants could adversely affect the Clients' cash flows and financial condition. In addition, the inability of a single major tenant or a number of smaller tenants to meet their rental obligations would adversely affect the Clients' income. Therefore, the Clients' financial success is indirectly dependent on the success of the businesses operated by the tenants in the Clients' properties or in the properties securing debts the Clients may own. The weakening of the financial condition of or the bankruptcy or insolvency of a significant tenant or a number of smaller tenants and vacancies caused by defaults of tenants or

the expiration of leases may adversely affect the Clients' operations and performance, and the Clients' ability to pay distributions.

Generally, under U.S. bankruptcy law, a debtor tenant has 120 days to exercise the option of assuming or rejecting the obligations under any unexpired lease for nonresidential real property, which period may be extended once by the bankruptcy court for an additional 90 days. If the tenant assumes its lease, the tenant must cure all defaults under the lease and may be required to provide adequate assurance of its future performance under the lease. If the tenant rejects the lease, the Clients' will have a claim against the tenant's bankruptcy estate. Although rent owing for the period between filing for bankruptcy and rejection of the lease may be afforded administrative expense priority and paid in full, pre-bankruptcy arrears and amounts owing under the remaining term of the lease will be afforded general unsecured claim status (absent collateral securing the claim). Moreover, amounts owing under the remaining term of the lease will be capped. Other than equity and subordinated claims, general unsecured claims are the last claims paid in a bankruptcy, and therefore funds may not be available to pay such claims in full.

Some of the Clients' properties may be leased to a single or significant tenant and, accordingly, may be suited to the particular or unique needs of such tenant. The Clients may have difficulty replacing such a tenant if the floor plan of the vacant space limits the types of businesses that can use the space without major renovation. In addition, the resale value of the property could be diminished because the market value of a particular property will depend principally upon the value of the leases of such property.

Similarly, certain of the Clients' properties, such as industrial warehouses and student housing properties, may be leased out to single tenants or tenants that are otherwise reliant on a single enterprise to remain in business, and other properties, such as hotels, will generally be operated by a single operator. Adverse impacts to such tenants, businesses or operators, including as a result of changes in market or economic conditions, natural disasters, outbreaks of an infectious disease, pandemic or any other serious public health concern, political events or other factors that may impact the operation of these properties, may have negative effects on the Clients' business and financial results. As a result, such tenants or operators may be required to suspend operations at the Clients' properties for what could be an extended period of time. Further, if such tenants default under their leases or such operators are unable to operate the Clients' properties, the Clients may not be able to enter into a new lease or operating arrangement for such properties promptly, rental rates or other terms under any new leases or operating arrangement may be less favorable than the terms of the current lease or operating arrangement or the Clients may be required to make capital improvements to such properties for a new tenant or operator, any of which could adversely impact the Clients' operating results.

Non-U.S. Investments. The Clients, including Sculptor REIT, may be subject to additional risks from non-U.S. investments. The Clients may invest in real estate located outside of the United States and real estate debt issued in, and/or backed by real estate in, countries outside the United States, including Canada, Europe and potentially elsewhere. Non-U.S. real estate and real estate-related securities involve certain factors not typically associated with investing in real estate and real estate-related securities in the U.S., including risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various non-U.S. currencies in which such investments are denominated, and costs associated with conversion of



investment principal and income from one currency into another; (ii) differences in conventions relating to documentation, settlement, corporate actions, stakeholder rights and other matters; (iii) differences between U.S. and non-U.S. real estate markets, including potential price volatility in and relative illiquidity of some non-U.S. markets; (iv) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and differences in government supervision and regulation; (v) certain economic, social and political risks, including potential exchange-control regulations, potential restrictions on non-U.S. investment and repatriation of capital, the risks associated with political, economic or social instability, including the risk of sovereign defaults, regulatory change, and the possibility of expropriation or confiscatory taxation or the imposition of withholding or other taxes on dividends, interest, capital gains, other income or gross sale or disposition proceeds, and adverse economic and political developments; (vi) the possible imposition of non-U.S. taxes on income and gains and gross sales or other proceeds recognized with respect to such investments; (vii) differing and potentially less well-developed or well-tested corporate laws regarding stakeholder rights, creditors' rights (including the rights of secured parties), fiduciary duties and the protection of investors; (viii) different laws and regulations including differences in the legal and regulatory environment or enhanced legal and regulatory compliance; (ix) political hostility to investments by foreign investors; and (x) less publicly available information. Furthermore, while the Clients may have the capacity, but not the obligation, to mitigate such additional risks, including through the utilization of certain foreign exchange hedging instruments, there is no guarantee that the Clients will be successful in mitigating such risks and in turn may introduce additional risks and expenses linked to such efforts.

Portfolio Concentration. The Clients', including Sculptor REIT's, portfolios may be heavily concentrated at any time in only a limited number of industries, geographies or investments, and, as a consequence, the Clients aggregate return may be substantially affected by the unfavorable performance of even a single investment. Concentration of the Clients investments in a particular type of asset or geography makes the Clients more susceptible to fluctuations in value resulting from adverse economic or business conditions affecting that particular type of asset or geography. Investors have no assurance as to the degree of diversification in the Clients' investments, either by geographic region or asset type.

Property Acquisitions. The Clients, including Sculptor REIT, intend to acquire properties and portfolios of properties, including large portfolios that could result in changes to the Clients' capital structure. The Clients' acquisition activities and their success are subject to the following risks:

- The Clients may be unable to complete an acquisition after making a non-refundable deposit or guarantee and incurring certain other acquisition-related costs;
- The Clients may be unable to obtain financing for acquisitions on commercially reasonable terms or at all;
- acquired properties may fail to perform as expected;

- acquired properties may be located in markets in which the Clients may face risks associated with a lack of market knowledge or understanding of the local economy, lack of business relationships in the area and unfamiliarity with local governmental and permitting procedures; and
- The Clients may be unable to integrate new acquisitions efficiently, particularly acquisitions of portfolios of properties, into the Clients existing operations.

In addition, while the Clients will invest primarily in stabilized, income-generating real estate, the Clients may also acquire assets that require some amount of capital investment in order to be renovated or repositioned. These investments are generally subject to higher risk of loss than investments in stabilized real estate, and there is no guarantee that any renovation or repositioning will be successful or that the actual costs will not be greater than the Clients' estimates.

Competition for Investment Opportunities. The Clients, including Sculptor REIT, face competition from various entities for investment opportunities in properties, including other real estate investment trusts ("REITs"), real estate operating companies, pension funds, insurance companies, investment funds and companies, partnerships and developers. In addition to third-party competitors, other programs sponsored by the Adviser and its affiliates, particularly those with investment strategies that overlap with the Clients, may seek investment opportunities in accordance with Sculptor's policies and procedures. Some of these entities, including other REITs, have greater access to capital to acquire properties than the Clients have. Competition from these entities may reduce the number of suitable investment opportunities offered to the Clients, increase the bargaining power of property owners seeking to sell or cause the Clients to pay more for an investment than the Clients otherwise would. Additionally, disruptions and dislocations in the credit markets could have a material impact on the cost and availability of debt to finance real estate acquisitions, which is a key component of the Clients' acquisition strategy. The lack of available debt on reasonable terms or at all could result in a further reduction of suitable investment opportunities and create a competitive advantage for other entities that have greater financial resources than the Clients do. In addition, over the past several years, a number of real estate funds and publicly traded and non-traded REITs have been formed and others have been consolidated (and many such existing funds have grown in size) for the purpose of investing in real estate and/or real estate-related securities. Additional real estate funds, vehicles and REITs with similar investment objectives are expected to be formed in the future by other unrelated parties, and further consolidations may occur (resulting in larger funds and vehicles). Consequently, it is expected that competition for appropriate investment opportunities would reduce the number of investment opportunities available to the Clients and adversely affect the terms, including price, upon which investments can be made. This competition may cause the Clients to acquire properties and other investments at higher prices or by using less-than-ideal capital structures, and in such case the Clients returns will be lower and the value of the Clients assets may not appreciate or may decrease significantly below the amount the Clients paid for such assets. If such events occur, you may experience a lower return on your investment.

Acquisition of Multiple Properties in a Single Transaction. From time to time, the Clients, including Sculptor REIT, may acquire multiple properties in a single transaction. Portfolio acquisitions typically are more complex and expensive than single-property acquisitions, and the risk that a multiple-property acquisition does not close may be greater than in a single-property acquisition. Portfolio acquisitions may also result in the Clients owning investments in geographically dispersed markets, placing additional demands on the Adviser in managing the properties in the portfolio. In addition, a seller may require that a group of properties be purchased as a package and/or also include certain additional investments or transactions even though, were it not part of the overall transaction, the Clients may not want to purchase one or more properties included in such portfolio or participate in additional investments or transactions. In these situations, if the Clients are unable to identify another person or entity to acquire the unwanted properties or investments, or if the seller imposes a lock-out period or other restriction on a subsequent sale, the Clients may be required to operate such properties or attempt to dispose of such properties or investments (if not subject to a lock-out period). The Clients may also share the acquisition of large portfolios of properties with the Clients' affiliates, which can result in conflicts of interest, including as to the allocation of properties within the portfolio and the prices attributable to such properties. It may also be difficult for the Adviser to analyze each property thoroughly in a large portfolio, increasing the risk that properties do not perform as anticipated. Therefore, acquiring multiple properties in a single transaction may reduce the overall yield on the Clients' portfolios.

Contracts with Non-Refundable Deposits. The Clients, including Sculptor REIT, may incur costs in connection with potential acquisitions that ultimately are not acquired. For example, the Clients may enter into contracts with non-refundable deposits to acquire certain properties. The amount deposited, if any, may be surrendered if the property is not purchased and may or may not be credited against the purchase price if the property is purchased. Additionally, the Clients may incur due diligence and other costs when considering whether to acquire an asset, and such costs will not be reduced if the transaction fails to close. Any unreturned deposits, due diligence costs and other Broken Deal Expenses will reduce the amount of cash available for further investments or distributions to the Clients' stockholders.

Third-Party Consultants and Advisors; Representations by Sellers. Before making investments, due diligence will typically be conducted in a manner that the Clients, including Sculptor REIT, deems reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, environmental, social governance, real property, regulatory and legal issues. Outside consultants, legal advisors, appraisers, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment, the costs of which will be borne by the Clients. Such involvement of third-party advisors or consultants may present a number of risks primarily relating to the Adviser's reduced control of the functions that are outsourced. In the due diligence process and making an assessment regarding a potential investment, the Adviser will rely on the resources available to it, including information provided by the seller of the investment and, in some circumstances, third-party investigations. The due diligence investigation carried out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity, particularly for large portfolio investments.

Moreover, such an investigation will not necessarily result in the investment being successful. There can be no assurance that attempts to provide downside protection with respect to investments, including pursuant to risk-management procedures described in this PPM, will achieve their desired effect, and potential investors should regard an investment in the Clients as being speculative and having a high degree of risk.

Employee or Third-Party Misconduct or Fraudulent Practices. When conducting due diligence and making an assessment regarding an investment, the Adviser will rely on the resources available to it, including information provided or reported by the seller of the investment and, in some circumstances, third-party investigations. The due diligence investigation that the Adviser carries out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful. Conduct occurring at the property, even activities that occurred prior to the Clients' (including Sculptor REIT's) investment therein, could have an adverse impact on the Clients.

In the event of fraud by the seller of any property, the Clients may suffer a partial or total loss of capital invested in that property. An additional concern is the possibility of material misrepresentation or omission on the part of the seller. Such inaccuracy or incompleteness may adversely affect the value of the Clients' investments in such property. The Client will rely upon the accuracy and completeness of representations made by sellers of properties in the due diligence process to the extent reasonable when the Clients make the Clients' investments, but cannot guarantee such accuracy or completeness.

In addition, the Clients will rely on information, including financial information and non-GAAP metrics, provided by sellers of the Clients' investments for disclosure to the Clients' investors about potential acquisitions or current assets owned by the Clients. Accordingly, although the Clients may believe such information to be accurate, such information cannot be independently verified by the Adviser, and in some cases such information may not be independently reviewed or audited while under the Clients' ownership or control or at all. The Clients cannot assure you that the financial statements or metrics of properties the Clients will acquire would not be materially different if such statements or metrics had been independently audited or reviewed.

Expedited Transactions. Investment analyses and decisions by the Adviser may be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the Adviser at the time of making an investment decision may be limited, and the Adviser may not have access to detailed information regarding the investment property or portfolio of properties, such as physical characteristics, environmental matters, zoning regulations or other local conditions affecting such investment. Therefore, no assurance can be given that the Adviser will have knowledge of all circumstances that may adversely affect an investment, and the Clients, including Sculptor REIT, may make investments which the Clients would not have made if more extensive due diligence had been undertaken. Because large portfolios of properties still generally require diligence to analyze individual properties, these risks are exacerbated in expedited transactions of large portfolios. In addition, the Adviser may use consultants, legal advisors, appraisers, accountants, investment banks and other third parties in connection with its evaluation and/or diligence of certain investments. No assurance

can be given as to the accuracy or completeness of the information provided by such third parties.

Operating Improvements. In some cases, the success of an investment will depend, in part, on the Clients' ability to restructure and effect improvements in the operations of a property. The activity of identifying and implementing restructuring programs and operating improvements at properties entails a high degree of uncertainty. There can be no assurance that the Clients will be able to successfully identify and implement such restructuring programs and improvements.

Liquidity. Because real estate investments are relatively illiquid, it could be difficult for the Clients, including Sculptor REIT, to sell one or more of the Clients' properties promptly on favorable terms. Additionally, the Clients may agree to lock-out or other provisions when the Clients acquire a property that materially restrict the Clients from selling such property or the Clients interest in such property for a period of time. This may limit the Clients' ability to change the Clients portfolio quickly in response to adverse changes in the performance of any such property or economic or market trends. In addition, U.S. federal tax laws that impose a 100% excise tax on gains from sales of dealer property by a REIT (generally, property held for sale, rather than investment) could limit the Clients' ability to sell properties and may affect the Clients' ability to sell properties without adversely affecting returns to the Clients' stockholders. These restrictions could adversely affect the Clients' results of operations and financial condition.

Litigation at the Property Level. The acquisition, ownership and disposition of real properties carry certain specific litigation risks at the property level that may reduce the Clients', including Sculptor REIT's, profitability and the return on an investment. Litigation may be commenced with respect to a property acquired by the Clients in relation to activities that took place prior to the Clients' acquisition of such property. In addition, at the time of disposition of an individual property, a potential buyer may claim that it should have been afforded the opportunity to purchase the asset or alternatively that such potential buyer should be awarded due diligence expenses incurred or statutory damages for misrepresentation relating to disclosure made, if such buyer is passed over in favor of another as part of the Clients' efforts to maximize sale proceeds. Similarly, successful buyers may later sue the Clients under various damages theories, including tort claims, for losses associated with latent defects or other problems not uncovered in due diligence.

Joint Ventures and Co-Investments. The Clients, including Sculptor REIT, may make joint venture investments with third parties and, subject to the requirements in the Clients charter, co-invest in the future with Sculptor affiliates or third parties in partnerships or other entities that own real properties. The Clients may enter into joint ventures as part of an acquisition with the seller of the properties. The Clients may acquire non-controlling interests or shared control interests in joint ventures. Even if the Clients have some control in a joint venture, the Clients may not be in a position to exercise sole decision-making authority regarding the joint venture. Investments in joint ventures may, under certain circumstances, involve risks not present were another party not involved, including the possibility that joint venture partners might become bankrupt or fail to fund their required capital contributions. Joint venture partners may have

economic or other business interests or goals that are inconsistent with the Clients' business interests or goals, and may be in a position to take actions contrary to the Clients' policies or objectives. Such investments may also have the potential risk of impasses on decisions, such as a sale, because neither the Clients nor the joint venture partner would have full control over the joint venture. Disputes between the Clients and joint venture partners may result in litigation or arbitration that would increase the Clients' expenses and prevent the Clients' officers and directors from focusing their time and effort on the Clients' business. Consequently, actions by or disputes with joint venture partners might result in subjecting properties owned by the joint venture to additional risk. In some cases, the Clients' joint venture partner may be entitled to property management fees, promote or other incentive fee payments as part of the arrangement of the joint venture. In addition, the Clients may in certain circumstances be liable for the actions of the Clients' joint venture partners.

Sculptor may cause the Clients to co-invest with other Sculptor Clients in certain types of debt investments in which the Clients do not have control rights or rights over major decisions. In such cases the Adviser and/or the other Sculptor Clients may make decisions that are not in the Clients' best interest. In addition, in connection with any investments in which the Clients participate alongside any other Sculptor Clients, the Adviser may decline to exercise, or delegate to a third party, certain control, foreclosure and similar governance rights relating to such shared investments for legal, tax, regulatory or other reasons. There is no guarantee that the Clients will be able to co-invest with any other Sculptor Client. The Clients will not participate in joint ventures in which the Clients do not have or share control to the extent that the Clients believe such participation would potentially threaten the Clients' status as a non-investment company exempt from the Investment Company Act of 1940, as amended (the "Investment Company Act"). This may prevent the Clients from receiving an allocation with respect to certain investment opportunities that are suitable for both the Clients and one or more other Sculptor Clients.

If the Clients have a right of first refusal to buy out a joint venture partner, the Clients may be unable to finance such a buy-out if it becomes exercisable or the Clients are required to purchase such interest at a time when it would not otherwise be in the Clients' best interest to do so. If the Clients' interest is subject to a buy/sell right, the Clients may not have sufficient cash, available borrowing capacity or other capital resources to allow such Clients to elect to purchase an interest of a joint venture partner subject to the buy/sell right, in which case the Clients may be forced to sell the Clients' interests as the result of the exercise of such right when the Clients' would otherwise prefer to keep the Clients' interests. In some joint ventures, a Client may be obligated to buy all or a portion of a Client's joint venture partner's interest in connection with a crystallization event, and such Client may be unable to finance such a buyout when such crystallization event occurs, which may result in interest or other penalties accruing on the purchase price. If a Client buys the Client's joint venture partner's interest, the Client will have increased exposure in the underlying investment. The price a Client uses to buy the Client's joint venture partner's interest or sell the Client's interest will typically be determined by negotiations between the Client and the Client's joint venture partner, and there is no assurance that such price will be representative of the value of the underlying property or equal to the Client's then-current valuation of the Client's interest in the joint venture that is used to calculate the Client's NAV. Finally, the Client may not be able to sell the Client's interest in a joint venture if the Client desires to exit the venture for any reason, or, if the Client's interest is subject to a right of first

refusal of the Client's joint venture partner, the Client's ability to sell such interest may be adversely impacted by such right. Joint ownership arrangements with Sculptor affiliates may also entail further conflicts of interest. Joint venture partners may receive ongoing fees in connection with providing service to the joint venture or its properties, including promote payments, beyond their equity investment, which would reduce the amount of the Client's economic interest.

Some additional risks and conflicts related to the Clients' joint venture investments (including joint venture investments with Sculptor affiliates) include:

- The joint venture partner could have economic or other interests that are inconsistent with or different from the Clients' interests, including interests relating to the financing, management, operation, leasing or sale of the assets purchased by such joint venture.
- The Clients' joint venture partners may receive ongoing fees from the Clients' joint ventures, including promote payments and potential buyouts of their equity investments, all of which may reduce amounts otherwise payable to the Clients.
- Tax, Investment Company Act and other regulatory requirements applicable to the joint venture partner could cause it to want to take actions contrary to the Clients' interests.
- The joint venture partner could have joint control or joint governance of the joint venture even in cases where its economic stake in the joint venture is significantly less than the Clients'.
- Under the joint venture arrangement, it is possible that neither the Clients nor the joint venture partner will be in a position to unilaterally control the joint venture, and deadlocks may occur. Such deadlocks could adversely impact the operations and profitability of the joint venture, including as a result of the inability of the joint venture to act quickly in connection with a potential acquisition or disposition. In addition, depending on the governance structure of such joint venture partner, decisions of such vehicle may be subject to approval by individuals who are independent of Sculptor.
- Under the joint venture arrangement, Clients and the joint venture partner may have a buy/sell right and, as a result of an impasse that triggers the exercise of such right, the Client could be forced to sell the Clients' investment in the joint venture, or buy the joint venture partner's share of the joint venture at a time when it would not otherwise be in the Clients' best interest to do so.
- The Clients' participation in investments in which a joint venture partner participates will be less than what the Clients' participation would have been had such joint venture partner not participated, and because there may be no limit on the amount of capital that such joint venture partner can raise, the degree of the Clients' participation in such investments may decrease over time.
- Under the joint venture arrangement, the Clients and the joint venture partner could each have preemptive rights in respect of future issuances by the joint venture, which could limit a joint venture's ability to attract new third-party capital.

- Under the joint venture arrangement, the Clients and the joint venture partner could be subject to lock-ups, which could prevent the Clients from disposing of the Clients' interests in the joint venture at a time it determines it would be advantageous to exit. The joint venture partner could have a right of first refusal, tag-along rights, drag-along rights, consent rights or other similar rights in respect of any transfers of the ownership interests in the joint venture to third parties, which could have the effect of making such transfers more complicated or limiting or delaying the Clients from selling the Clients interests in the applicable investment.

Furthermore, the Clients may have conflicting fiduciary obligations if the Clients acquire properties with the Clients' affiliates or other related entities; as a result, in any such transaction the Clients may not have the benefit of arm's-length negotiations of the type normally conducted between unrelated parties.

Expenses and Liabilities of Portfolio Entity Employees. The Clients, including Sculptor REIT, may acquire portfolio entities with employees and thereby become subject to expenses and liabilities related to such employees. These expenses and liabilities could include compensation, overhead and other administrative costs, as well as potential liabilities that are commonly faced by employers, such as workers' disability and compensation claims, potential labor disputes and other employee-related liabilities and grievances. The Clients may also be subject to other operational risks from such employees, including cybersecurity risks or as a result of employee error or malfeasance. In addition, the Clients may encounter unforeseen costs and expenses associated with acquiring such portfolio entities, and such expenses may have an adverse effect on the Clients' results of operations.

Reliance on Property Management Companies and Leasing Agents. The Adviser intends to hire management companies to manage the Clients', including Sculptor REIT's, properties and leasing agents to lease vacancies in the Clients properties. These management companies may be the Clients partners in joint ventures that the Clients enters into. The management companies will have significant decision-making authority with respect to the management of the Clients properties. In cases where the Clients uses third-party property managers, the Clients' ability to direct and control how the Clients' properties are managed on a day-to-day basis may be limited. Thus, the success of the Clients' business may depend in large part on the ability of the Clients' management companies to manage the day-to-day operations and the ability of the Clients' leasing agents to lease vacancies in the Clients' properties. Any adversity experienced by, or problems in the Clients' relationship with, the Clients' management companies or leasing agents could adversely impact the operation and profitability of the Clients' properties.

Inability to Renew Expiring Leases. The Clients, including Sculptor REIT, may not be able to lease properties that are vacant or become vacant because a tenant decides not to renew its lease or by the continued default of a tenant under its lease. In addition, certain of the properties the Clients acquire may have some level of vacancy at the time of acquisition. Certain other properties may be specifically suited to the particular needs of a tenant and may become vacant



after the Clients acquire them. Even if a tenant renews its lease or the Clients enter into a lease with a new tenant, the terms of the new lease may be less favorable than the terms of the old lease. In addition, the resale value of the property could be diminished because the market value may depend principally upon the value of the property's leases. If the Clients are unable to renew or enter into new leases promptly, or if the rental rates are lower than expected, the Clients' results of operations and financial condition will be adversely affected. For example, following the termination or expiration of a tenant's lease, there may be a period of time before the Clients will begin receiving rental payments under a replacement lease. During that period, the Clients will continue to bear fixed expenses such as interest, real estate taxes, maintenance, security, repairs and other operating expenses. In addition, declining economic conditions may impair the Clients ability to attract replacement tenants and achieve rental rates equal to or greater than the rents paid under previous leases. Increased competition for tenants may require the Clients to make capital improvements to properties that would not have otherwise been planned. Any unbudgeted capital improvements that the Clients undertakes may divert cash that would otherwise be available for distributions or for satisfying repurchase requests. Ultimately, to the extent that the Clients are unable to renew leases or relet space as leases expire, decreased cash flow from tenants will result, which could adversely impact the Clients' operating results.

The Clients may be required to expend funds to correct defects or to make improvements before a tenant can be found for a property at an attractive lease rate or an investment in a property can be sold. No assurance can be given that the Clients will have funds available to correct those defects or to make those improvements. In acquiring a property, the Clients may agree to lock-out provisions that materially restrict the Clients from selling that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed on that property. These factors and others that could impede the Clients' ability to respond to adverse changes in the performance of the Clients' properties could significantly affect the Clients' financial condition and operating results.

Long-Term Leases. The Clients, including Sculptor REIT, may seek to negotiate longer-term leases to reduce the cash flow volatility associated with lease rollovers, provided that contractual rent increases are generally included. In addition, where appropriate, the Clients will seek leases that provide for operating expenses, or expense increases, to be paid by the tenants. These leases may allow tenants to renew the lease with pre-defined rate increases. If the Clients do not accurately judge the potential for increases in market rental rates, or if the Clients' negotiated increases provide for a discount to then-current market rental rates (in exchange for lower volatility), the Clients may set the rental rates of these long-term leases at levels such that, even after contractual rental increases, the resulting rental rates are less than then-current market rental rates. Further, the Clients may be unable to terminate those leases or adjust the rent to then-prevailing market rates. As a result, the Clients' income and distributions to the Clients' stockholders could be lower than if the Clients did not enter into long-term leases.

Short-Term Leases. To the extent the Clients, including Sculptor REIT, invests in any properties with short-term leases, such as multifamily residential properties, the Clients may suffer losses if market rents decline. Thus, the Clients' ability to make distributions to you may be less certain than if the Clients were to buy real estate with longer lease terms.

No Title to Underlying Land. The Clients, including Sculptor REIT, may invest from time to time in real properties without acquiring title to the underlying land, exposing it to greater risks. This means that while the Clients would have a right to use the property, the Clients would not hold fee title to the underlying land. Accordingly, the Clients would have no economic interest in the land, or, in many instances, the improvements located on the land, at the expiration of the ground lease, easement or permit. As the remaining term of a ground lease gets shorter, the prospect of expiration of the ground lease can result in a discount in its value and difficulty subleasing the property. In addition, a default by the Clients under the ground lease or easement could cause a termination of the ground lease or easement, which may adversely impact performance. Finally, there are complexities associated with financing a ground leasehold or easement interest.

Significant Competition. The Clients, including Sculptor REIT, may face significant competition from owners, operators and developers of properties. Many of the Clients' properties will face competition from similar properties in the same market. This competition may affect the Clients' ability to attract and retain tenants and may reduce the rents the Clients are able to charge. These competing properties may have vacancy rates higher than the Clients' properties, which may result in their owners being willing to lease available space at lower prices than the space in the Clients' properties. If one of the Clients' properties were to lose an anchor tenant, this could impact the leases of other tenants, who may be able to modify or terminate their leases as a result.

Property Loss or Damage. The Clients, including Sculptor REIT, may experience material losses related to the Clients' properties arising from natural disasters, such as extreme weather events, climate change, earthquakes or floods, and acts of God, vandalism or other crime, faulty construction or accidents, fire, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, acts of terrorism or other catastrophes. The Clients plan to carry insurance covering the Clients' properties under policies the Adviser deems appropriate. The Adviser will select policy specifications and insured limits that it believes to be appropriate and adequate given the relative risk of loss, the cost of the coverage and industry practice. Insurance policies on the Clients' properties may include some coverage for losses that are generally catastrophic in nature, such as losses due to terrorism, earthquakes and floods, but the Clients cannot assure you that it will be adequate to cover all losses, and some of the Clients' policies will be insured subject to limitations involving large deductibles or co-payments and policy limits that may not be sufficient to cover losses. In general, losses related to terrorism are becoming harder and more expensive to insure against. In some cases, the insurers exclude terrorism; in others the coverage against terrorist acts is limited, or available only for a significant price. A similar dynamic has been unfolding with respect to certain weather and fire events, with insurers excluding certain investments that have high risk of weather, earthquake or fire events. If the climate continues to warm, the Clients expect the frequency and impact of weather-related events and conditions will increase as well. As a result, not all investments may be insured against terrorism, weather or fire. If the Clients or one or more of the Clients' tenants experience a loss that is uninsured or that exceeds policy limits, the Clients could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties are subject to recourse indebtedness, the Clients would continue to be liable for the indebtedness, even if these properties were irreparably

damaged. Certain of these events, such as war or an outbreak of an infectious disease, could have a broader negative impact on the global or local economy, thereby affecting the Clients or the Adviser.

Liability for Environmental Violations. The Clients, including Sculptor REIT, could become subject to liability in the form of fines or damages for noncompliance with environmental laws and regulations. These laws and regulations generally govern wastewater discharges, air emissions, the operation and removal of underground and above-ground storage tanks, the use, storage, treatment, transportation and disposal of solid hazardous materials, the remediation of contaminated property associated with the disposal of solid and hazardous materials and other health- and safety-related concerns. Some of these laws and regulations may impose joint and several liability on tenants, owners or managers for the costs of investigation or remediation of contaminated properties, regardless of fault or the legality of the original disposal. Under various federal, state and local environmental laws, ordinances and regulations, a current or former owner or manager of real property may be liable for the cost to remove or remediate hazardous or toxic substances, wastes or petroleum products on, under, from or in such property. These costs could be substantial, and liability under these laws may attach whether or not the owner or manager knew of, or was responsible for, the presence of such contamination. Even if more than one person may have been responsible for the contamination, each liable party may be held entirely responsible for all of the clean-up costs incurred.

In addition, third parties may sue the owner or manager of a property for damages based on personal injury, loss of or damage to natural resources, property damage or for other costs, including investigation and clean-up costs, resulting from the environmental contamination. The presence of contamination on one of the Clients' properties, or the failure to properly remediate a contaminated property, could give rise to a lien in favor of the government for costs it may incur to address the contamination, or otherwise adversely affect the Clients' ability to sell or lease the property or borrow using the property as collateral. In addition, if contamination is discovered on the Clients' properties, environmental laws may impose restrictions on the manner in which the property may be used or businesses may be operated, and these restrictions may require substantial expenditures or prevent the Clients from entering into leases with prospective tenants. There can be no assurance that future laws, ordinances or regulations will not impose any material environmental liability, or that the environmental condition of the Clients' properties will not be affected by the operations of the tenants, by the existing condition of the land, and/or by operations in the vicinity of the properties. There can be no assurance that these laws, or changes in these laws, will not have a material adverse effect on the Clients' business, results of operations or financial condition. The Clients could also suffer losses if reserves or insurance proceeds prove inadequate to cover any such matters. The cost to perform any remediation, and the cost to defend against any related claims, could exceed the value of the relevant investment, and in such cases the Clients could be forced to satisfy the claims from other assets and investments. The Clients may have an indemnity from a third party purporting to cover these liabilities, but there can be no assurance as to the financial viability of any indemnifying party at the time a claim arises. The Clients may also provide such an indemnity to a purchaser of a property, which could adversely affect the profitability of any such disposition. In addition, some environmental laws create a lien on a contaminated asset in favor of governments or government agencies for costs they may incur in connection with the contamination.

Compliance with Laws. The Clients' costs associated with complying with the Americans with Disabilities Act of 1990 (the "ADA"), or the Fair Housing Amendment Act of 1988 (the "FHAA") may affect cash available for distributions. Any domestic properties the Clients acquire will generally be subject to the ADA. Under the ADA, all places of public accommodation are required to comply with federal requirements related to access and use by disabled persons. The ADA has separate compliance requirements for "public accommodations" and "commercial facilities" that generally require that buildings and services be made accessible and available to people with disabilities. The ADA's requirements could require removal of access barriers and could result in the imposition of injunctive relief, monetary penalties or, in some cases, an award of damages. The Clients may not acquire properties that comply with the ADA, or the Clients may not be able to allocate the burden on the seller or other third party, such as a tenant, to ensure compliance with the ADA in all cases.

The multifamily residential properties in which the Clients invest domestically, if any, must comply with the FHAA, which requires that multifamily communities first occupied after March 13, 1991, be accessible to handicapped residents and visitors. Compliance with the FHAA could require removal of structural barriers to handicapped access in a community, including the interiors of apartment units covered under the FHAA. Recently there has been heightened scrutiny of multifamily housing communities for compliance with the requirements of the FHAA and the ADA, and an increasing number of substantial enforcement actions and private lawsuits have been brought against multifamily communities to ensure compliance with these requirements. Noncompliance with the FHAA and the ADA could result in the imposition of fines, awards of damages to private litigants, payment of attorneys' fees and other costs to plaintiffs, substantial litigation costs and substantial costs of remediation.

Rent Control. Rent control and other changes in applicable laws, or noncompliance with applicable laws, could adversely affect the Clients' (including Sculptor REIT's) multifamily residential properties. Lower revenue growth or significant unanticipated expenditures may result from changes in rent control or rent stabilization laws or other residential landlord/tenant laws. Municipalities may implement, consider or be urged by advocacy groups to consider rent control or rent stabilization laws and regulations or take other actions that could limit the Clients' ability to raise rents based on market conditions. These initiatives and any other future enactments of rent control or rent stabilization laws or other laws regulating multifamily housing, as well as any lawsuits against the Clients arising from such rent control or other laws, may reduce rental revenues or increase operating costs. Such laws and regulations may limit the Clients' ability to charge market rents, increase rents, evict tenants or recover increases in the Clients' operating costs and could make it more difficult for the Clients to dispose of properties in certain circumstances. Expenses associated with investments in residential properties, such as debt service, real estate taxes, insurance and maintenance costs, are generally not reduced when circumstances cause a reduction in rental income from such properties.

Property Taxes. Any properties the Clients, including Sculptor REIT, acquire will be subject to real and personal property taxes that may increase as property tax rates change and as the properties are assessed or reassessed by taxing authorities. Some of the Clients' leases may provide that the property taxes, or increases therein, are charged to the lessees as an expense related to the properties that they occupy. As the owner of the properties, however, the Clients

are ultimately responsible for payment of the taxes to the government. If property taxes increase, the Clients' tenants may be unable (or may not be obligated) to make the required tax payments, ultimately requiring the Clients to pay the taxes. In addition, the Clients are generally responsible for property taxes related to any vacant space. If the Clients purchase residential properties, the leases for such properties typically will not allow the Clients to pass through real estate taxes and other taxes to residents of such properties. Consequently, any tax increases may adversely affect the Clients' results of operations at such properties.

Third-Party Liability. The actions or omissions of any third-party operator, employee, guest or resident of the Clients (including Sculptor REIT's) properties may involve criminal or civil liability, which could result in liability to the Clients as owners of, or lenders to, such properties, loss of or restrictions on required licenses, fines, litigation, reputational impact and other matters that may adversely affect the Clients' performance.

Capital Requirements. Certain of the Client's, including Sculptor REIT's, investments, including those that may be in a development phase, if any, are expected to require additional financing to satisfy their working capital requirements or development strategies. The amount of such additional financing needed will depend upon the maturity and objectives of the particular asset, and such financings may be only available at an unfavorable rate at such time. Each round of financing (whether from the Clients or other investors) is typically intended to provide enough capital to reach the next major milestone in an asset's lifecycle. If the funds provided are not sufficient, additional capital may be required to be raised at a price unfavorable to the existing investors, including the Clients. In addition, the Clients may make additional debt and equity investments or exercise warrants, options, convertible securities or other rights that were acquired in the initial investment in such property in order to preserve the Clients' proportionate ownership when a subsequent financing is planned, or to protect the Clients' investments when such property's performance does not meet expectations. The availability of capital is generally a function of capital market conditions that are beyond the Clients' control. There can be no assurance that the Clients will be able to predict accurately the future capital requirements necessary for success or that additional funds will be available from any source. Failure to provide sufficient additional capital with respect to an investment could adversely affect the Clients' performance.

Disruptions Caused by Technology and Innovations. In this period of rapid technological and commercial innovation, new businesses and approaches may be created that could affect the Clients, including Sculptor REIT, tenants of the Clients' properties or the Clients' investments or alter the market practices that help frame the Clients' strategy. For example, the value of Sculptor REIT's hospitality properties may be affected by competition from the non-traditional hospitality sector (such as short-term rental services), the Clients' office properties may be affected by competition from shared office spaces (including co-working environments), the Clients' retail properties may be affected by increased shopping via the internet, and the Clients' warehouse industrial properties may be affected if supply chains evolve in a way that decreases the need for traditional warehousing. Any of these new approaches could damage the Clients' investments, significantly disrupt the market in which the Clients operate and subject the Clients to increased competition, which could materially and adversely affect the Clients' business, financial

condition and results of investments. Moreover, given the pace of innovation in recent years, the impact on a particular investment may not be foreseeable at the time the Clients make an investment. Furthermore, the Clients could base investment decisions on views about the direction or degree of innovation that prove inaccurate and lead to losses.

Special Use and/or Build-to-Suit Industrial Properties. Certain of the Clients', including Sculptor REIT's, industrial properties may include special use and/or build-to-suit properties. These types of properties are relatively illiquid compared to other types of real estate and financial assets, and this illiquidity will limit the Clients' ability to change the Clients' portfolio in response to changes in economic or other conditions. With such properties, if the current lease is terminated or not renewed, the Clients may be required to renovate the property or to make rent concessions in order to lease the property to another tenant, finance the property or sell the property. In addition, in the event the Clients are forced to sell the property, the Clients may have difficulty selling it to a party other than the tenant or borrower due to the special purpose for which the property may have been designed. These and other limitations may affect the Clients' ability to sell or relet the Clients' industrial properties and adversely affect the Clients' results of operations at such properties.

Government Support for Multifamily Housing. The Clients, including Sculptor REIT, could be negatively impacted by the condition of the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac") and by changes in government support for multifamily housing. Fannie Mae and Freddie Mac are major sources of financing for multifamily real estate in the United States. The Clients expect to utilize loan programs sponsored by these entities as a key source of capital to finance the Clients' growth and the Clients' operations. In September 2008, the U.S. government increased its control of Fannie Mae and Freddie Mac and placed both companies into a government conservatorship under the Federal Housing Finance Agency. In December 2009, the U.S. Treasury increased its financial support for these conservatorships. In February 2011, the Obama administration released its blueprint for winding down Fannie Mae and Freddie Mac and for reforming the system of housing finance. Since that time, members of Congress have introduced, and Congressional committees have considered a substantial number of bills that include comprehensive or incremental approaches to winding down Fannie Mae and Freddie Mac or changing their purposes, businesses or operations. A decision by the U.S. government to eliminate or downscale Fannie Mae or Freddie Mac or to reduce government support for multifamily housing more generally may adversely affect interest rates, capital availability, development of multifamily communities and the value of multifamily assets and, as a result, may adversely affect the Clients' future growth and operations. Any potential reduction in loans, guarantees and credit-enhancement arrangements from Fannie Mae and Freddie Mac could jeopardize the effectiveness of the multifamily sector's derivative securities market, potentially causing breaches in loan covenants, and through reduced loan availability, impact the value of multifamily assets, which could impair the value of a significant portion of multifamily communities. Specifically, the potential for a decrease in liquidity made available to the multifamily sector by Fannie Mae and Freddie Mac could:

- make it more difficult for the Clients to secure new takeout financing for any multifamily development projects the Clients acquire;

- hinder the Clients' ability to refinance any completed multifamily assets;
- decrease the amount of available liquidity and credit that could be used to broaden the Clients' portfolio through the acquisition of multifamily assets; and
- require the Clients to obtain other sources of debt capital with potentially different terms.

Hospitality Market. The hospitality business is seasonal, highly competitive and influenced by factors such as general and local economic conditions, location, room rates, quality, service levels, reputation and reservation systems, among many other factors. The hospitality industry generally experiences seasonal slowdown in the third quarter and, to a lesser extent, in the fourth quarter of each year. As a result of such seasonality, there will likely be quarterly fluctuations in results of operations of any hospitality properties that the Clients, including Sculptor REIT, may own. There are many competitors in this market, and these competitors may have substantially greater marketing and financial resources than those available to the Clients. Competition also comes from non-traditional hospitality sources, such as home-sharing platforms. This competition, along with other factors, such as over-building in the hospitality industry and certain deterrents to traveling, may increase the number of rooms available and may decrease the average occupancy and room rates of the Clients' hospitality properties. The demand for rooms at any hospitality properties that the Clients may acquire will change much more rapidly than the demand for space at other properties that the Clients acquire. In addition, any such properties that the Clients may own may be adversely affected by factors outside the Clients' control, such as extreme weather conditions or natural disasters, terrorist attacks or alerts, outbreaks of contagious diseases, airline strikes, economic factors and other considerations affecting travel. These factors could have a material adverse effect on the Clients' financial condition, results of operations and ability to pay distributions to stockholders.

Leisure Properties. The Clients, including Sculptor REIT, may invest in leisure properties such as ski or other resorts, golf courses and marinas. The profitability of such investments may be negatively affected by, and can change based on, any of the following items: (i) changes in the national, regional and local economic climate, (ii) reduced demand and increased operating costs and other conditions resulting from pandemics, terrorist attacks and/or war, (iii) changes in business and leisure travel patterns, (iv) the attractiveness of such resorts or areas to consumers and competition from comparable resorts and areas and (v) unionization.

Additionally, certain expenses associated with owning and operating leisure properties are fixed and do not necessarily decrease when circumstances such as marketing factors and competition cause a reduction in income from the properties. Cost reductions may be difficult to achieve if operating levels continue to decline. Regardless of these efforts to reduce costs, the expenses of leisure investments may be affected by inflationary increases, and certain costs, such as wages, benefits and insurance, may exceed the rate of inflation. The Clients may be unable to offset these increased expenses. Operating expenses may also be increased by, among other factors, new or amended collective bargaining agreements. Any efforts to reduce operating costs or failure to make scheduled capital expenditures could adversely affect the growth of the leisure investments' businesses and the value of their properties.

Student-Housing Properties. Student-housing properties are typically leased during leasing seasons, and any student-housing properties will therefore be highly dependent on the effectiveness of the Clients', including Sculptor REIT's, marketing and leasing efforts and

personnel during such seasons. Additionally, any student-housing properties will generally be on short-term leases, exposing the Clients to increased leasing risk. The Clients may not be able to re-lease its properties on similar terms, if the Clients are able to re-lease its properties at all. The terms of renewal or re-lease (including the cost of required renovations) may be less favorable to the Clients than the prior lease. If the Clients are unable to re-lease all or a substantial portion of the Clients' properties, or if the rental rates upon such re-leasing are significantly lower than expected rates, the Clients' cash flows from operations could be adversely affected.

Prior to the commencement of each new lease period, the Clients intend to prepare the units for new incoming residents. Other than revenue generated by in-place leases for returning residents, the Clients will generally not recognize lease revenue during this period referred to as "turn" as the Clients will have no leases in place. In addition, during turn, the Clients will incur expenses preparing the Clients' units for occupancy, which the Clients will recognize immediately. This lease turn period results in seasonality in the Clients' operating results, and as a result, the Clients may experience significantly reduced cash flows during such periods.

In addition, the Clients may be adversely affected by a change in university admission policies. For example, if a university reduces the number of student admissions, the demand for the Clients student housing properties may be reduced and the Clients occupancy rates may decline. Any student housing properties will also compete with university-owned student housing and other national and regional owner-operators of off-campus student housing in a number of markets as well as with smaller local owner-operators.

Retail Tenants. Retailers leasing the Clients', including Sculptor REIT's, properties will face continued competition from shopping via the internet, discount or value retailers, factory outlet centers, wholesale clubs, mail order catalogues and operators and television shopping networks. Additionally, a number of retail leases, in addition to or in lieu of base rent, may include a provision for percentage rent that is dependent upon the amount of a tenant's sales. Rental income attributable to leases with percentage rent provisions may decrease as competition increases and may decrease in a general economic downturn that adversely affects tenant sales. Furthermore, to the extent that an epidemic, such as Covid-19, results in a "shelter-in-place" order or similar restriction on travel or business operations, the revenues and values of retail properties may decrease. Such competition and economic conditions could adversely affect the Clients' tenants and, consequently, the Clients' revenues and funds available for distribution.

Leases with Retail Tenants. Many leases with retail tenants contain provisions giving the particular tenant the exclusive right to sell particular types of merchandise or provide specific types of services within the particular retail center. These provisions may limit the number and types of prospective tenants interested in leasing space in a particular retail property.

Retail Properties. Retail properties depend on anchor tenants to attract shoppers and could be adversely affected by the loss of a key anchor tenant. The Clients' may acquire retail properties. Retail properties, like other properties, are subject to the risk that tenants may be unable to make their lease payments or may decline to extend a lease upon its expiration. A lease termination by a tenant that occupies a large area of a retail center (commonly referred to as an anchor tenant) could impact leases of other tenants. Other tenants may be entitled to modify the terms of their



existing leases in the event of a lease termination by an anchor tenant, or the closure of the business of an anchor tenant that leaves its space vacant even if the anchor tenant continues to pay rent. Any such modifications or conditions could be unfavorable to the Clients as the property owners and could decrease rents or expense recoveries. Additionally, major tenant closures may result in decreased customer traffic, which could lead to decreased sales at other stores. In the event of default by a tenant or anchor store, the Clients may experience delays and costs in enforcing the Clients' rights as landlords to recover amounts due to the Clients under the terms of the Clients' agreements with those parties.

Office Real Estate Industry. Some businesses are rapidly evolving to make employee telecommuting, flexible work schedules, open workplaces and teleconferencing increasingly common. These practices enable businesses to reduce their space requirements. A continuation of the movement towards these practices could over time erode the overall demand for office space and, in turn, place downward pressure on occupancy, rental rates and property valuations, each of which could have an adverse effect on the Clients', including Sculptor REIT's, financial position, results of operations, cash flows and ability to make expected distributions to the Clients' stockholders. The Clients may also be negatively impacted by competition from other short-term office or shared space leasing companies.

Office Properties. The Clients, including Sculptor REIT, may invest in office properties, and the value of any such investment may change based on the diversification of the tenant base, location of the property and other factors. A number of factors may affect the value of office properties, including, among other things, diversification of the tenant base, the location, appearance, amenities and other physical attributes of the properties, and competition from other office properties. Office properties generally require their owners to expend significant amounts for general capital improvements, tenant improvements and costs of reletting space. In addition, office properties that are not equipped to accommodate the needs of modern businesses may become functionally obsolete and thus non-competitive, or may require substantial capital investment to upgrade facilities in order to be competitive. Office properties may also be adversely affected if there is an economic decline in the businesses operated by their tenants. The risks of such an adverse effect are increased if the property revenue is dependent on a single tenant or if there is a significant concentration of tenants in a particular business or industry.

Zoning Ordinances in the Manufactured Housing Markets. The Clients, including Sculptor REIT, could be negatively impacted by increased competition, decreased demand and restrictive zoning ordinances in the manufactured housing markets in which the Clients invest. The Clients' operating results from the Clients' manufactured housing investments may be adversely affected by: (i) competition from other available manufactured housing sites or available land for the placement of manufactured homes outside of established communities and alternative forms of housing (such as apartment buildings and site built single-family homes) and (ii) local real estate market conditions such as the oversupply of manufactured housing sites or a reduction in demand for manufactured housing sites in an area.

Self-Storage Investments. Any self-storage investments will be subject to operating risks common to the self-storage industry, which include business layoffs or downsizing, industry

slowdowns, relocation of businesses and changing demographics, changes in supply of, or demand for, similar or competing self-storage properties in an area and the excess amount of self-storage space in a particular market, changes in market rental rates and inability to collect rents from customers. The self-storage industry has at times experienced overbuilding in response to perceived increases in demand. A recurrence of overbuilding might cause the Clients, including Sculptor REIT's, self-storage investments to experience a decrease in occupancy levels, as well as limit the ability to increase rents and offer discounted rents.

Commercial Properties Subject to Net Leases. The Clients, including Sculptor REIT, may invest in commercial properties subject to net leases. Typically, net leases require the tenants to pay substantially all of the operating costs associated with the properties. As a result, the value of, and income from, investments in commercial properties subject to net leases will depend, in part, 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 Clients will be subject to all risks associated with owning the underlying real estate. In addition, the Clients may have limited oversight into the operations or the managers of these properties, subject to the terms of the net leases.

Certain commercial properties subject to net leases in which the Clients may invest may be occupied by a single tenant and, therefore, the success of such investments is largely dependent on the financial stability of each such tenant. A default of any such tenant on its lease payments to the Clients would cause the Clients to lose the revenue from the property and cause the Clients to have to find an alternative source of revenue to meet any mortgage payment and prevent a foreclosure if the property is subject to a mortgage. In the event of a default, the Clients may experience delays in enforcing the Clients' rights as landlord and may incur substantial costs in protecting the Clients' investment and reletting the Clients' property. If a lease is terminated, the Clients may also incur significant losses to make the leased premises ready for another tenant and experience difficulty or a significant delay in re-leasing such property.

In addition, net leases typically have longer lease terms, and thus there is an increased risk that contractual rental increases in future years will fail to result in fair market rental rates during those years.

Properties Used in the Gaming Industry. The gaming industry is highly regulated dynamic and subject to rapid change. In some instances, existing casinos or gaming operators propose and support legislation or litigation designed to make it difficult or impossible for competition to enter a market. This political and regulatory environment makes it impossible to predict the effects that the adoption of and changes in gaming laws, rules and regulations or competition will have on the Clients, including Sculptor REIT's, investments related to gaming enterprises. Moreover, state, tribal and federal legislatures often consider wide-ranging legislation and regulations, which could adversely affect the operations and expected revenues of the Clients investments. State and tribal regulatory authorities have broad powers with respect to the licensing of casino or gaming operations and may revoke, suspend, condition or limit an operator's gaming license, impose substantial fines and take other actions, any one of which could have a significant adverse effect on the operations and financial condition of a gaming

operation leasing one of the Clients' properties. Investments in properties leased to Native American gaming operators pose additional legal and regulatory uncertainties, including the Clients' ability to enforce the Clients' rights and remedies against Native American tribes.

Industrial Properties. Although owners of industrial properties are not generally required to expend substantial amounts for general capital improvements, tenant improvements or reletting costs, various other factors may affect the returns from this type of property in addition to the risks generally applicable to real estate, including, among other things, the design and adaptability of the property and the degree to which it is generally functional for industrial purposes, the proximity to highways and other means for the transportation of goods, the number and diversity of tenants among businesses or industries and the cost of converting a previously adapted space to general use. An industrial property may be more likely to have one or only a few tenants, which increases the risk that a decline in their operations or their particular business or industry segments may adversely affect the returns from the property. Additionally, a property designed for a particular use or function may be difficult to relet to another tenant or may become functionally obsolete compared to other properties. Particular uses of industrial properties may increase their risk of environmental problems. In addition, because of unique construction requirements of many industrial properties, many vacant industrial property spaces may not be easily converted to other uses. Thus, if the operations of any industrial property become unprofitable, the liquidation value of that industrial property may be substantially less than would be the case if the industrial property were readily adaptable to other uses.

Data and Communications Real Estate Investments. Companies in the data and communications real estate sector may be affected by unique supply and demand factors that do not apply to other real estate sectors, such as changes in demand for communications developments, consolidation of tower sites, consolidation of major tenants, new technologies that may affect demand for communications towers and changes in demand for wireless infrastructure and wireless connectivity. This exposure could make an investment in the Clients', including Sculptor REIT's, shares more speculative and expose investors in the Clients to a greater risk of loss.

Parking Facilities. The Clients, including Sculptor REIT, may invest in parking facilities. The profitability of parking lots and garages may be affected by many factors, including the following: (i) the number of rentable parking spaces and rates charged; (ii) the location of the lot or garage and its proximity to places where large numbers of people work, shop or live; (iii) the amount of alternative parking spaces in the area; (iv) the availability of mass transit; and (v) the perceptions of the safety, convenience and services of the lot or garage. Changes in zoning requirements or regulations may also affect the operations or profitability of parking facility investments. Additionally, any investment in parking facilities may also be generally subject to the risks associated with the businesses that are in close proximity to such parking facility (e.g., office parking facilities may be subject to some of the risks associated with investments in office properties), which could impact the profitability of such investments.

Senior Housing. The Clients, including Sculptor REIT, may invest in senior housing. Revenues from senior housing facilities are primarily driven by occupancy and private pay rates. A weakened economy may have an adverse effect on the residents of these properties. If the operations' cash flows are materially adversely impacted by economic conditions, these properties' revenues and operations may be adversely affected. Additionally, senior housing facilities may be subject to a reduced availability of labor and increased employee costs and are subject to operational hazards and health-related risks, each of which may be exacerbated by the persistence of COVID-19. Finally, government reimbursement has, and may continue to, come under pressure due to reimbursement cuts and state budget shortfalls. This could have a negative impact on the industry and impact the value of senior housing properties. Senior housing properties are generally subject to varying levels of federal, state, local, and industry-regulated licensure, certification and inspection laws, regulations and standards and may require licenses, registrations or certificates of need to operate. Failure to comply with any of these laws, regulations or standards could result in loss of accreditation, denial of reimbursement, imposition of fines, suspension, decertification or exclusion from federal and state health care programs, loss of license or closure of the facility. Such actions may adversely affect the profitability of these facilities and the value of the Clients' investments in them.

Dependence on Funding from Government Programs. The Clients, including Sculptor REIT, may invest in residential properties where revenues are fully or partially dependent on funding from government programs, including Section 8 of the Housing Act of 1937, as amended, and Medicare or Medicaid reimbursements. Given this reliance, the performance of such properties is susceptible to risks associated with governmental programs and funding generally, including changing political support for different kinds of programs, temporary cessations in funding due to delays in legislative or bureaucratic processes, and ongoing governmental audits or inspections.

Non-U.S. Investments. The Clients, including Sculptor REIT, may make investments outside the United States. The legal systems of some countries lack transparency or could limit the protections available to foreign investors, and the Clients' investments may be subject to nationalization and confiscation without fair compensation. Investing in real estate-related securities outside the United States involves additional risks including the following: (i) currency exchange rate fluctuations and costs associated with conversion of investment principal and income from one currency into another; (ii) differences in conventions relating to documentation, settlement, corporate actions, shareholder rights and other matters; (iii) differences between U.S. and foreign securities and real estate markets, including potentially higher price volatility and relative illiquidity of some markets; (iv) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and differences in government supervision and regulation; (v) the risks associated with political, economic or social instability, including the risk of sovereign defaults, regulatory change and the possibility of expropriation or confiscatory taxation and other adverse economic and political developments; (vi) the possible imposition of non-U.S. taxes on income and gains and gross sales or other proceeds recognized with respect to such investments; (vii) less-developed corporate laws regarding stakeholder rights, creditors' rights (including the rights of secured parties), fiduciary duties and investor protections; (viii) differences in the legal and regulatory environment or

enhanced legal and regulatory compliance, including potential currency control regulations and potential restrictions on investment and repatriation of capital; (ix) political hostility to investments by foreign or private equity investors; and (x) less publicly available information.

Investments in Gas Stations. The Clients, including Sculptor REIT, may invest in gas stations and the profitability of any such investment may be impacted by a number of factors, including the availability of alternative fuel sources, trends in travel (e.g., decreased vehicular travel due to a pandemic) and changes in legislation. Further, environmental changes and climate-change initiatives could negatively impact the value of any gas station investments. Additionally, any investment in gas stations will be subject to the risks impacting the gasoline industry generally, including fluctuation of fuel prices and supply chain disruption.

### ***General Risks Related to Investments in Real Estate Related Securities***

Real Estate Debt. Investments in real estate debt are subject to risks including various credit risks and early redemption features, which may materially adversely affect the Clients', including Sculptor REIT's, results of operations and financial condition. The debt and other interests in which the Clients may invest may include secured or unsecured debt at various levels of an issuer's capital structure. The real estate debt in which the Clients may invest may not be protected by financial covenants or limitations upon additional indebtedness, may be illiquid or have limited liquidity, and may not be rated by a credit rating agency. Real estate debt is also subject to other creditor risks, including (i) the possibility that the debt will be uncollectible on account of applicable bankruptcy or similar laws affecting the enforcement of creditors' rights, (ii) so-called lender liability claims by the issuer of the obligation and (iii) environmental liabilities that may arise with respect to collateral securing the obligations. The Clients' investments may be subject to early redemption features, refinancing options, pre-payment options or similar provisions, which could result in the issuer repaying the principal on an obligation held by the Clients earlier than expected, resulting in a lower return to the Clients than anticipated, or reinvesting in a new obligation at a lower return to the Clients.

Debt-oriented real estate investments face a number of general market-related risks that can affect the creditworthiness of issuers, and modifications to certain loan structures and market terms make it more difficult to monitor and evaluate investments. Any deterioration of real estate fundamentals generally, and in the United States in particular, could negatively impact the Clients' performance by making it more difficult for issuers to satisfy their debt payment obligations, increasing the default risk applicable to issuers, and making it relatively more difficult for the Clients to generate attractive risk-adjusted returns. Changes in general economic conditions will affect the creditworthiness of issuers and real estate collateral relating to the Clients' investments and may include economic and market fluctuations, changes in environmental and zoning laws, casualty or condemnation losses, regulatory limitations on rents, decreases in property values, changes in the appeal of properties to tenants, changes in supply and demand for competing properties in an area (as a result, for instance, of overbuilding), fluctuations in real estate fundamentals (including average occupancy and room rates for hotel properties), the financial resources of tenants, changes in availability of debt financing which may render the sale or refinancing of properties difficult or impracticable, changes in building,

environmental and other laws, energy and supply shortages, various uninsured or uninsurable risks, natural disasters, political events, trade barriers, currency exchange controls, changes in government regulations (such as rent control), changes in real property tax rates and operating expenses, changes in interest rates, changes in the availability of debt financing which may render the sale or refinancing of properties difficult or impracticable, increased mortgage defaults, increases in borrowing rates, outbreaks of an infectious disease, epidemics/pandemics or other serious public health concerns, negative developments in the economy or political climate that depress travel activity (including restrictions on travel or quarantines imposed), environmental liabilities, contingent liabilities on disposition of assets, acts of God, terrorist attacks, war, real estate values generally and other factors that are beyond the control of the Adviser. Such changes may develop rapidly, and it may be difficult to determine the comprehensive impact of such changes on the Clients' investments, particularly for investments that may have inherently limited liquidity. These changes may also create significant volatility in the markets for the Clients' investments, which could cause rapid and large fluctuations in the values of such investments. There can be no assurance that there will be a ready market for the resale of the Clients' debt investments because such investments may not be liquid. Illiquidity may result from the absence of an established market for the investments, as well as legal or contractual restrictions on their resale by the Clients.

The Adviser cannot predict whether economic conditions generally, and the conditions for real estate debt investing in particular, will deteriorate in the future. Declines in the performance of the U.S. and global economies or in the real estate debt markets could have a material adverse effect on the Clients' investment activities. In addition, market conditions relating to real estate debt investments have evolved since the Global Financial Crisis, which has resulted in a modification to certain loan structures and market terms. These changes in loan structures or market terms may make it more difficult for the Clients to monitor and evaluate investments.

The operating and financial risks of issuers and the underlying default risk across capital structures may adversely affect the Clients' results of operations and financial condition. The Clients' securities investments will involve credit or default risk, which is the risk that an issuer or borrower will be unable to make principal and interest payments on its outstanding debt when due. The risk of default and losses on real estate debt instruments will be affected by a number of factors, including global, regional and local economic conditions, interest rates, the commercial real estate market in general, an issuer's equity and the financial circumstances of the issuer, as well as general economic conditions. Such default risk will be heightened to the extent the Clients make relatively junior investments in an issuer's capital structure since such investments are structurally subordinate to more senior tranches in such issuer's capital structure, and the Clients' overall returns would be adversely affected to the extent one or more issuers is unable to meet its debt payment obligations when due. To the extent the Clients hold an equity or "mezzanine" interest in any issuer that is unable to meet its debt payment obligations, such equity or mezzanine interest could become subordinated to the rights of such issuer's creditors in a bankruptcy. See "Subordinated Debt" below. Furthermore, the financial performance of one or more issuers could deteriorate as a result of, among other things, adverse developments in their businesses, changes in the competitive environment or an economic downturn. As a result, underlying properties or issuers that the Clients expected to be stable may operate, or expect to operate, at a loss or have significant fluctuations in ongoing operating results, may otherwise

have a weak financial condition or be experiencing financial distress and subject the Clients' investments to additional risk of loss and default.

The Clients' debt investments will face prepayment risk and interest rate fluctuations that may adversely affect the Clients' results of operations and financial condition. During periods of declining interest rates, the issuer of a security or borrower under a loan may exercise its option to prepay principal earlier than scheduled, forcing the Clients to reinvest the proceeds from such prepayment in lower-yielding securities or loans, which may result in a decline in the Clients' returns. Debt investments frequently have call features that allow the issuer to redeem the security at dates prior to its stated maturity at a specified price (typically greater than par) only if certain prescribed conditions are met. An issuer may choose to redeem debt if, for example, the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer. In addition, the market price of the Clients' investments will change in response to changes in interest rates and other factors. During periods of declining interest rates, the market price of fixed-rate debt investments generally rises. Conversely, during periods of rising interest rates, the market price of such investments generally declines. The magnitude of these fluctuations in the market price of debt investments is generally greater for securities with longer maturities. If the U.S. Federal Reserve or other relevant central banks increase benchmark interest rates, this could also negatively impact the price of debt instruments and could adversely affect the value of the Clients' investments and the NAV of the Clients' shares.

Reinvestment Risk. Reinvestment risk could affect the price for the Clients' shares or their overall returns. Reinvestment risk is the risk that income from the Clients' portfolio will decline if the Clients invest the proceeds from matured, traded or called securities at market interest rates that are below the Clients' real estate debt portfolio's then-current earnings rate. A decline in income could affect the NAV of the Clients' shares or their overall returns.

Distressed Securities. Some of the Client's, including Sculptor REIT's, securities investments may become distressed, which securities would have a high risk of default and may be illiquid. Although it is generally anticipated that the Clients' investments in real estate-related securities will focus primarily on non-distressed real estate (based on the Clients' belief that there is a high likelihood of repayment), the Clients' investments may become distressed following the Clients' acquisition thereof. Additionally, the Clients may invest in real estate debt instruments that the Clients believe are available to purchase at "discounted" rates or "undervalued" prices. Purchasing real estate debt at what may appear to be "undervalued" or "discounted" levels is no guarantee that these investments will generate attractive returns to the Clients or will not be subject to further reductions in value. There is no assurance that such investments can be acquired at favorable prices, that such investments will not default or that the market for such interests will improve. In addition, the market conditions for real estate debt investments may deteriorate further, which could have an adverse effect on the performance of the Clients' investments.

Securities of Troubled Issuers. During an economic downturn or recession, securities of financially troubled or operationally troubled issuers are more likely to go into default than securities of other issuers. Securities of financially troubled issuers and operationally troubled issuers are less liquid and more volatile than securities of companies not experiencing financial difficulties. The market prices of such securities are subject to erratic and abrupt market movements, and the spread between bid and asked prices may be greater than normally expected. Investment in the securities of financially troubled issuers and operationally troubled issuers involves a high degree of credit and market risk. There is no assurance that the Adviser will correctly evaluate the value of the assets collateralizing such investments or the prospects for a successful reorganization or similar action.

These financial difficulties may never be overcome and may cause issuers to become subject to bankruptcy or other similar administrative proceedings, or may require a substantial amount of workout negotiations or restructuring, which may entail, among other things, an extension of the term, a substantial reduction in the interest rate, a substantial write-down of the principal of such investment and other concessions, which could adversely affect the Clients' returns on the investment. There is a possibility that Clients may incur substantial or total losses on Clients' investments and in certain circumstances, subject Clients to certain additional potential liabilities that may exceed the value of Clients' original investment therein.

Under certain circumstances, a lender who has inappropriately exercised control over the management and policies of a debtor may have its claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. In any reorganization or liquidation proceeding relating to the Clients' investments, the Clients may lose the Clients' entire investment, may be required to accept cash or securities with a value less than the Clients' original investment and may be required to accept different terms, including payment over an extended period of time. In addition, under certain circumstances payments to the Clients may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment or similar transactions under applicable bankruptcy and insolvency laws. Furthermore, bankruptcy laws and similar laws applicable to administrative proceedings may delay the Clients' ability to realize on collateral for loan positions the Clients held, or may adversely affect the economic terms and priority of such loans through doctrines such as equitable subordination or may result in a restructure of the debt through principles such as the "cramdown" provisions of the bankruptcy laws.

However, even if a restructuring were successfully accomplished, a risk exists that, upon maturity of such investment, replacement "takeout" financing will not be available, resulting in an inability by the issuer to repay the investment. Although unlikely, it is possible that the Adviser may find it necessary or desirable to foreclose on collateral securing one or more real estate debt instruments the Clients acquires. The foreclosure process varies jurisdiction by jurisdiction and can be lengthy and expensive. Issuers often 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, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action, which often prolongs and complicates an already difficult and time-consuming process. In some states or other jurisdictions, foreclosure actions can take up to several years or more to conclude. During the foreclosure proceedings, an issuer may have the ability to file for bankruptcy, potentially staying the foreclosure action and further delaying the foreclosure process. Foreclosure litigation tends to



create a negative public image of the collateral property and may result in disrupting ongoing leasing, management, development and other operations of the property. In the event the Clients forecloses on an investment, the Clients will be subject to the risks associated with owning and operating real estate.

Subordinated Debt. The Clients, including Sculptor REIT, may from time to time invest in debt instruments, including junior tranches of commercial mortgage-backed securities (“CMBS”), “mezzanine” loans, junior mortgage loans or mortgage loan participations, that are subordinated in an issuer’s capital structure. To the extent the Clients invest in subordinated debt of an issuer’s capital structure, including subordinated CMBS bonds or other “mezzanine” debt, such investments and the Clients’ remedies with respect thereto, including the ability to foreclose on any collateral securing such investments, will be subject to the rights of holders of more senior tranches in an issuer’s capital structure and, to the extent applicable, contractual inter-creditor, co-lender and participation agreement provisions.

Investments in subordinated debt involve greater credit risk of default and loss than the more senior classes or tranches of debt in an issuer’s capital structure. Subordinated tranches of debt instruments (including CMBS) absorb losses from default before other more senior tranches of such instruments, which creates a risk particularly if such instruments (or securities) have been issued with little or no credit enhancement or equity. As a result, to the extent the Clients invest in subordinate debt instruments (including CMBS), the Clients would likely receive payments or interest distributions after, and must bear the effects of losses or defaults before, the holders of other more senior tranches of debt instruments with respect to such issuer.

Commercial Mortgage Loans. The Clients, including Sculptor REIT, may invest from time to time in commercial mortgage loans, including mezzanine loans and B-notes, which are secured by multifamily, commercial or other properties and are subject to risks of delinquency and foreclosure and risks of loss. Commercial real estate loans are generally not fully amortizing, which means that they may have a significant principal balance or balloon payment due on maturity. Full satisfaction of the balloon payment by a commercial borrower is heavily dependent on the availability of subsequent financing or a functioning sales market, as well as other factors such as the value of the property, the level of prevailing mortgage rates, the borrower’s equity in the property and the financial condition and operating history of the property and the borrower. In certain situations, and during periods of credit distress, the unavailability of real estate financing may lead to default by a commercial borrower. In addition, in the absence of any such takeout financing, the ability of a borrower to repay a loan secured by an income-producing property will depend upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower’s ability to repay the loan may be impaired. Furthermore, the Clients may not have the same access to information in connection with investments in commercial mortgage loans, either when investigating a potential investment or after making an investment, as compared to investments in direct real estate.

Commercial mortgage loans are usually non-recourse in nature. Therefore, if a commercial borrower defaults on the commercial mortgage loan, then the options for financial recovery are limited in nature. To the extent the underlying default rates increase with respect to the pool or

tranche of commercial real estate loans in which the Clients invest, the performance of the Clients' investments related thereto may be adversely affected. Default rates and losses on commercial mortgage loans will be affected by a number of factors, including global, regional and local economic conditions in the area where the mortgage properties are located, the borrower's equity in the mortgage property, the financial circumstances of the borrower, tenant mix and tenant bankruptcies, property management decisions, including with respect to capital improvements, property location and condition, competition from other properties offering the same or similar services, environmental conditions, real estate tax rates, operating expenses, governmental rules, regulations and fiscal policies, acts of God, terrorism, social unrest and civil disturbances. A continued decline in specific commercial real estate markets and property valuations may result in higher delinquencies and defaults and potentially foreclosures. In the event of default, the lender will have no right, other than customary recourse carveouts, to assets beyond collateral attached to the commercial mortgage loan.

In the event of any default under a mortgage or real estate loan held directly by the Clients, the Clients 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 or real estate loan, which could have a material adverse effect on the Clients' profitability. In the event of the bankruptcy of a mortgage or real estate loan borrower, the mortgage or real estate loan to such 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 or real estate 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. Additionally, in the event of a default under any senior debt, the junior or subordinate lender generally forecloses on the equity, purchases the senior debt or negotiates a forbearance or restructuring arrangement with the senior lender in order to preserve its collateral.

CMBS. The Clients, including Sculptor REIT, may invest a portion of the Clients assets in pools or tranches of CMBS, including horizontal and other risk-retention investments. The collateral underlying CMBS generally consists of commercial mortgages on real property that has a multifamily or commercial use, such as retail space, office buildings, warehouse property and hotels, and which from time to time may include assets or properties owned directly or indirectly by one or more other Sculptor Clients. CMBS have been issued in a variety of issuances, with varying structures including senior and subordinated classes. The commercial mortgages underlying CMBS generally face the risks described above in "Commercial Mortgage Loans."

Mortgage-backed securities may also have structural characteristics that distinguish them from other securities. The interest rate payable on these types of securities may be set or effectively capped at the weighted-average net coupon of the underlying assets themselves. As a result of this cap, the return to investors in such a security would be dependent on the relevant timing and rate of delinquencies and prepayments of mortgage loans bearing a higher rate of interest. In general, early prepayments will have a greater impact on the yield to investors. Federal and state law may also affect the return to investors by capping the interest rates payable by certain mortgagors. Certain mortgage-backed securities may provide for the payment of only interest for a stated period of time. In addition, in a bankruptcy or similar proceeding involving the originator or the servicer of the CMBS (often the same entity or an affiliate), the assets of the issuer of such securities could be treated as never having been truly sold to the issuer and could

be substantively consolidated with those of the originator, or the transfer of such assets to the issuer could be voided as a fraudulent transfer.

The credit markets, including the CMBS market, have periodically experienced decreased liquidity on the primary and secondary markets during periods of market volatility. Such market conditions could re-occur and would impact the valuations of the Clients' investments and impair the Clients' ability to sell such investments if the Clients were required to liquidate all or a portion of the Clients' CMBS investments quickly. Additionally, certain of the Clients' securities investments, such as horizontal or other risk-retention investments in CMBS, may have certain holding period and other restrictions that limit the Clients' ability to sell such investments. Concentrated CMBS investments may pose specific risks beyond the control of the Adviser that may adversely affect the Clients' results of operations and financial condition.

Default risks with respect to CMBS investments may be further pronounced in the case of single-issuer CMBS or CMBS secured by a small or less diverse collateral pool, such as single-asset, single-borrower CMBS. At any one time, a portfolio of CMBS may be backed by commercial mortgage loans disproportionately secured by properties in only a few states, regions or foreign countries. As a result, such investments may be more susceptible to geographic risks relating to such areas, including adverse economic conditions, declining home values, adverse events affecting industries located in such areas and other factors beyond the control of the Adviser relative to investments in multi-issuer CMBS or a pool of mortgage loans having more diverse property locations.

There are certain risks associated with the insolvency of obligations backing CMBS and other investments. The real estate loans backing CMBS and other investments may be subject to various laws enacted in the jurisdiction or state of the borrower for the protection of creditors. If an unpaid creditor files a lawsuit seeking payment, the court may invalidate all or part of the borrower's debt as a fraudulent conveyance, subordinate such indebtedness to existing or future creditors of the borrower or recover amounts previously paid by the borrower in satisfaction of such indebtedness, based on certain tests for borrower insolvency and other facts and circumstances, which may vary by jurisdiction. There can be no assurance as to what standard a court would apply in order to determine whether the borrower was "insolvent" after giving effect to the incurrence of the indebtedness constituting the mortgage backing the CMBS and other investments, or that regardless of the method of valuation, a court would not determine that the borrower was "insolvent" after giving effect to such incurrence. In addition, in the event of the insolvency of a borrower, payments made on such mortgage loans could be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one year and one day) before insolvency.

The Clients' CMBS investments may be subject to interest shortfalls due to interest collected from the underlying loans not being sufficient to pay accrued interest to all of the CMBS interest holders. Interest shortfalls to the CMBS trust will occur when the servicer does not advance full interest payments on defaulted loans. The servicer in a CMBS trust is required to advance monthly principal and interest payments due on a delinquent loan. Once a loan is delinquent for a period of time (generally 60 days), the servicer is required to obtain a new appraisal to determine the value of the property securing the loan. The servicer is only required to advance interest based on the lesser of the loan amount or 90%, generally, of the appraised value. Interest shortfalls occur when 90%, generally, of the appraised value is less than the loan amount and the servicer does not advance interest on the full loan amount. The resulting interest shortfalls

impact interest payments on the most junior class in the trust first. As interest shortfalls increase, more senior classes may be impacted. Over time, senior classes may be reimbursed for accumulated shortfalls if the delinquent loans are resolved, but there is no guarantee that shortfalls will be collected. Interest shortfalls to the CMBS trust may also occur as a result of accumulated advances and expenses on defaulted loans. When a defaulted loan or foreclosed property is liquidated, the servicer will be reimbursed for accumulated advances and expenses prior to payments to CMBS bond holders. If proceeds are insufficient to reimburse the servicer or if a defaulted loan is modified and not foreclosed, the servicer is able to make a claim on interest payments that is senior to the bond holders to cover accumulated advances and expenses. If the claim is greater than interest collected on the loans, interest shortfalls could impact one or more bond classes in a CMBS trust until the servicer's claim is satisfied.

The Clients may acquire CMBS where the mortgages underlying the CMBS were issued or acquired by a Sculptor affiliate or the properties underlying the mortgages in the CMBS are owned by a Sculptor affiliate or the CMBS is serviced, structured or distributed by a Sculptor affiliate. Since certain of the Clients' executives are also executives of Sculptor, the same personnel may determine the price and terms for the investments for both the Clients and these entities, and there can be no assurance the Clients conflict-of-interest policies will prevent the consideration the Clients' pay for these investments from exceeding their fair value or ensure that the Clients receive terms for a particular investment opportunity that are as favorable as those available from an independent third party.

The Adviser may aggregate purchases or sales of investments for the Clients with other Sculptor Clients. It could be impossible, as determined by the Adviser and its affiliates in their sole discretion, to receive the same price or execution on the entire volume of securities sold, and the various prices will, in certain circumstances, therefore be averaged which may be disadvantageous to the Clients. Further, such aggregate purchases may result in the Clients receiving a lower allocation of an investment than it would otherwise receive if it were the sole purchaser. The Clients' CMBS and other investments may be subject to extension, resulting in the term of the securities being longer than expected, which could adversely affect the Clients' results of operation and financial condition. Extensions are affected by a number of factors, including the general availability of financing in the market, 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. Such extensions may also be made without the Adviser's consent.

The exercise of remedies and successful realization of liquidation proceeds relating to commercial real estate loans underlying CMBS and other investments may be highly dependent on the performance of the servicer or special servicer. The servicer may not be appropriately staffed or compensated to address issues or concerns with the underlying loans promptly. Such servicers may exit the business and need to be replaced, which could have a negative impact on the portfolio due to lack of focus during a transition. Special servicers frequently are affiliated with investors who have purchased the most subordinate bond classes, and certain servicing actions, such as a loan extension instead of forcing a borrower pay off, may benefit the subordinate bond classes more so than the senior bonds. Although servicers are obligated to service the portfolio subject to a servicing standard and maximize the present value of the loans

for all bond classes, servicers with an affiliate investment in the CMBS or other investments may have a conflict of interest. There may be a limited number of special servicers available, particularly those which do not have conflicts of interest. In addition, to the extent any such servicers fail to perform their obligations pursuant to the applicable servicing agreements, such failure may adversely affect the Clients' investments.

The Clients may find it necessary or desirable to foreclose on certain of the loans or CMBS the Clients acquire, and the foreclosure process may be lengthy and expensive. The protection of the terms of the applicable loan, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests, may not be adequate. Furthermore, claims may be asserted by lenders or borrowers that might interfere with enforcement of the Clients' rights. Borrowers may resist foreclosure actions by asserting numerous claims, counterclaims and defenses against the Clients, including, without limitation, lender liability claims and defenses, even when the assertions may have no basis in fact, in an effort to prolong the foreclosure action and seek to force the lender into a modification of the loan or a favorable buyout of the borrower's position in the loan. In some states, foreclosure actions can take several years or more to litigate. At any time prior to or during the foreclosure proceedings, the borrower may file for bankruptcy or its equivalent, which would have the effect of staying the foreclosure actions and further delaying the foreclosure process and potentially result in a reduction or discharge of a borrower's debt. Foreclosure may create a negative public perception of the related property, resulting in a diminution of its value, and in the event of any such foreclosure or other similar proceeding, the Clients would also become subject to the various risks associated with direct ownership of real estate, including environmental liabilities. Even if the Clients are successful in foreclosing on a loan, the liquidation proceeds upon sale of the underlying real estate may not be sufficient to recover the Clients' cost basis in the loan, resulting in a loss to the Clients. Furthermore, any costs or delays involved in the foreclosure of the loan or a liquidation of the underlying property will further reduce the net proceeds and, thus, increase the loss.

The Clients' investments in RMBS are subject to the risks of defaults, foreclosure timeline extension, fraud, home price depreciation and unfavorable modification of loan principal amount, interest rate and amortization of principal accompanying the underlying residential mortgage loans. To the extent that assets underlying the Clients' investments are concentrated geographically, by property type or in certain other respects, the Clients may be subject to certain of the foregoing risks to a greater extent. In the event of defaults on the residential mortgage loans that underlie the Clients' investments in RMBS and the exhaustion of any underlying or any additional credit support, the Clients may not realize the Clients' anticipated return on the Clients' investments and the Clients may incur a loss on these investments. The Clients may also acquire non-agency RMBS, which are backed by residential property but, in contrast to agency RMBS, their principal and interest are not guaranteed by federally chartered entities such as Fannie Mae and Freddie Mac. In addition, the Clients may invest in government mortgage pass-through securities, which represent participation interests in pools of residential mortgage loans purchased from individual lenders by a federal agency or originated by private lenders and guaranteed by a federal agency, including those issued or guaranteed by Fannie Mae and Freddie Mac. Fannie Mae is a federally chartered, privately owned corporation, and Freddie Mac is a corporate instrumentality of the United States. Fannie Mae and Freddie Mac certificates are not backed by the full faith and credit of the United States, but the issuing agency or instrumentality

has the right to borrow to meet its obligations from an existing line of credit with the U.S. Treasury. The U.S. Treasury has no legal obligation to provide such line of credit and may choose not to do so.

Collateralized Debt Obligations. The Clients, including Sculptor REIT, may also invest from time to time in collateralized debt obligations (“CDOs”). CDOs include, among other things, CLOs and other similarly structured securities. A CLO is a trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans and subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans. For CLOs, the cash flows from the trust are split into two or more portions, called tranches. CLO tranches can experience substantial losses due to actual defaults, increased sensitivity to defaults due to collateral default and disappearance of protecting tranches, market anticipation of defaults and aversion to CLO securities as a class. The risks of an investment in a CDO depend largely on the type of the collateral and the class of the CDO in which the Clients invest.

Normally, CLOs and other CDOs are privately offered and sold, and thus are not registered under the securities laws. As a result, certain investments in CDOs may be characterized as illiquid securities, and volatility in CLO and CDO trading markets may cause the value of these investments to decline. Moreover, if the underlying mortgage portfolio has been overvalued by the originator, or if the values subsequently decline and, as a result, less collateral value is available to satisfy interest and principal payments and any other fees in connection with the trust or other conduit arrangement for such securities, the Clients may incur significant losses. Also, with respect to the CLOs and CDOs in which the Clients may invest, control over the related underlying loans will be exercised through a special servicer or collateral manager designated by a “directing certificate holder” or a “controlling class representative,” or otherwise pursuant to the related securitization documents. The Clients may acquire classes of CLOs or CDOs for which the Clients may not have the right to appoint the directing certificate holder or otherwise direct the special servicing or collateral management. With respect to the management and servicing of those loans, the related special servicer or collateral manager may take actions that could adversely affect the Clients interests. In addition to the risks associated with debt instruments (e.g., interest rate risk and credit risk), CDOs carry additional risks including, but not limited to: (i) the possibility that distributions from collateral securities will not be adequate to make interest or other payments, (ii) the possibility that the quality of the collateral may decline in value or default, (iii) the possibility that the Clients may invest in CDOs that are subordinate to other classes and (iv) the possibility that the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the issuer or unexpected investment results.

Corporate Debt. The Clients, including Sculptor REIT, may invest in real estate corporate debt, which consists of secured and unsecured obligations issued by companies in the business of owning and/or operating real estate-related businesses. The Clients may invest in corporate debt obligations of varying maturities issued by U.S. and foreign corporations and other business entities, which may include loans, corporate bonds, debentures, notes and other similar corporate debt instruments, including convertible securities. Bonds are fixed- or variable-rate debt obligations, including bills, notes, debentures, money market instruments and similar instruments

and securities. Corporate debt is generally used by corporations and other issuers to borrow money from investors. The issuer pays the investor a rate of interest and normally must repay the amount borrowed on or before maturity. The rate of interest on corporate debt may be fixed, floating or variable, and may vary inversely with respect to a reference rate. The rate of return or return of principal on some debt obligations may be linked or indexed to the level of exchange rates between the U.S. dollar and a foreign currency or currencies. Debt instruments may be acquired with warrants attached. Certain bonds are “perpetual” in that they have no maturity date.

The Clients’ investments in real estate related corporate credit will be subject to a number of risks, including interest rate risk, credit risk, high yield risk, issuer risk, foreign (non-U.S.) investment risk, inflation/deflation risk, liquidity risk, smaller company risk and management risk. The Clients generally will not have direct recourse to real estate assets owned or operated by the issuers of the corporate debt obligations that the Clients invest in and the value of such corporate debt obligations may be impacted by numerous factors and may not be closely tied to the value of the real estate held by the corporate issuer.

Structured Products. The Clients may invest from time to time in structured products, including pools of mortgages, loans and other real estate-related securities. These investments may include debt securities issued by a private investment fund that invests, on a leveraged basis, in bank loans, high-yield debt or other asset groups, certificates issued by a structured investment vehicle that holds pools of commercial mortgage loans. The Clients may also invest in credit risk transfer notes that, while not structured products, face similar risks as structured products because they are debt securities issued by governmental agencies but their value depends in part on a pool of mortgage loans. The Clients’ investments in structured products will be subject to a number of risks, including risks related to the fact that the structured products will be leveraged, and other structural and legal risks related thereto. Utilization of leverage is a speculative investment technique and will generally magnify the opportunities for gain and risk of loss borne by an investor investing in the subordinated debt securities. Many structured products contain covenants designed to protect the providers of debt financing to such structured products. A failure to satisfy those covenants could result in the untimely liquidation of the structured product and a complete loss of the Clients’ investment therein. In addition, if the particular structured product is invested in a security in which the Clients are also invested, this would tend to increase the Clients’ overall exposure to the credit of the issuer of such securities, at least on an absolute, if not on a relative basis. The value of an investment in a structured product will depend on the investment performance of the assets in which the structured product invests and will, therefore, be subject to all of the risks associated with an investment in those assets. These risks include the possibility of a default by, or bankruptcy of, the issuers of such assets or a claim that the pledging of collateral to secure any such asset constituted a fraudulent conveyance or preferential transfer that can be subordinated to the rights of other creditors of the issuer of such asset or nullified under applicable law.

High-Yield Debt. The Clients, including Sculptor REIT, may invest in high-yield debt, which is subject to more risk than higher-rated securities. Debt that is, at the time of purchase, rated below investment grade (below Baa by Moody’s and below BBB by S&P and Fitch), an equivalent rating assigned by another nationally recognized statistical rating organization or unrated but

judged by the Adviser to be of comparable quality are commonly referred to as “high-yield” securities.

Investments in high-yield securities generally provide greater income and increased opportunity for capital appreciation than investments in higher-quality securities, but they also typically entail greater price volatility and principal and income risk, including the possibility of issuer default and bankruptcy. High-yield securities are regarded as predominantly speculative with respect to the issuer’s continuing ability to meet principal and interest payments. Debt instruments in the lowest investment grade category also may be considered to possess some speculative characteristics by certain rating agencies. In addition, analysis of the creditworthiness of issuers of high-yield securities may be more complex than for issuers of higher quality securities.

High-yield securities may be more susceptible to real or perceived adverse economic and competitive industry conditions than investment-grade securities. A projection of an economic downturn or of a period of rising interest rates, for example, could cause a decline in high-yield security prices because the advent of a recession could lessen the ability of an issuer to make principal and interest payments on its debt obligations. If an issuer of high-yield securities defaults, in addition to risking non-payment of all or a portion of interest and principal, the Clients may incur additional expenses to seek recovery. The market prices of high-yield securities structured as zero-coupon, step-up or payment-in-kind securities will normally be affected to a greater extent by interest rate changes, and therefore tend to be more volatile than the prices of securities that pay interest currently and in cash.

The secondary market on which high-yield securities are traded may be less liquid than the market for investment grade securities. Less liquidity in the secondary trading market could adversely affect the price at which the Clients could sell a high-yield security, and could adversely affect the NAV of the Clients’ shares. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the values and liquidity of high-yield securities, especially in a thinly traded market. When secondary markets for high-yield securities are less liquid than the market for investment-grade securities, it may be more difficult to value the securities because such valuation may require more research, and elements of judgment may play a greater role in the valuation because there is less reliable, objective data available. During periods of thin trading in these markets, the spread between bid and asked prices is likely to increase significantly, and the Clients may have greater difficulty selling the Clients’ portfolio securities. The Clients will be more dependent on the Adviser’s research and analysis when investing in high-yield securities.

B-Notes and A/B Structures. B-Notes and A/B Structures may pose additional risks that may adversely affect the Clients results of operations and financial condition. The Clients may invest in B-notes, which are mortgage loans typically (i) secured by a first mortgage on a commercial property or group of related properties and (ii) subordinated to an A-note portion of the same first mortgage secured by the same collateral (which the Clients would not expect to hold). As a result, if a borrower defaults, there may not be sufficient funds remaining to repay B-note holders after payment to the A-note holders. Since each transaction is privately negotiated, B-notes can vary in their structural characteristics and risks. In addition to the risks described



above, certain additional risks apply to B-note investments, including those described herein. The B-note portion of a loan is typically small relative to the overall loan, and is in the first loss position. As a means to protect against the holder of the A-note from taking certain actions or, receiving certain benefits to the detriment of the holder of the B-note, the holder of the B-note often (but not always) has the right to purchase the A-note from its holder. If available, this right may not be meaningful to the Clients. For example, the Clients may not have the capital available to protect the Clients' B-note interest or purchasing the A-note may alter the Clients' overall portfolio and risk/return profile to the detriment of the Clients' stockholders. In addition, a B-note may be in the form of a "rake bond." A "rake bond" is a CMBS backed solely by a single promissory note secured by a mortgaged property, which promissory note is subordinate in right of payment to one or more separate promissory notes secured by the same mortgaged property.

Mezzanine Loans. Although not directly secured by the underlying real estate, mezzanine loans are also subject to risk of subordination and share certain characteristics of subordinate loan interests described above. As with commercial mortgage loans, repayment of a mezzanine loan is dependent on the successful operation of the underlying commercial properties and, therefore, is subject to similar considerations and risks. Mezzanine loans may also be affected by the successful operation of other properties, but mezzanine loans are not secured by interests in the underlying commercial properties.

With most mezzanine loans, the bulk of the loan balance is payable at maturity with a one-time "balloon payment." Full satisfaction of the balloon payment by a borrower is heavily dependent on the availability of subsequent financing or a functioning sales market, and full satisfaction of a loan will be affected by a borrower's access to credit or a functioning sales market. In certain situations, and during periods of credit distress, the unavailability of real estate financing may lead to default by a borrower. In addition, in the absence of any such takeout financing, the ability of a borrower to repay a loan may be impaired. Moreover, mezzanine loans are usually non-recourse in nature. Therefore, if a borrower defaults on the loan, then the options for financial recovery are limited in nature.

Equity Securities of Real Estate Owners. The Clients, including Sculptor REIT, may invest from time to time in non-controlling preferred equity positions, common equity and other equity securities issued by real estate companies. Preferred equity investments generally rank junior to all existing and future indebtedness, including commercial mezzanine and mortgage loans, but rank senior to the owners' common equity. Preferred equity investments typically pay a dividend rather than interest payments and often have the right for such dividends to accrue if there is insufficient cash flow to pay currently. These interests are not secured by the underlying real estate, but upon the occurrence of a default, the preferred equity provider typically has the right to effectuate a change of control with respect to the ownership of the property. In addition, equity investments may be illiquid or have limited liquidity due to lock-out periods, limited trading volume or other limitations or prohibitions against their transfer, sale, pledge or disposition, including any necessary registration with the SEC requiring coordination with the issuer for the sale of such securities. The Clients' investments in equity securities issued by real estate companies will involve risks relating to the particular issuer of the equity securities, including the financial condition and business outlook of the issuer. Issuers of real estate related equity

securities are subject to their own operating and other expenses and may be subject to a management fee and performance-based compensation (e.g., promote), which the Clients as equity holder will indirectly bear. Issuers of real estate related equity securities generally invest in real estate or real estate related securities and are subject to the inherent risks associated with real estate discussed in “General Risks Related to Investments in Real Estate.”

REITs. The Clients, including Sculptor REIT, may invest in equity of other REITs that invest in real estate or real estate debt as one of their core businesses and other real estate related companies, which subjects the Clients to certain risks including those risks associated with an investment in the Clients own common stock. REITs that invest primarily in real estate or real estate debt are subject to the risks of the real estate market, the real estate debt market and the securities market.

REITs are dependent upon specialized management skills, have limited diversification and are, therefore, subject to risks inherent in financing a limited number of projects. REITs may be subject to a management fees and other expenses. When the Clients invest in REITs, the Clients will bear the Clients’ proportionate share of the costs of the REITs’ operations. Investing in REITs and real estate related companies involves certain unique risks in addition to those risks associated with investing in the real estate industry in general. The market value of REIT shares and the ability of the REIT to distribute income may be adversely affected by several factors, including the risks described herein that relate to an investment in the Clients’ common stock. REITs depend generally on their ability to generate cash flow to make distributions to 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, distributions received by the Clients from REITs may consist of dividends, capital gains and/or return of capital. Generally, dividends received by the Clients from REIT shares and distributed to the Clients’ stockholders will not constitute “qualified dividend income” eligible for the reduced tax rate applicable to qualified dividend income. 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.

REITs (especially mortgage REITs) are also subject to interest rate risk. Rising interest rates may cause REIT investors to demand a higher annual yield, which may, in turn, cause a decline in the market price of the equity securities issued by a REIT.

Investing in certain REITs and real estate related companies, which often have small market capitalizations, may also involve the same risks as investing in other small capitalization companies. REITs and real estate related companies may have limited financial resources, and their securities may trade less frequently and in limited volume and may be subject to more abrupt or erratic price movements than larger company securities.

Derivatives. The Clients, including Sculptor REIT, may enter into derivatives transactions including, but not limited to, options contracts, futures contracts, options on futures contracts, forward contracts, interest rate swaps, total return swaps, credit default swaps and other swap agreements for investment, hedging or leverage purposes. Derivative instruments, especially when purchased in large amounts, may not be liquid in all circumstances, so that in volatile

markets the Clients may not be able to close out a position without incurring a loss. the Clients' use of derivative instruments may be particularly speculative and involves investment risks and transaction costs to which the Clients would not be subject absent the use of these instruments, and use of derivatives generally involves leverage in the sense that the investment exposure created by the derivatives may be significantly greater than the Clients' initial investment in the derivative. Leverage magnifies investment, market and certain other risks. Thus, the use of derivatives may result in losses in excess of principal and greater than if they had not been used. The value of such derivatives also depends upon the price of the underlying instrument or commodity. Such derivatives and other customized instruments also are subject to the risk of non-performance by the relevant counterparty. In addition, actual or implied daily limits on price fluctuations and speculative position limits on the exchanges or over-the-counter markets in which the Clients may conduct the Clients' transactions in derivative instruments may prevent prompt liquidation of positions, subjecting the Clients to the potential of greater losses. Derivative instruments that may be purchased or sold by the Clients may include instruments not traded over-the-counter or on an exchange. The risk of nonperformance by the obligor on such an instrument may be greater and the ease with which the Clients can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange-traded instrument. In addition, significant disparities may exist between "bid" and "asked" prices for derivative instruments that are traded over-the-counter and not on an exchange. Such over-the-counter derivatives are also subject to types and levels of investor protections or governmental regulation that may differ from exchange-traded instruments.

The ability to successfully use derivative investments depends on the ability of the Adviser. The skills needed to employ derivatives strategies are different from those needed to select portfolio investments and, in connection with such strategies, the Adviser must make predictions with respect to market conditions, liquidity, market values, interest rates or other applicable factors, which may be inaccurate. The use of derivative investments may require the Clients to sell or purchase portfolio investments at inopportune times or for prices below or above the current market values, may limit the amount of appreciation the Clients can realize on an investment or may cause the Clients to hold a security that the Clients might otherwise want to sell. The Clients will also be subject to credit risk with respect to the counterparties to the Clients derivatives contracts (whether a clearing corporation in the case of exchange-traded instruments or another third party in the case of over-the-counter instruments). In addition, the use of derivatives will be subject to additional unique risks associated with such instruments including a lack of sufficient asset correlation, heightened volatility in reference to interest rates or prices of reference instruments and duration/term mismatch, each of which may create additional risk of loss.

Open Market Purchases or Traded Securities. The Clients, including Sculptor REIT, have the ability to invest in securities that are traded (publicly or through other active markets (including through private transactions)) and are, therefore, subject to the risks inherent in investing in traded securities. When investing in traded securities, the Clients may be unable to obtain financial covenants or other contractual governance rights, including management rights that the Clients might otherwise be able to obtain in making privately negotiated investments. Moreover, the Clients may not have the same access to information in connection with investments in traded securities, either when investigating a potential investment or after making the investment, as compared to privately negotiated investments. Furthermore, the Clients may be limited in its ability to make investments, and to sell existing investments, in traded securities because

Sculptor may be deemed to have material, non-public information regarding the issuers of those securities or as a result of other internal policies or requirements. The inability to sell traded securities in these circumstances could materially adversely affect the investment results. In addition, securities acquired of a public company may, depending on the circumstances and securities laws of the relevant jurisdiction, be subject to lock-up periods.

U.S. Commodity Futures Trading Commission Registration. Failure to obtain and maintain an exemption from being regulated as a commodity pool operator could subject the Clients, including Sculptor REIT, to additional regulation compliance requirements that could materially adversely affect the Clients' business, results of operations and financial condition. Registration with the U.S. Commodity Futures Trading Commission (the "CFTC") as a "commodity pool operator" or any change in the Clients' operations (including, without limitation, any change that causes the Clients to be subject to certain specified covered statutory disqualifications) necessary to maintain the Clients' ability to rely upon the exemption from being regulated as a commodity pool operator could adversely affect the Clients' ability to implement its investment program, conduct its operations or achieve its objectives and subject the Clients to certain additional costs, expenses and administrative burdens. Furthermore, any determination by the Clients to cease or to limit entering into hedging transactions that may be treated as "commodity interests" in order to comply with the regulations of the CFTC may have a material adverse effect on the Clients' ability to implement its investment objectives and to hedge risks associated with its operations.

### ***Risks Related to Debt Financing***

Borrowings. The Clients, including Sculptor REIT, will incur mortgage indebtedness and other borrowings, which increases the Clients' financial risks, could hinder the Clients' ability to make distributions and could decrease the value of your investment. The acquisition of investment properties may be financed in substantial part by borrowing, which increases the Clients' exposure to loss. The use of leverage involves a high degree of financial risk and will increase the exposure of the investments to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the investments. Principal and interest payments on indebtedness (including mortgages having "balloon" payments) will have to be made regardless of the sufficiency of cash flow from the properties. The Clients' investments will be impaired by a smaller decline in the value of the properties than would be the case if the Clients' properties were owned with a smaller amount of debt.

The Clients may incur or increase the Clients' mortgage debt by obtaining loans secured by a portfolio of some or all of the real estate acquired and may borrow under mortgages on properties after they are acquired. Depending on the level of leverage and decline in value, if mortgage payments are not made when due, one or more of the properties may be lost (and the Clients' investment therein rendered valueless) as a result of foreclosure by the mortgagee. A foreclosure may also have substantial adverse tax consequences for the Clients.

Many of these same issues also apply to credit facilities that are expected to be in place at various times as well. For example, the loan documents for such facilities may include various coverage ratios, the continued compliance with which may not be completely within the Clients' control. If such coverage ratios are not met, the lenders under such credit facilities may declare

any unfunded commitments to be terminated and declare any amounts outstanding to be due and payable. The Clients' may also rely on short-term financing that would be especially exposed to changes in availability.

Although borrowings by the Clients have the potential to enhance overall returns that exceed the Clients' cost of funds, they will further diminish returns (or increase losses on capital) to the extent overall returns are less than the Clients' cost of funds. As a result, the possibilities of profit and loss are increased. Borrowing money to purchase properties exposes the Clients to greater market risks and higher current expenses.

Financings as Recourse. In certain cases, financings for the Clients, including Sculptor REIT's, properties may be recourse to the Clients. Generally, commercial real estate financings are structured as non-recourse to the borrower, which limits a lender's recourse to the property pledged as collateral for the loan, and not the other assets of the borrower or to any parent of borrower, in the event of a loan default. However, lenders customarily will require that a creditworthy parent entity enter into so-called "recourse carveout" guarantees to protect the lender against certain bad-faith or other intentional acts of the borrower in violation of the loan documents. A "bad boy" guarantee typically provides that the lender can recover losses from the guarantors for certain bad acts, such as fraud or intentional misrepresentation, intentional waste, willful misconduct, criminal acts, misappropriation of funds, voluntary incurrence of prohibited debt and environmental losses sustained by lender. In addition, "bad boy" guarantees typically provide that the loan will be a full personal recourse obligation of the guarantor, for certain actions, such as prohibited transfers of the collateral or changes of control and voluntary bankruptcy of the borrower. Financing arrangements with respect to the Clients' investments will generally require "bad boy" guarantees from the Clients and in the event that such a guarantee is called, the Clients' assets could be adversely affected. Moreover, the Clients' "bad boy" guarantees could apply to actions of the joint venture partners associated with the Clients' investments. Although the Adviser expects to negotiate indemnities from such joint venture partners to protect against such risks, there remains the possibility that the acts of such joint venture partner could result in liability to the Clients under such guarantees.

Lines of Credit. If the Clients draw on lines of credit to fund repurchases or for any other reason, the Clients financial leverage ratio could increase beyond the Clients targets. The Clients may seek to obtain lines of credit in an effort to provide for a ready source of liquidity for any business purpose, including to fund repurchases of shares of the Clients common stock. There can be no assurances that the Clients will be able to borrow under or maintain the Clients lines of credit or obtain additional lines of credit on financially reasonable terms. In addition, the Clients may not be able to obtain lines of credit of an appropriate size for the Clients' business. If the Clients borrow under a line of credit to fund repurchases of shares of the Clients common stock, the Clients financial leverage will increase and may exceed the Clients target leverage ratio. The Clients' leverage may remain at the higher level until the Clients receive additional net proceeds from the Clients continuous offering or generates sufficient operating cash flow or proceeds from asset sales to repay outstanding indebtedness. In connection with a line of credit, distributions may be subordinated to payments required in connection with any indebtedness contemplated thereby.

Interest Rate Increases. Increases in interest rates could increase the amount of the Clients', including Sculptor REIT's, loan payments and adversely affect the Clients' ability to make distributions to the Clients' stockholders. Interest the Clients pay on the Clients' loan obligations will reduce cash available for distributions. The Clients may obtain variable rate loans, and as a result, increases in interest rates could increase the Clients interest costs, which could reduce the Clients' cash flows and the Clients' ability to make distributions to you. In addition, if the Clients need to repay existing loans during periods of rising interest rates, the Clients could be required to liquidate one or more of the Clients' investments at times that may not permit realization of the maximum return on such investments.

Financial Markets and Economic Conditions. Volatility in the financial markets and challenging economic conditions could adversely affect the Clients' ability to secure debt financing on attractive terms and the Clients' ability to service or refinance any future indebtedness that the Clients may incur. The volatility of the credit markets could make it more difficult to obtain favorable financing for investments. During periods of volatility, which often occur during economic downturns, generally credit spreads widen, interest rates rise and investor demand for high-yield debt declines. These trends result in reduced willingness by investment banks and other lenders to finance new investments and deterioration of available terms. If the overall cost of borrowing increases, either by increases in the index rates or by increases in lender spreads, the increased costs may result in future acquisitions generating lower overall economic returns and potentially reducing future cash flow available for distribution. Disruptions in the debt markets negatively impact the Clients' ability to borrow monies to finance the purchase of, or other activities related to, real estate assets. If the Clients are unable to borrow monies on terms and conditions that the Clients find acceptable, the Clients likely will have to reduce the number of properties the Clients can purchase, and the return on the properties the Clients do purchase may be lower. In addition, the Clients may find it difficult, costly or impossible to refinance indebtedness that is maturing. Moreover, to the extent that such marketplace events are not temporary, they could have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. economy.

Restrictive Covenants. Lenders may require the Clients to enter into restrictive covenants relating to the Clients' operations, which could limit the Clients' ability to make distributions to the Clients' stockholders. When providing financing, a lender may impose restrictions on the Clients that affect the Clients' distribution and operating policies and the Clients' ability to obtain additional loans. Loan documents the Clients enter into may contain covenants that limit the Clients' ability to further mortgage or dispose of the property or discontinue insurance coverage. In addition, loan documents may limit the Clients' ability to enter into or terminate certain operating or lease agreements related to the property. Loan documents may also require lender approval of certain actions and as a result of the lender's failure to grant such approval, the Clients may not be able to take a course of action the Clients deem most profitable. These or other limitations may adversely affect the Clients' flexibility, the Client' ability to make distributions to an investor and the value of an investor's investment.

Balloon Payment Obligations. If the Clients, including Sculptor REIT, enter into financing arrangements involving balloon payment obligations, they may adversely affect stockholder

returns. Some of the Clients' financing arrangements may require the Clients to make a lump-sum or "balloon" payment at maturity. The Clients' ability to make a balloon payment is uncertain and may depend upon the Clients' ability to obtain replacement financing or the Clients' ability to sell particular properties. At the time the balloon payment is due, the Clients may or may not be able to refinance the balloon payment on terms as favorable as the original loan or sell the particular property at a price sufficient to make the balloon payment. Such a refinancing would be dependent upon interest rates and lenders' policies at the time of refinancing, economic conditions in general and the value of the underlying properties in particular. The effect of a refinancing or sale could affect the rate of return to stockholders and the projected time of disposition of the Clients' assets.

Interest Rate Hedging Arrangements. Failure to hedge effectively against interest rate changes may materially adversely affect the Clients, including Sculptor REIT's, results of operations and financial condition. Subject to any limitations required to maintain qualification as a REIT, the Clients may seek to manage the Clients' exposure to interest rate volatility by using interest rate hedging arrangements, such as interest rate cap or collar agreements and interest rate swap agreements. These agreements involve risks, such as the risk that counterparties may fail to honor their obligations under these arrangements and that these arrangements may not be effective in reducing the Clients' exposure to interest rate changes. These interest rate hedging arrangements may create additional assets or liabilities from time to time that may be held or liquidated separately from the underlying property or loan for which they were originally established. Hedging may reduce the overall returns on the Clients' investments. Failure to hedge effectively against interest rate changes may materially adversely affect the Clients' results of operations and financial condition.

Loans with Cross-Collateralization Provisions. The Clients, including Sculptor REIT, may enter into loans with cross-collateralization provisions that provide that a default under any obligation of a certain dollar threshold or more by the Clients constitutes a default under the loan. If any of the Clients' future investments are foreclosed upon due to a default, the Clients' ability to pay distributions may be limited, which would have an adverse effect on an investor's investment in the Clients.

### ***Risks Related to Conflicts of Interest***

Conflicts Related to Fees. The Adviser and its affiliates receive substantial fees from the Clients, including Sculptor REIT, which fees were not negotiated at arm's length. These fees could influence the Adviser's advice to the Clients, including Sculptor REIT, as well as the judgment of its affiliates, some of whom also serve as the Clients' executive officers and directors. Among other matters, these compensation arrangements could affect their judgment with respect to certain actions, including but not limited to, the continuation, renewal or enforcement of the Clients' agreements with the Adviser and its affiliates; the Clients' equity offerings; the recommendation of higher-yielding but riskier investments, which may be encouraged by certain Clients' limited partners' performance participation interest calculations; share repurchases; asset sales; and the engagement of affiliates for other services. These conflicts of interest may not be resolved in the Clients', including Sculptor REIT's, favor.

Allocation of Real Estate Investment Opportunities. Sculptor sponsors or manages other programs, such as private investment funds, publicly traded investment vehicles (including SPACs), as well as managed accounts. All of the Clients', including Sculptor REIT's, executive officers and their affiliated directors are also officers, directors, managers, key professionals or holders of direct or indirect interests in (i) the Adviser, (ii) other affiliated investment advisers that are the managers of other programs or managed accounts, or (iii) other Sculptor-managed investment vehicles. The Adviser and its affiliates have legal and financial obligations with respect to other programs or accounts managed by them. In the future, the Adviser and its affiliates are expected to sponsor and manage other programs.

Conflicts of interest arise between the Clients and the current and future programs advised or sponsored by Sculptor, including with respect to:

- the allocation of investment opportunities among other Sculptor-sponsored real estate programs ("Sculptor Real Estate Programs") and accounts managed by the Adviser and its affiliates;
- the allocation of personnel and time among Sculptor Real Estate Programs and accounts managed or sponsored by the Adviser and its affiliates;
- the acquisition of assets from, or the sale of assets to, other Sculptor Real Estate Programs and accounts; and
- competition from other Sculptor Real Estate Programs or accounts when leasing a property or selling an asset or hiring service providers.

These conflicts of interest could result in decisions that are less favorable to the Clients than they otherwise would be.

The Clients also rely on the Adviser to present investment opportunities to them. Sculptor manages other Sculptor Real Estate Programs that invest in real estate and real estate-related securities. Sculptor is not contractually obligated to present any particular opportunities to the Clients and may present them to other Sculptor Real Estate Programs and managed accounts it advises. On the other hand, affiliates of the Adviser are contractually obligated to present certain opportunities to other Sculptor Real Estate Programs or accounts before they are presented to the Clients, and the Adviser or its affiliates may enter into similar arrangements with other Sculptor Real Estate Programs it manages in the future. Moreover, these other Sculptor Real Estate Programs may have investors that are affiliated with Sculptor. As a result, the Clients will not participate in every investment opportunity that falls within their investment objectives.

With respect to other Sculptor Clients with investment objectives or guidelines that overlap with the Clients' but that do not have priority over the Clients, investment opportunities are allocated among the Clients and one or more other Sculptor Clients in accordance with Sculptor's policies and procedures on a basis that the Adviser and its affiliates believe to be fair and equitable over time in their sole discretion, which may be subject to one or more of the following considerations: (i) any applicable investment objectives or focus of the Clients' and such other Sculptor Clients (which, for the Clients', includes Sculptor REIT's primary objective of providing attractive current income in the form of regular, stable cash distributions), (ii) any investment limitations, parameters or contractual provisions of Sculptor REIT's and such other Sculptor Clients (e.g., a joint venture between the Clients and another Sculptor Client must be on



substantially similar terms), (iii) the sector, geography/location, expected return profile, expected distribution rates, anticipated cash flows, expected stability or volatility of cash flows, leverage profile, risk profile and other features of the applicable investment opportunity and its impact on portfolio concentration and diversification, (iv) maintaining structuring and financing flexibility and (v) legal, tax, accounting and regulatory considerations, (vi) any other requirements or considerations set forth in the governing documents of any other Sculptor Client and (vii) other considerations deemed relevant by the Adviser and its affiliates (including, without limitation, maintaining any applicable Clients' qualification as a REIT and its ability to avoid registration as an investment company under the Investment Company Act).

Despite these conflicts and priority arrangements, the Clients generally expect the Adviser to offer real estate investment opportunities to other Sculptor Clients when those opportunities involve either debt or equity investments that (i) have an opportunistic or value-add risk profile (e.g., may involve acquiring, developing or lending on vacant or partially vacant properties or repositioning assets in whole or in part from one use to another) or (ii) have a shorter-term investment horizon consistent with the finite-life nature of the other real estate programs managed by its Adviser. On the other hand, subject to the Adviser's contractual obligations and other investment considerations set forth above, the Clients generally expects the Adviser to offer the Clients the opportunity to invest in "stabilized" assets with a longer-term holding period consistent with the program's perpetual life. However, there will likely be exceptions to these general expectations, and other Sculptor Clients may be offered "stabilized" and longer-term investments before the Clients are.

The Adviser could also consider other factors when making allocation decisions among Sculptor Real Estate Programs, such as a program's portfolio composition, objectives, guidelines, restrictions (including those imposed by law or regulation), strategy, capacity and liquidity. The Adviser has adopted the Investment Allocation Policy in order to guide its allocation decisions. These policies and procedures may be amended without the Clients' input and without notice to the Clients. There can be no assurance that any conflicts arising out of the Adviser's allocation of investment opportunities will be resolved in the Clients' favor.

Investments by Sculptor, its Employees and its Affiliates in Their Own Accounts. Sculptor and its employees and affiliates may engage in investment activities for their personal accounts, which may involve the purchase and sale of securities that are the same as, but in different concentrations or effectuated at different times and prices than, those purchased or sold by the Clients, including Sculptor REIT. However, since entering into new or augmented positions of most publicly traded equity and debt securities (and options, futures and derivatives thereon) is generally prohibited under Sculptor's Code of Ethics, the aforementioned activities would generally only occur when there is a sale of a security that was either entered into prior to an employee's start date or previously pre-approved prior to the date when the policy that effected the prohibition was implemented. In addition, they may also involve the purchase and sale of securities that are different from those purchased by the Clients. Additionally, Sculptor's principals, employees and other affiliates may engage in limited investment activities, which may from time to time involve passive investments in companies or funds that may have dealings with Sculptor.

Clients' Trading Ability. Sculptor may come into possession of information that may restrict the Clients' trading ability and that may not be provided to the Clients, including Sculptor REIT. Sculptor is a global institutional asset management firm that manages multiple investment strategies for many different accounts. As part of its investment advisory activities, Sculptor and its affiliates sometimes come into possession of material non-public or price-sensitive information regarding other issuers, including both public and private companies, information that it will be prohibited from using for the Clients benefit. This may occur, for example, if Sculptor obtains material, non-public information or enters into a nondisclosure agreement if it is contemplating a transaction in furtherance of certain investment strategies. Sculptor may therefore be precluded from effecting transactions in issuers for the Clients' account as a result of the receipt of confidential or material, non-public information in furtherance of strategies on behalf of other accounts.

Conflicts with the Interests of Other Sculptor Clients. Certain of the Clients', including Sculptor REIT's, investment interests may conflict with the interests of other Sculptor Clients and vice versa. The Adviser and its affiliates employ a wide range of investment strategies for the Clients and the other Sculptor Clients. In specific instances, these strategies include buying and selling different securities and instruments within an issuer's capital structure for different programs or accounts or pursuant to different strategies pursued by a single program or account. In pursuing these investment strategies, a program or an account may acquire an instrument that is senior or junior in the capital structure of an issuer relative to an instrument that may be acquired by the Clients. These investment decisions may be made by the same team of investment professionals for the same or different programs or accounts depending upon the investment strategy employed. Under normal circumstances, investments in instruments that have different rankings of seniority in an issuer's capital structure do not raise conflicts of interest. However, in other circumstances, such as when an issuer defaults on its debt or seeks protection from creditors in bankruptcy or reorganizations, a conflict of interest can arise as action taken to protect the interest of one set of holders (such as senior bank debt holders or preferred stockholders) can be at the potential detriment of other holders of the same issuer's securities or instruments (such as unsecured debt holders or common stockholders). When different programs or accounts own securities and instruments of the same issuer in different ranks of seniority, action taken for the benefit of one account or program can favor that account or program at the expense of other accounts or programs.

Additionally, certain investments made by one account or program may indirectly benefit positions held by another program. For example, one program may hold a position in the equity of an issuer and another account may participate in a syndicated loan offering, the proceeds of which are applied to finance a third party's acquisition of all or a portion of the issuer's outstanding equity (including any portion owned by other accounts). Further, in certain instances, proceeds of an investment in an issuer made by one account may be applied by the issuer (or an affiliate thereof) to make interest payments or distributions in respect of securities held by another account. For example, an account may participate in an offering of securities by a subsidiary or affiliate of an issuer in which another account holds a position. The proceeds of the offering, or a portion thereof, may be distributed directly or indirectly to the parent company (or other affiliate) in which another account owns a position, and the parent company (or other

affiliate) may use these proceeds to make payments or distributions to its debt and/or equity investors, including other accounts.

Investors should expect that in employing various strategies for programs with differing investment objectives, the Adviser and its affiliates will make investment decisions that result in some programs owning senior positions and other programs owning junior positions or certain investments of some programs impacting positions of other programs indirectly. These investments may give rise to conflicts of interest, which may not be resolved in the Clients' favor.

Financial or Other Benefits. The financial or other benefits received by the Adviser from the Clients, including Sculptor REIT, may be less than such benefits received by the Adviser from other Sculptor Clients. A conflict of interest arises where the financial or other benefits available to the Adviser or its affiliates differ among the programs and accounts that it manages. If the amount or structure of the management fee, the any performance participation interest and/or the Adviser's or its affiliates' compensation differs among programs and accounts (such as where certain funds or accounts pay higher base management fees, incentive fees, performance-based management fees or other fees), the Adviser or its affiliates might be motivated to help certain programs or accounts over others. Similarly, the desire to maintain assets under management or to enhance the Adviser's performance record or to derive other rewards, financial or otherwise, could influence the Adviser or its affiliates in affording preferential treatment to those programs or accounts that could most significantly benefit the Adviser or its affiliates. The Adviser may, for example, have an incentive to allocate favorable or limited opportunity investments or structure the timing of investments to favor certain programs or accounts. Additionally, the Adviser or its affiliates might be motivated to favor programs or accounts in which it has an ownership interest or in which Sculptor or its affiliates have ownership interests. If an investment professional at the Adviser or its affiliates does not personally hold an investment in a Client but holds investments in other Sculptor-affiliated vehicles, such investment professional's conflicts of interest with respect to the Clients may be more acute.

Sculptor's Clients and Other Relationships. Sculptor will consider client and other relationships and the reputation of Sculptor in managing the Clients, including Sculptor REIT. Sculptor has long-term relationships with many significant participants in the real estate and related financial markets, including lenders and government agencies. Sculptor also has longstanding relationships with, and regularly provides financing, investment banking and other services to, a significant number of corporations, private equity sponsors and other owners of real estate and real estate related securities and their respective senior managers, shareholders and partners. Some of these parties may directly or indirectly compete with the Clients for investment opportunities. Sculptor also has relationships with investors (including institutional investors and their senior management) that may invest in other investment funds or real estate assets. Sculptor considers these relationships in its management of the Clients. In this regard, there may be certain investment opportunities or certain investment strategies that Sculptor does not undertake on the Clients behalf in view of these relationships or refers to clients instead of referring to the Clients. Sculptor's advice and actions, with respect to any of its clients or proprietary accounts, may differ from the advice given, or may involve a different timing or nature of action taken,

than with respect to the Clients. Because of different objectives or other factors, a particular investment may be bought or sold by the Adviser, Sculptor or its investment funds, clients or the employees of Sculptor at a time when another one of these persons or entities is selling or purchasing such investment. Further, because of the importance of Sculptor's reputation, the Adviser may or may not take certain actions in order to protect or preserve such reputation. Sculptor's consideration of these and other related factors give rise to various conflicts of interest, which may not be resolved in the Clients' favor.

Sell or Purchase Assets from the Adviser. The Clients, including Sculptor REIT, may sell or purchase assets to or from the Adviser and its affiliates, and the conflicts of interest inherent in such transactions could result in terms that are less favorable to the Clients than they would be if the transactions were not with a related party. The Clients may sell or purchase assets to or from the Adviser and its affiliates. Although, pursuant to the Clients' corporate governance guidelines, such transactions will be subject to the approval of a majority of directors (including a majority of the Clients' independent directors) not otherwise interested in the transaction, there is still a risk that the conflicts of interest inherent in such transactions could result in terms that are less favorable to the Clients than they would be if the transactions were not with a related party. This risk is heightened on account of the Clients' directors' reliance, at least in part, on the Adviser and its affiliates for information regarding the proposed and alternative transactions. The possibility of such related-party transactions makes an investment in the Clients' shares more speculative than it otherwise would be.

Consultants and Service Providers. The Adviser will engage consultants, advisors and service providers on the Clients', including Sculptor REIT's, behalf. The Adviser and entities affiliated with its Adviser will provide certain accounting, administrative and other services to the Clients, and will charge expenses to the Clients for the provision of such services by their internal staff that will be in addition to the management fee payable by the Clients to the Adviser.

Individual consultants or advisors (some of whom may be former employees of Sculptor) may be engaged by the Adviser on its behalf to provide consulting or advisory services to the Clients. These consultants or advisors may not work exclusively for the Adviser or the Clients, including Sculptor REIT. Compensation paid to these consultants or advisors for consulting/advisory services is generally borne by the Clients, including Sculptor REIT, is not offset against the management paid to the Adviser and may include an annual fee and a discretionary performance-related bonus.

The Adviser, on behalf of the Clients, including Sculptor REIT, and their investments, expects to engage service providers (including attorneys and consultants), some of which may also provide services to Sculptor and other programs or accounts managed by other parts of Sculptor. In addition, certain service providers to the Adviser, the Clients and their investments may also be affiliates of Sculptor. These service providers may have business, financial, or other relationships with Sculptor or its employees, which may influence the Adviser's selection of these service providers for the Clients or their investments.

Allocation of Personnel. Sculptor personnel work on other projects and conflicts may arise in the allocation of personnel between the Clients, including Sculptor REIT, and other projects. The

Adviser and its affiliates will devote such time as they determine to be necessary to conduct the Clients', including Sculptor REIT's, business affairs in an appropriate manner. However, Sculptor personnel, including members of the investment committee, will work on other projects, serve on other committees (including boards of directors) and source potential investments for and otherwise assist other programs and accounts, including other programs and accounts to be developed in the future. Time spent on these other initiatives diverts attention from the Clients' activities, which could negatively impact the Clients. Furthermore, Sculptor and Sculptor personnel derive financial benefit from these other activities, including fees and performance-based compensation. Any Client sponsor's personnel share in the fees and performance-based compensation generated by other programs and accounts. These and other factors create conflicts of interest in the allocation of time by such personnel.

Investing Alongside. The Adviser may have interests in recommending that the Clients, including Sculptor REIT, invest alongside other Sculptor Clients and such interests could cause the Clients to make acquisitions that they otherwise would not make. The Adviser and its affiliates may become aware of investment opportunities that are too big for it or any other Sculptor Clients to take on individually but which the Clients and other Sculptor Clients could acquire collectively. The Adviser may have incentives to recommend that the Clients invest in such an opportunity even if it would not be in the Clients' best interest in order that the other Sculptor Clients not miss out on the opportunity and in order that The Adviser and its affiliates not miss out on the opportunity for higher fee income. The existence of other Sculptor Clients and the possibility of investments alongside them, therefore, increases the risk that the Clients may participate in an acquisition that is not in its best interest.

Data from the Clients. Sculptor will receive various kinds of information and data from the Clients, which it may use without benefit to the Clients. Sculptor will receive or obtain various kinds of data and information from the Clients, other Sculptor Clients and portfolio entities, including data and information relating to business operations, trends, budgets, customers and other metrics, some of which is sometimes referred to as "big data." Sculptor may enter into arrangements regarding information sharing and use with the Clients, other Sculptor Clients, portfolio entities, related parties and service providers which will give Sculptor access to (and rights regarding) data that it would not otherwise obtain in the ordinary course. Although Sculptor believes that these activities improve Sculptor's investment management activities on the Clients' behalf and on behalf of other Sculptor Clients, information obtained from the Clients also provides material benefits to Sculptor or other Sculptor Clients without compensation or other benefit accruing to the Clients or their stockholders.

Furthermore, except for contractual obligations to third parties to maintain confidentiality of certain information, and regulatory limitations on the use of material nonpublic information, Sculptor will generally be free to use data and information from the Clients' activities to assist in the pursuit of Sculptor's various other activities, including to trade for the benefit of Sculptor or another Sculptor Client.

The sharing and use of "big data" and other information presents potential conflicts of interest, and any benefits received by Sculptor or its personnel (including fees, costs and expenses) will not offset the Adviser's management fee or otherwise be shared with investors. As a result, the

Adviser has an incentive to pursue investments that generate data and information that can be utilized in a manner that benefits Sculptor or other Sculptor Clients.

**Family Relationships.** The Clients, including Sculptor REIT, may be subject to potential conflicts of interest as a consequence of family relationships that Sculptor employees have with other real estate professionals. Certain personnel and other professionals of Sculptor may have family members or relatives that are actively involved in industries and sectors in which the Clients invest or may have business, personal, financial or other relationships with companies in such industries and sectors (including the advisors and service providers described herein) or other industries, which gives rise to potential or actual conflicts of interest. For example, such family members or relatives might be officers, directors, personnel or owners of companies or assets that are actual or potential investments of the Clients or their other counterparties and properties. Moreover, in certain instances, the Clients may purchase or sell companies or assets from or to, or otherwise transact with, companies that are owned by such family members or relatives or in respect of which such family members or relatives have other involvement. In most such circumstances, the Clients will not be precluded from undertaking any of these investment activities or transactions.

**Other Conflicts.** Other potential or actual conflicts of interest may arise and these conflicts may not be identified or resolved in a manner favorable to the Clients. Sculptor has conflicts of interest, or conflicting loyalties, as a result of the numerous activities and relationships of Sculptor, the Adviser and the affiliates, partners, members, shareholders, officers, directors and employees of the foregoing, some of which are described herein. However, not all potential, apparent and actual conflicts of interest are included herein, and additional conflicts of interest could arise as a result of new activities, transactions or relationships commenced in the future. There can be no assurance that any of the Clients' boards of directors or the Adviser will identify or resolve all conflicts of interest in a manner that is favorable to the Clients.

### ***Other Risks of Investing***

**Uncertain Exit Strategies.** Due to the illiquid nature of certain positions which the Firm expects Sculptor Clients to invest in, the Firm is unable to predict with confidence what the exit strategy will ultimately be for any such investment, or that one will definitely be available. Exit strategies which appear to be viable when an investment is initially made may be unavailable at the time the investment is ready to be realized due to economic, legal, political, or other factors.

**Risks Associated with Service Providers.** Sculptor Clients are dependent upon Sculptor's counterparties and third-party service providers, including the Firm, the fund administrator, prime brokers, custodians, legal counsel, auditors and other service providers from time to time (the "Service Providers"). Errors are inherent in the business and operations of any business, and although the Firm has adopted measures to prevent and detect errors by, and misconduct of, counterparties and Service Providers, and transact only with counterparties and Service Providers it believes to be reliable, such measures may not be effective in all cases. Failures in systems and

processes employed by Services Providers, counterparties, exchanges and similar clearance and settlement facilities and other parties could result in mistakes made in the confirmation or settlement of transactions, the exercise or acknowledgement of security conversion, other mistakes in connection with investment-related corporate actions or in transactions not being properly booked, evaluated or accounted for. Any of the foregoing errors, misconduct or failures could have a material adverse effect on the Firm, Sculptor Clients and Sculptor Clients' investments.

The Adviser and entities affiliated with the Adviser will provide certain accounting, administrative and other services to the Clients, including Sculptor REIT, and will charge expenses to the Clients for the provision of such services by their internal staff that will be in addition to the management fee payable by the Clients to the Adviser.

Individual consultants or advisors (some of whom may be former employees of Sculptor) may be engaged by the Adviser on the Clients' behalf to provide consulting or advisory services to us. These consultants or advisors may not work exclusively for the Adviser or the Clients. Compensation paid to these consultants or advisors for consulting/advisory services is generally borne by the Clients, is not offset against the management paid to the Adviser and may include an annual fee and a discretionary performance-related bonus.

The Adviser, on behalf of the Clients and their investments, expects to engage service providers (including attorneys and consultants), some of which may also provide services to Sculptor and other programs or accounts managed by other parts of Sculptor. In addition, certain service providers to the Adviser, the Clients and their investments may also be affiliates of Sculptor. These service providers may have business, financial, or other relationships with Sculptor or its employees, which may influence the Adviser's selection of these service providers for the Clients or their investments.

Risks Associated with Inability to Retain Key Real Estate Professionals. The Clients', including Sculptor REIT's, success depends to a significant degree upon the contributions of certain key real estate professionals employed by the Adviser, each of whom would be difficult to replace. There is increasing competition among alternative asset firms, financial institutions, private equity firms, investment advisors, investment managers, real estate investment companies, real estate investment trusts and other industry participants for hiring and retaining qualified investment professionals, and there can be no assurance that such professionals will continue to be associated with the Clients or the Adviser, particularly in light of the Clients' perpetual-life nature, or that replacements will perform well. If any of these persons were to cease their association with the Adviser, the Clients' operating results could suffer. The Clients' future successes depend, in large part, upon the Adviser's ability to attract and retain highly skilled managerial, operational, investment and marketing professionals. If the Adviser loses or is unable to obtain the services of highly skilled professionals, the Client's ability to implement their investment strategies could be delayed or hindered.

Risks Associated with Information Security. Increased reliance on internet-based programs and applications to conduct transactions and store data continues to create growing operational and security risks. The Adviser and its Clients' service providers and other market participants increasingly depend on complex information technology and communications systems to

conduct business functions. These systems and programs are subject to a number of different threats or risks that could adversely affect the Clients and their investors, despite the efforts of Sculptor, the Adviser, and the Clients' 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 security, confidentiality, integrity and availability of information belonging to the Client and its investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, encrypt or otherwise prevent access to systems of Sculptor and systems of Sculptor's, the Adviser's and the Clients' service providers and counterparties, as well as the data stored by these systems. Targeted cyberattacks or accidental events can lead to breaches in computer and data systems security, and subsequent unauthorized access to sensitive transactional and personal information held or maintained by the Firm, its affiliates, and third-party service providers or counterparties. Any breaches that occur could result in a failure to maintain the security, confidentiality, or privacy of sensitive data, including personal information relating to investors and the beneficial owners of investors, and may lead to theft, data corruption, or overall disruption in operational systems. Criminals may use data taken in breaches in identity theft, obtaining loans or payments under false identities and other crimes that have the potential to affect the value of assets in which Clients invest. The information and technology systems of the Firm or companies in which Clients invest may be vulnerable to damage or interruption from computer viruses, denial of service attacks, ransomware, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches (e.g., as a result of ransomware or business enterprise compromise), usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. These risks have the potential to disrupt the Firm's ability to engage in transactions, cause direct financial loss and reputational damage or lead to violations of applicable laws related to data and privacy protection and consumer protection. Sculptor may incur substantial costs relating to the investigation or remediation of a cybersecurity incident, increasing and upgrading cybersecurity protections including its administrative, technical, organizational and physical controls, acts of identity theft, unauthorized use or loss of proprietary information, adverse investor reaction, increased insurance premiums or difficulties in obtaining insurance coverage, or litigation, regulatory action or other legal risks. Cybersecurity risks also necessitate ongoing prevention and compliance costs. Sculptor's Cybersecurity Risk Oversight Committee is established to fulfill the Firm's supervisory responsibilities with respect to information technology use and data security, including, but not limited to, enterprise cybersecurity, privacy, data collection and protection and compliance with information security and data protection laws. The Cybersecurity Risk Oversight Committee is committed to understanding and mitigating cybersecurity risks and, accordingly, is responsible for ensuring that the Firm's information security program and associated internal controls are reasonably designed to provide adequate safeguards to protect against security threats or hazards to our technology systems.

Alternative Data. The Firm obtains and uses alternative data in its investment process. Alternative data may consist of datasets that have been culled from a variety of sources, such as internet usage, payment records, financial transactions, weather and other physical phenomena sensors, applications and devices (such as smartphones) that generate location and mobility data, data gathered by satellites, and government and other public records databases. The Firm uses



alternative data in a variety of ways, including by incorporating it into the Firm’s fundamental research of companies. The analysis and interpretation of alternative data involves a high degree of uncertainty and may entail significant expense, including technological efforts, that are expected to be borne—in whole or in part—by the Clients. No assurance can be given that the Firm will be successful in utilizing alternative data in its investment process. The use of alternative data involves an inherent risk that the Firm may rely on data outputs that reflect faulty system logic or that are based on inaccurate or incomplete data inputs. Moreover, there has been increased scrutiny from a variety of regulators regarding the use of alternative data for investment purposes, and its use or misuse under current or future laws and regulations could create liability for the Firm and for the Clients in various jurisdictions. The Firm cannot predict what, if any, regulatory or other actions may be asserted with regard to alternative data, but any regulatory investigations or formal actions could cause reputational, financial, or other harm to the Firm and/or to the Clients. Any future limitations on the use of alternative data could have a material adverse impact on the performance of the Clients.

ESG Considerations and Risks. As part of the Adviser’s investment approach, it considers ESG issues and opportunities as part of the investment merit and risk monitoring processes across certain investment disciplines, including climate-related considerations. The Adviser’s ultimate parent company is a signatory to the United Nations Principles for Responsible Investment (“UN PRI”). As such, the Adviser seeks to align its investment practices with the tenets set out by the UN PRI in a manner consistent with the mandates of each Client, as applicable. When investing and managing certain assets, the Adviser undertakes an ESG analysis to identify and consider ESG factors that present material business risks and/or opportunities, weighing such factors along with other relevant economic and non-economic factors to determine risk and return. Investment decision-making is thus a combination of all relevant economic and non-economic considerations rather than based solely on ESG considerations, in a manner that is consistent with our fiduciary duties and Clients’ investment mandates. Further, ESG practices are evolving rapidly and there are different principles, frameworks, methodologies and tracking tools being implemented by other asset managers, and the Firm’s adoption and adherence to various such principles, frameworks, methodologies and tools is expected to vary over time. There is also a growing regulatory interest across jurisdictions in improving transparency regarding the definition, measurement and disclosure of ESG factors. The Firm’s ESG policies could become subject to additional regulation in the future, and the Firm cannot guarantee that its current approach will meet future regulatory requirements. The Firm’s ESG Policy is available on its website.

The EU Sustainable Finance Disclosure Regulation (“SFDR”). As applicable, the SFDR requires the Adviser to determine whether sustainability risks are relevant to any particular Client on a product-by-product basis. While neither the Adviser nor Sculptor is directly subject to the SFDR, certain Clients may be within the scope of the SFDR by virtue of registrations and/or notification under the AIFMD national private placement regimes in certain EU and EEA jurisdictions. Consequently, limited disclosures under the SFDR are made in the applicable offering documents in respect of each Client within the scope of SFDR. As detailed therein, the Adviser has determined that sustainability risks are relevant to certain Client investments, depending on the position and the particular strategy, as set forth in the Firm’s ESG Policy.

Assumption of Catastrophic Risks. Clients may be subject to the risk of loss arising from direct or indirect exposure to various catastrophic events, including the following: hurricanes, earthquakes and other natural disasters; terrorism; war; and public health crises, including the occurrence of a contagious disease. To the extent that any such event occurs and has a material effect on global financial markets or specific markets in which a Client participates (or has a material effect on locations in which the Adviser operates) the risks of loss can be substantial and could have a material adverse effect.

Coronavirus Risks. The ongoing global outbreak of COVID-19, together with resulting voluntary and U.S. federal and state and non-U.S. governmental actions, including, without limitation, mandatory business closures, public gathering limitations, vaccine mandates, restrictions on travel and quarantines, has meaningfully disrupted the global economy and markets. The global impact of COVID-19 has been evolving over the course of the pandemic and, at different points of time has had, and may to continue to have ongoing material adverse effects across many, if not all, aspects of the regional, national and global economy. The full effects, duration and costs of the COVID-19 pandemic are impossible to predict, and the circumstances surrounding the COVID-19 pandemic will continue to evolve.

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

Tax Risks. Recent changes in the tax law have introduced potential conflicts of interests between the Adviser and the interests of the Clients’ investors. Under current law, there could be an incentive for the Adviser of the Clients to cause the Clients to hold an investment for longer than

three years in order for the Adviser to be taxed at “long-term capital gains” tax rates, although the holding period does not generally have relevance for the tax treatment of investors who are not subject to U.S. income taxation or that are “C” corporations, including the Clients. Although the Adviser does not anticipate that this dichotomy will affect when investments may otherwise be realized, this dichotomy creates a potential conflict between the interests of the Adviser and the interests of the Clients’ investors.

Russian Invasion of Ukraine. In February 2022, Russian President Vladimir Putin ordered the Russian military to invade eastern Ukraine and subsequently the U.S., United Kingdom and European Union announced sanctions against Russia. Given the ongoing nature of the conflict, which could draw in additional countries, it is difficult to predict the conflict’s ultimate impact on global economic and market conditions, and, as a result, the situation presents material uncertainty and risk with respect to the Clients, the performance of their investments or operations, and the ability of the Clients to achieve their investment objectives.

### ***Methods of Analysis***

In evaluating potential investments, the Firm conducts due diligence based on the facts and circumstances applicable to each investment. When conducting due diligence, the Firm may, as it deems appropriate, evaluate important and complex business, financial, tax, accounting, environmental and legal issues. The Firm may retain outside consultants, legal advisors, accountants and investment bankers as part of the due diligence process in varying degrees depending on the investment. The Firm relies on the resources available, including information provided by the target of the investment and, in some circumstances, third-party research and consultants. The due diligence that the Firm carries out with respect to any investment opportunity may not reveal or highlight all relevant facts necessary or helpful in evaluating such investment opportunity, and the evaluation will not necessarily result in the investment being successful. Moreover, the level of due diligence conducted with respect to each investment will vary, and the Firm may not assess properly the appropriate amount of diligence for each investment, which can result in losses to Clients.

Risk management is central to the operation of the Firm’s business. The Firm emphasizes portfolio diversification by asset class, industry sector, and geography. Further, the Firm uses both quantitative and qualitative analyses to monitor financial and event risk and manage volatility. The Firm may seek to hedge credit, interest rate, currency, and market exposures. There can be no assurances, however, that appropriate hedges will be available or in place to successfully limit losses, and to the extent correlations between positions a Client’s portfolio does not behave as the Adviser expects, certain hedges may exacerbate rather than mitigate losses.

The Firm’s Risk Committee oversees the Firm’s risk management processes and meets regularly to review, among other information, internal risk analysis, including the results of stress testing the Firm’s portfolios under numerous scenarios. The Risk Committee also discusses other general risks, including, but not limited to, global economic, geopolitical, counterparty, and operational risks. Additionally, investment professionals meet regularly with analysts to review inherent risks associated with the positions in each fund. The Risk Committee generally reviews Client

portfolios as a whole and will not review the risks associated with each investment contained in a portfolio. Accordingly, the risks associated with each investment may not be specifically reviewed by the Risk Committee. Notwithstanding the diligence that is conducted in connection with any investment, there can be no assurance that the Firm will identify or review all risks or that the Firm will be able to prevent investment losses. Furthermore, it may not be possible to uncover fraud and other misconduct by issuers of securities, borrowers, or private companies in which the Firm and its affiliates invest.

In addition to longer-term investment strategies, the Firm also seeks to capitalize on short-term trading opportunities in certain circumstances, which do not involve the extensive risk analysis described above.

### ***Sub-Advisers***

The Firm allocates a portion of Sculptor Client assets to affiliated sub-advisers and may also allocate to unaffiliated investment professionals for management through managed accounts, investment funds or other structures. Sub-Advisers are generally retained for the purpose of allowing Clients to participate in investments that are of strategic value. For additional information regarding the fee arrangements related to sub-advisory relationships, please see Item 5 above.

### ***Other Related Procedures and Conflicts***

Valuation of Portfolio Holdings. The Firm's Compliance Manual includes a valuation policy and procedure (the "Valuation Policy") that was established to help ensure that all of the assets held by Sculptor Clients reflect fair values. The Valuation Policy describes the Firm's valuation and pricing guidelines and addresses specific pricing methodologies and hierarchies across a broad range of investment types. The Adviser maintains a Supplemental Compliance Manual, which is an addendum to Sculptor's Compliance Manual. Included in the Supplemental Compliance Manual is a separate Valuation Policy and Procedures that it adheres to in the valuation process with respect to Sculptor REIT.

Various conflicts of interest may arise in connection with the valuation of Client assets. Specifically, higher valuations of Client assets may result in increased incentive and management fees, and in some cases, increased compensation for personnel. Investment advisers also have an incentive to inflate valuations to report better performance, which may preserve or enhance the investment adviser's reputation and allow it to secure more investments in its funds. Conflicts of interest are heightened in the case of assets that do not have readily ascertainable market values. The Firm seeks to mitigate conflicts of interest through, among other things, controls set forth in the Valuation Policy, the overall separation of functions between Valuation Control Group and investment management personnel, and the oversight provided by the Valuation Committee. Properties will generally be expected to initially be valued at cost, for a 2-month period (including the month of acquisition), but will thereafter be valued as determined by the Adviser based in part on appraisals of each of the properties by independent third-party appraisal firms reviewed by the Clients' independent valuation advisor in accordance with valuation guidelines approved by the Clients' boards of directors. The Adviser expects to also conduct periodic valuations of the Clients properties that will be reviewed and confirmed for reasonableness by the Clients' independent valuation advisor. Investments in real estate debt and other securities with readily available market

quotations will be valued monthly at fair market value. Certain investments, such as mortgages and mezzanine loans, are unlikely to have market quotations. In the case of loans acquired by the Clients, such initial value will generally be the acquisition price of such loan. In the case of loans originated by the Clients, such initial value will generally be the par value of such loan. Additionally, the Adviser may in its discretion consider material market data and other information that becomes available after the end of the applicable month in valuing the Clients' assets and liabilities. Such independent third parties provide positive assurance of the value or point estimates ascribed to each such investment.

## **Item 9 – Disciplinary Information<sup>1</sup>**

Form ADV Part 2 requires investment advisers to disclose legal or disciplinary events involving the Firm or its partners, officers, or principals that are material to your evaluation of the Firm's advisory business or the integrity of its management.

On December 13, 2016, the HCMC, the financial services regulator in Greece, published a press release stating that it had reached a decision that certain Sculptor Clients, including for which Och-Ziff Management Europe Limited serves as the investment manager (the "Europe Funds"), violated EU short-selling regulations in connection with one transaction in 2014. The HCMC subsequently imposed financial penalties of €324,000 in the aggregate. The Firm notified the HCMC of its decision on behalf of the Europe Funds not to appeal the fine and in return expects to pay a total fine of €260,000 due to a 20% settlement discount. The Firm's Clients will not bear any cost associated with the fine levied by the HCMC in connection with this matter.

The DOJ and USAO (together, the "Offices") and the SEC brought certain proceedings against Och-Ziff Capital Management Group LLC, Sculptor Capital LP and others in connection with payments to government officials to obtain investments by a foreign sovereign wealth fund in certain hedge funds managed by Sculptor Capital LP or its affiliates in 2007 and similar payments relating to private investments in Africa between 2007 and 2011 by private equity funds and investment vehicles managed by Sculptor Capital LP or its affiliates. The individuals directly responsible for making these payments are no longer employed by the Sculptor Capital LP.

In connection with these matters, on September 29, 2016, Oz Africa Management GP, LLC ("Oz Africa"), a subsidiary of Oz Management LP, agreed to plead guilty in the United States District Court for the Eastern District of New York (the "Court") to one criminal count, a felony consisting of conspiracy to violate the anti-bribery provisions of the FCPA. In the proceeding against Oz Africa, former shareholders of a Canadian mining company, Africo Resources Ltd. (the "Claimants"), filed a letter with the court stating they plan to seek restitution at the sentencing hearing for Oz Africa.

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<sup>1</sup> In the second half of 2019, the Firm and certain affiliates changed their corporate names to those referenced throughout this Brochure. For example, effective September 12, 2019, the Adviser's parent, "Och-Ziff Capital Management Group, Inc.," changed its name to "Sculptor Capital Management, Inc." The legal entity names utilized throughout Item 9 reflect the legal entity names as of the dates of the respective matters being discussed and do not reflect legal entity names effective September 12, 2019. However, the legal name of OZ Africa Management GP, LLC remains unchanged.

On September 17, 2020, Oz Africa entered into a Settlement Agreement and Full and Final Release of All Claims (the “Agreement”) to resolve the restitution dispute. On November 4, 2020, the Court ordered restitution consistent with the terms of the Agreement and imposed a sentence otherwise consistent with the settlement agreement between Oz Africa and the Offices. Per the Court’s sentence and the settlement agreement, Oz Africa paid approximately \$138 million to former shareholders of the Claimants.

In connection with a Deferred Prosecution Agreement (the “DPA”) with the Offices relating to the same events, Och-Ziff Capital Management Group LLC was charged with four criminal counts, comprising two felonies consisting of conspiracy to violate the anti-bribery provisions of the FCPA and two felonies consisting of one violation of the books and records provisions of the FCPA and one violation of the internal controls provision of the FCPA. Under the DPA, the Offices agreed to defer prosecution of the criminal charges against Och-Ziff Capital Management Group LLC pending the completion of certain obligations undertaken by Och-Ziff Capital Management Group LLC pursuant to the DPA, including (i) payment of a penalty of \$213,055,689; (ii) retention of a compliance monitor for three years (subject to early termination or extension); and (iii) continued cooperation with governmental investigations. Pursuant to the initial terms of the DPA, six months after completion of those obligations and expiration of the DPA, the Offices would seek dismissal of the charges with prejudice.

Subsequently, on January 23, 2020, Och-Ziff Capital Management Group LLC entered into an amendment (the “Amendment”) to the DPA that extended the term of the DPA until 61 days after the entry of a final judgment by the Court. The Amendment made no other material changes to the DPA. The extension was based solely on the voluntary agreement of the parties and was not premised on any non-compliance. Nonetheless, because of the then outstanding restitution claim against Oz Africa, sentencing in the Oz Africa matter had not yet occurred and was not completed before the scheduled conclusion of the DPA. Because the DPA contemplated that the sentencing in the Oz Africa matter would occur before the DPA’s expiration, the parties executed the Amendment to extend the expiration date of the DPA. The Amendment did not contemplate any additional term for the independent compliance monitor, who certified that SCU’s compliance program was functioning effectively on January 30, 2020.

On November 3, 2020, the Offices agreed with SCU to terminate the DPA upon (i) the Court entering its final judgment stating the sentence in the Africo Matter, (ii) Oz Africa paying full restitution as ordered by the Court, and (iii) the monetary penalty the Company paid under the DPA in 2016 being released from a DOJ suspense account to the United States Treasury within 10 days after the final judgment. The DPA was terminated shortly thereafter.

The completion of these events concludes all legal issues stemming from legacy dealings in Africa for Sculptor Capital LP and its affiliates.

In connection with the same events, the SEC entered a cease-and-desist order by consent against Sculptor Capital LP, Och-Ziff Capital Management Group LLC, and Daniel S. Och (“Och”) and Joel M. Frank (“Frank”), Och-Ziff Capital Management Group LLC’s then-Chief Executive Officer and then-Chief Financial Officer, respectively, without either of the individual respondents’ admitting or denying the findings in the order. The order finds that (i) Och-Ziff Capital Management Group LLC violated Sections 13(b)(2)(A), 13(b)(2)(B) and 30A of the

Exchange Act, and (ii) Sculptor Capital LP violated Sections 206(1), 206(2) and 206(4) and Rule 206(4)-8 of the Advisers Act. In addition, the order states that Frank was a cause of violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and that Och was a cause of violations of Section 13(b)(2)(A) of the Exchange Act. The order censured Och-Ziff Capital Management Group LLC and Sculptor Capital LP pursuant to Section 21C of the Exchange Act and Sections 203(e) and (k) of the Advisers Act and requires (1) Och-Ziff Capital Management Group LLC to cease and desist from committing or causing violations of Sections 13(b)(2)(A), 13(b)(2)(B) and 30A of the Exchange Act, (2) Sculptor Capital LP to cease and desist from committing or causing violations of Sections 206(1), 206(2) and 206(4) and Rule 206(4)-8 of the Advisers Act, (3) Frank to cease and desist from committing or causing violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, and (4) Och to cease and desist from committing or causing violations of Section 13(b)(2)(A) of the Exchange Act. In addition, the order requires Och-Ziff Capital Management Group LLC and Sculptor Capital LP to pay disgorgement of \$173,186,178 and prejudgment interest of \$25,858,989 and requires Och to pay disgorgement of \$1,900,000 and prejudgment interest of \$273,718. A one-time \$173,186,178 penalty was deemed satisfied based upon Och-Ziff Capital Management Group LLC's payment of the penalty in the amount of \$213,055,689 pursuant to the DPA, as described above. On March 16, 2021, in a settled proceeding, the SEC ordered Frank to pay \$35,000 in civil penalties. The matter is now closed.

Under the settlement, Och-Ziff Capital Management Group LLC and Sculptor Capital LP undertook to implement enhanced internal accounting controls and policies, to separate the chief compliance officer from other officer positions and to engage an independent compliance monitor for three years, subject to early termination or extension. Och-Ziff Capital Management Group LLC, Sculptor Capital LP, Och and Frank undertook to cooperate in future related SEC proceedings.

On September 7, 2016, a panel of the CME Business Conduct Committee found that, on June 23, 2014, Sculptor Capital LP violated CME Rule 538.A by executing an exchange for a related position ("EFRP") transaction in which the related position transaction was established and offset but the related position transaction was not exposed to market risk, resulting in a transitory EFRP. An offer of settlement was approved by a panel of the CME Business Conduct Committee on September 7, 2016, in which Sculptor Capital LP neither admitted nor denied the rule violation on which the penalty was based. The CME settlement required Sculptor Capital LP to pay a fine of \$15,000.

On July 14, 2015, in settlement of an administrative proceeding, the SEC entered a cease-and-desist order against Sculptor Capital LP. The SEC found that Sculptor Capital LP caused several of its prime brokers to violate their legal obligations to maintain accurate books and records in accordance with Section 17(a) of the Exchange Act and rules thereunder. Sculptor Capital LP sent, between January 2008 and December 2013, trade files that identified trades based not on the relevant fund's overall net position in the security, but rather on the net position of the fund in such security with the relevant prime broker. The SEC also found that, in March 2011, Sculptor Capital LP violated Rule 105 of Regulation M of the Exchange Act, as a result of a compliance associate's miscalculation of the Rule 105 restricted period, by purchasing shares in a public offering after it had sold shares of the same type short during the Rule 105 restricted period. The SEC order required Sculptor Capital LP, to pay a civil penalty of \$4.25 million, disgorgement of \$214,380 and prejudgment interest of \$29,047. In addition, the SEC ordered Sculptor Capital LP to cease

and desist from causing any future violations of Section 17(a) of the Exchange Act and Rules 17a-3(a)(3) and 17a-25 thereunder and from committing or causing any violations or future violations of Rule 105 of Regulation M of the Exchange Act.

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

The Adviser and its affiliates serve as the investment manager, investment adviser, and/or general partner for multiple Sculptor Clients and entities globally. As such, the Adviser has a number of material global relationships, which are summarized below.

- Sculptor Capital LP, is a registered investment adviser that generally serves as investment manager to certain Sculptor Clients and is the parent of the Adviser.
- Sculptor Capital II LP, is a registered investment adviser that generally serves as investment manager to certain Sculptor Clients and is under common control with the Adviser.
- Sculptor Real Estate Advisors LP, is a registered investment adviser that generally serves as investment manager to certain Sculptor Clients and is under common control with the Adviser.
- Sculptor CLO Management LLC, is a registered investment adviser that generally serves as investment manager to certain Sculptor Clients and is under common control with the Adviser.
- Sculptor Loan Management LP, is a registered investment adviser that generally serves as investment manager to certain Sculptor Clients and is under common control with the Adviser.
- Sculptor Loan Advisors LLC, a registered investment adviser that generally serves as investment manager to certain Sculptor Clients and is under common control with the Adviser.
- Sculptor Capital Management Europe Limited, an entity regulated by the United Kingdom’s Financial Conduct Authority (“FCA”), is a registered investment adviser that generally serves as investment manager to certain Sculptor Clients and is under common control with the Adviser.
- Sculptor Capital Management Hong Kong Limited, an entity regulated by the Hong Kong Securities and Futures Commission (“SFC”), is a registered investment adviser that generally serves as investment manager to certain Sculptor Clients and is under common control with the Adviser.
- Sculptor (Shanghai) Overseas Investment Fund Management Co., Ltd. is a registered investment adviser that generally serves as investment manager to certain Sculptor Clients and is under common control with the Adviser.



- Sculptor Europe Loan Management Limited, an entity regulated by the FCA, is a registered investment adviser that generally serves as investment manager to certain Sculptor Clients and is under common control with the Adviser.
- Sculptor Capital Advisors LP, generally serves as the direct or indirect general partner to certain Sculptor Clients organized in the United States and is under common control with the Adviser.
- Sculptor Capital Advisors II LP, generally serves as the direct or indirect general partner to certain Sculptor Clients organized in the United States and is under common control with the Adviser.
- Sculptor Aviation 2018, LLC, generally serves as the asset manager to certain Sculptor Clients and is under common control with the Adviser.
- Sculptor Aviation 2019-1, LLC, generally serves as the asset manager to certain Sculptor Clients and is under common control with the Adviser.
- Sculptor Lunar Aviation 2020-1, LLC, generally serves as the asset manager to certain Sculptor Clients and is under common control with the Adviser.
- Sculptor Solrr Aviation 2021-1, LLC, generally serves as the asset manager to certain Sculptor Clients and is under common control with the Adviser.
- Sculptor Acquisition Sponsor I LLC, generally serves as the sponsor of Sculptor Acquisition Corp I, a SPAC, and is under common control with the Adviser.

### ***Related Conflicts***

Fees Payable to Service Providers Which Are Our Affiliates. Clients' portfolio investments may pay fees to the Adviser's affiliates in connection with the operation of a business related to a portfolio investment (e.g., fees to operate or develop a business which are distinct from fees paid in connection with investment advisory services provided by the Adviser to the Client). These fees can include, for example, fees paid to consulting companies, real estate development companies, or other operating businesses in which Sculptor has an interest. These fees will not be incurred for investment management services, but rather they relate to the day-to-day operations of portfolio investments. Such services may also supplement or be performed alongside services performed by the Adviser.

Sculptor seeks to ensure that the economic terms of any arrangement with affiliates will be consistent with the terms that can be obtained in arm's-length, commercial negotiations with third parties for similar services, as determined in its sole discretion. Fees paid to affiliates that relate to the day-to-day operation of portfolio investments will not reduce or offset any fees Sculptor receives. Sculptor has a conflict of interest in selecting (or influencing a portfolio investment to select) affiliates to provide these types of services. In order to address this conflict, whenever a situation arises where Sculptor (or a portfolio investment) seeks to hire an affiliate to provide these

types of services, Sculptor generally brings the matter before the Firm's internal Conflicts Committee (discussed in greater detail in Item 11 below) to review and approve the hiring.

Publicly Held Company. As noted above, RITM, the Firm's indirect parent company, is a publicly traded company listed on the NYSE. RITM has significant economic and business interests and objectives that are different than or conflict with those of Clients. Accordingly, the interests of shareholders of RITM are sometimes not aligned with the interests of investors or Clients. In situations where these interests are not aligned, the Firm faces a conflict of interest when it acts or fails to act. RITM may have direct relationships with counterparties that have relationships with the Firm's Client—certain of these counterparties may provide underwriting, consulting, administration and financing services to RITM and the Firm. Certain Sculptor Client counterparties have in the past, and may in the future, underwrite and analyze RITM's shares.

In addition, third-party service providers and counterparties that provide services to, or engage in transactions with, RITM or its subsidiaries also provide services to, or engage in transactions with, Clients. These service providers and counterparties also provide services to, or engage in transactions with, the Firm's partners and principals. The Firm has a conflict of interest in selecting these service providers and counterparties on behalf of Clients because the Firm may favor service providers and counterparties that provide service to RITM or its principals or subsidiaries for attractive fees or other terms of service. To address these conflicts, in certain situations, Sculptor brings such matters before its internal Conflicts Committee for review and approval. Refer to "Other Related Conflicts and Practices" of Item 11 below for more detailed information on the Conflicts Committee.

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

Code of Ethics. In order to assist the Firm in meeting its obligations as a fiduciary, the Firm has adopted a Code of Ethics (the "Code") that recognizes that the Firm and its employees (which, for purposes of this section, includes certain consultants, advisors, temporary employees and other individuals deemed "covered" for the purposes of the Code) must place the interests of Clients first at all times. Information concerning the identification of securities and other financial circumstances related to Sculptor Clients (and investors, as applicable) must be kept confidential (except in furtherance of Client investment objectives and goals or where disclosure is otherwise required by law). The Code specifies that certain types of personal securities transactions are prohibited for all covered persons and that employees must comply with applicable federal securities laws and not take inappropriate advantage of their positions. All personal securities transactions that are permitted must be conducted in a manner consistent with the Code, with a view toward avoiding actual or potential conflicts of interest or abuse of an employee's position of trust and responsibility. Indeed, employees must determine whether any conduct creates a conflict of interest or the appearance of a conflict of interest and report this conduct to the Firm. Clients, prospective Clients, investors, and prospective investors may obtain access to the Code for review purposes by contacting the Firm.

Personal Trading. The Code places restrictions on trades in an employee's personal accounts. Pursuant to the Code, the term "personal account" means any securities account in which an employee has any direct or indirect "beneficial ownership," and includes any personal account of an employee's immediate family member either living in the employee's household or financially dependent on the employee (immediate family member is defined as any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, person in an adoptive relationship, or spousal equivalent/domestic partner). With limited exceptions, employees are prohibited from entering into new or augmenting existing positions in certain securities, including common stocks; bonds or debt instruments of public companies; options, futures and derivatives; and interests in third-party hedge funds and publicly traded REITs. Employees are required to disclose their personal securities holdings and transactions to the Firm on a periodic basis. The Compliance Department monitors employees' personal securities holdings and transaction activity. Employees are also required to seek pre-approval for personal securities transactions in certain security types that are not otherwise prohibited.

Subject to the Code, the Firm and its partners, principals, employees, and other affiliates may engage in limited investment activities for personal accounts, which may involve the sale or purchase of securities that are similar to or the same as, but in different concentrations or effected at different times and prices than, those purchased or sold for Clients. However, since entering into new or augmented positions of most publicly traded equity and debt securities (and options, futures and derivatives thereon) is generally prohibited under the Code, the aforementioned activities would generally only occur when there is a sale of a security that was either entered into prior to an employee's start date or previously pre-approved by the Compliance Department before the date when the policy that effected the prohibition was implemented. In addition, they may also involve the purchase and sale of securities that are different from those purchased or sold for Clients. The Firm's partners, principals, employees, and other affiliates may engage in limited investment activities, which may from time to time involve passive investments in companies or funds that have dealings with the Firm. Accordingly, the Firm's personal investment and reporting policies, which requires pre-approval from the Firm's Compliance Department on any personal private investments, seek to address any potential or actual conflicts of interest relating to personal private investments.

Service on Boards of Directors and Other Outside Activities. An employee's service on the board of directors of an outside company, as well as other outside activities generally, could lead to the potential for conflicts of interest, and may otherwise interfere with an employee's duties to the Firm and Sculptor Clients. Accordingly, employees are generally prohibited from serving on the boards of directors of any public or private outside company, unless the service: (1) would be in the best interests of the Firm and Sculptor Clients; and (2) relates to an outside company that is a portfolio holding and the employee is the senior investment professional (or such other person as is approved by the Chief Compliance Officer or their designee) responsible for the investment. In addition, employees are prohibited from serving on the boards of directors of any non-profit organization, unless the service has been approved by the Chief Compliance Officer or their designee. Any employee serving on the board of an outside company or non-profit organization may be required to resign at any time if the Firm determines that the employee's continued service on the board may no longer be in the best interests of the Firm or Sculptor Clients. In the rare circumstance where an Employee or an agent of the Firm is permitted to serve either as a member

of or an observer to the board of an issuer of publicly traded securities or publicly traded bank debt (or a portfolio company that is directly controlled and/or affiliated with an issuer of publicly traded securities or bank debt) the Firm has adopted policies and procedures reasonably designed to prevent the misuse of any potential material non-public information and to ensure sufficient oversight.

Gifts and Entertainment; Political Contributions; Charitable Giving. Brokers, counterparties, service providers and other third parties with whom the Firm does (or seeks to do) business occasionally provide gifts and entertainment to Firm partners, principals, and employees. The Firm sometimes provides gifts and entertainment to such third parties where doing so is consistent with applicable policies and procedures. The Firm and its affiliates also sometimes enter into business transactions and relationships on behalf of a Client with these third parties. Accepting gifts or entertainment from brokers, counterparties, service providers and other third parties and other persons or entities with whom the Firm does business may create actual or perceived conflicts of interest. To address these conflicts, the Firm has adopted policies and procedures to limit the value of gifts and monitor the appropriateness of entertainment provided or received, whereby gifts and entertainment over certain policy thresholds require disclosure to and/or pre-approval from the Compliance Department. The Firm also has policies and procedures in place to help monitor, and in certain cases prohibit, the political contributions that its partners, principals, and employees make to public officials, political parties, political committees and candidates for elected office. The Firm takes pride in giving back to the community and has policies and procedures in place to ensure that charitable donations do not create unmitigated conflicts of interest for the Firm and are made in accordance with applicable laws.

### ***Other Related Conflicts and Practices***

From time to time, various potential and actual conflicts of interest arise from the overall advisory, investment and other activities of the Adviser, its affiliates and personnel. The following briefly summarizes some of these conflicts but is not intended to be an exhaustive list of all such conflicts. Clients and investors are advised to review the applicable Client offering and/or governing documents for a more extensive description of the potential conflicts of interest applicable to each Client.

Conflicts Committee. As noted above, from time to time, issues that raise potential conflicts of interest are brought before an internal Conflicts Committee for consideration. The Conflicts Committee is composed of senior executives of the Firm, including the Chief Compliance Officer, Chief Financial Officer, Chief Legal Officer, as well as the Firm's President and Chief Operating Officer. The Conflicts Committee is responsible for reviewing conflicts and potential conflicts among the Firm, Sculptor Clients, clients of Firm affiliates, the Firm's employees and/or the Firm's indirect parent company, RITM, and its public shareholders. Conflicts Committee meetings may involve participation by outside parties or employees, including, but not limited to, members of the Firm's research, portfolio management, accounting, legal or compliance departments. However, only members of the Conflicts Committee are permitted to vote on any actions put before the Conflicts Committee.

Affiliated Investors. The Sculptor Clients typically impose minimum holding periods during which interest holders may not withdraw from the Sculptor Clients in which they have invested.

To the extent that Firm partners, principals, employees and their respective family members (and those of Firm affiliates) also own interests in Sculptor Clients, they will generally be permitted to withdraw from the Sculptor Clients at more frequent intervals than other investors. If a Sculptor Client is required to liquidate holdings to satisfy these withdrawal requests, additional costs and expenses will be incurred and will be borne primarily by the remaining investors in the Sculptor Client.

As noted above, Firm partners, principals, employees and those of Firm affiliates invest in the Sculptor Clients—in fact, some investors insist upon such personal investments in a Sculptor Client before committing their own capital. The amount of proprietary investment by Firm partners, principals, employees and other affiliates differs from Sculptor Client to Sculptor Client, with the highest percentage of aggregate proprietary versus non-proprietary investments tending to occur in the early, ramp-up phase of a Sculptor Client. To the extent that third-party investments in Sculptor Clients are limited, a substantial level of proprietary ownership may continue for an indefinite period. Because the Firm's allocation policies are designed to facilitate new Sculptor Client accounts reaching a fully invested posture quickly, the Firm may make greater allocations of investment opportunities (including limited investment opportunities) to new Sculptor Clients, even if such Sculptor Clients are predominantly comprised of affiliated capital. In making these allocations, the Firm will face a potential conflict of interest with other Sculptor Clients, including Sculptor REIT, for whom the same investments would be appropriate, because the over-allocation to the new Sculptor Client in a ramp-up phase could be seen as favorably allocating investment opportunities to the proprietary accounts of Firm partners, principals, and employees, or those of Firm affiliates, to the extent they comprise a substantial portion of the investor base of such new Sculptor Client. In addition, certain Sculptor Clients in which Firm partners, principals and employees invest may focus on a specific investment strategy, sector or geographic region. Under Firm allocation policies, these types of Sculptor Clients receive increased allocations of opportunities within their specific focus, which generally continues for the life of the Sculptor Client. Please also see Item 12 below for additional information regarding the Firm's allocation policies.

Conflicting Interests of Investments. As described in this Brochure, the Firm employs a wide range of investment strategies for Sculptor Clients. In specific instances, these strategies result in buying and selling different securities and instruments within an issuer's capital structure (as described in Item 8) for different Sculptor Clients. In pursuing these investment strategies for Sculptor Clients, an instrument may be acquired for Sculptor Clients that is senior on the capital structure of an issuer relative to an instrument acquired for Sculptor Clients that is more junior on the capital structure, or even common stock (that is junior to a senior or secured creditor). These investment decisions can be made by the same team of investment professionals for the same or different Sculptor Clients depending upon the investment strategy employed. Under normal circumstances, investments in instruments that have different rankings of seniority in an issuer's capital structure do not raise conflicts of interest. However, in other circumstances, such as when an issuer defaults on its debt or seeks protection from creditors in bankruptcy or reorganizations, as is often the case with the investments the Firm makes in distressed issuers, a conflict of interest can arise in that the action taken to protect the interest of one set of holders (such as senior bank debt holders or preferred stockholders) may be at the potential detriment of other holders of the same issuer's securities or instruments (such as unsecured debt holders or common stock holders). When Sculptor Clients own securities and instruments of the same issuer in different ranks of

seniority, action taken for the benefit of one set of Sculptor Clients may favor that set of Sculptor Clients at the expense of another, including Sculptor REIT.

Additionally, certain investments made by one Sculptor Client or group of Sculptor Clients may indirectly benefit positions held by another Sculptor Client. For example, one Sculptor Client may hold a position in the public or private equity of an issuer and another Sculptor Client may participate in a syndicated loan offering, the proceeds of which are applied to finance a third party's acquisition of all or a portion of the issuer's outstanding equity (including any portion owned by other Sculptor Clients). Further, in certain instances, proceeds of an investment in an issuer made by one Sculptor Client or group of Sculptor Clients may be applied by the issuer (or an affiliate thereof) to make interest payments or distributions in respect of securities held by another Sculptor Client. For example, a Sculptor Client may participate in an offering of securities by a subsidiary or affiliate of an issuer in which another Sculptor Client holds a position. The proceeds of the offering, or a portion thereof, may be distributed directly or indirectly to the parent company (or other affiliate) in which another Sculptor Client owns a position, and the parent company (or other affiliate) may use these proceeds to make payments or distributions to its debt and/or equity investors, including other Sculptor Clients. For the avoidance of doubt, any Sculptor Client referred to herein may include Sculptor Clients with substantial investments by partners, principals, employees and other affiliates.

The Firm seeks to mitigate these risks in a number of ways, including causing a Sculptor Client to take certain actions that, in the absence of such conflict, it would not take. To the extent that one Sculptor Client might invest in an instrument at a more senior level in the capital structure than another Sculptor Client or one Sculptor Client's investment indirectly benefits another Sculptor Client, the investment decisions related to such investments are made on independent grounds based on the economics and investment objectives of each investing Sculptor Client. In addition, while there may be opportunities for the Firm, a particular affiliate or team to participate in discussions of an issuer's financial issues (such as participating on a creditors' committee) with the intention of influencing the outcome, neither Sculptor nor any of its affiliates or teams singularly controls decisions ultimately made by or concerning that issuer. Sculptor Clients should expect that in employing the various strategies for Sculptor Clients with differing investment objectives, the Firm will make investment decisions that result in some Sculptor Clients owning senior positions and other Sculptor Clients owning junior positions or certain investments of some Sculptor Clients impacting positions of other Sculptor Clients indirectly. In the event that an actual conflict arises, the investment professionals involved will bring the matter to the Conflicts Committee to determine appropriate action to take on behalf of the various Sculptor Clients involved. Such steps could have the effect of benefiting one Sculptor Client or the Firm at the expense of another Sculptor Client.

Disclosure of Portfolio and Other Information. The Firm sometimes provides portfolio holdings information to entities or third-party service providers that have been retained by investors to evaluate portfolio risk, facilitate the filing of class action claims, or for various other purposes. The Firm provides this information in its sole discretion and reserves the right to cease providing information at any time. The Firm makes reasonable efforts to preserve the confidentiality of the information it provides, such as by entering into non-disclosure agreements, but the Firm cannot ensure that the entities to which it provides information will fulfill their confidentiality obligations. In the course of conducting due diligence, investors periodically request information pertaining to

their investments, and pertaining to the Firm and its affiliates. The Firm may respond to these requests and may provide information that is not generally made available to other investors. When the Firm provides this information, it will do so without an obligation to inform other investors or to update any such information provided.

Timing and Realization of Investments. In accordance with U.S. tax laws, there could be an incentive for the Adviser to cause certain Clients to hold investments for longer than three years in order for the general partner to receive “long-term capital gain” tax rates with respect to any incentive allocation (please see Item 5 for additional information regarding fees), although other U.S.-taxable investors can achieve long-term capital gain tax rates on investments held for longer than one year, and the holding period does not generally have relevance for the tax treatment of investors who are not subject to U.S. income taxation. This dichotomy creates a potential conflict between the interests of the general partner and the interests of other indirect investors in certain Clients.

## Item 12 – Brokerage Practices

### *General Brokerage Practices*

While the Clients intend to invest predominantly in private real estate equity and debt investments, and the majority of the brokerage practices and related risks described herein may not be applicable to the Adviser at all times, the Clients potentially may invest opportunistically in the equity of public real estate-related companies, while transacting through traditional broker-dealers. In general, the Firm allocates portfolio transactions for Client accounts to broker-dealers on the basis of the best execution the Firm believes is available—i.e., execution in a manner that the Client receives the most favorable execution services under the circumstances (which may not be the lowest cost option available). For portfolio transactions executed in the Adviser's New York office, the Firm considers a variety of factors regarding broker-dealers in seeking best execution, including but not limited to:

- Quality of execution
- Financial strength and stability
- Willingness and ability to execute difficult transactions
- Access to underwritten offerings and secondary markets
- Overall cost of trade (including commissions, mark-ups, mark-downs, spreads, and other costs)
- Desired timing of the transaction
- Confidentiality of trading activity
- Idea generation
- Deal sourcing
- Provision of financing and similar services
- Provision of research or brokerage services
- Reputation
- Block trading and block positioning capabilities
- Willingness and ability to commit capital (i.e., loss ratios)
- Ongoing reliability
- Nature of the security and available market makers
- Desired size of the trade
- Market intelligence
- Availability of stocks to borrow
- Quality and timeliness of market information provided
- Ability to provide competitive term financing across a variety of asset classes

Certain affiliated offices are prohibited by an applicable regulatory authority from taking certain of the above-referenced factors into account prior to executing portfolio transactions.

Clients should expect that their securities transactions will generate a substantial amount of brokerage commissions and other costs, all of which are borne by the Client, and not the Firm. Unless the Firm receives instructions from a Client to use or refrain from using a specific broker-dealer, the Firm generally has complete discretion to decide what broker-dealers or other counterparties to use for executing transactions for Clients. The Firm negotiates the rates of compensation that Clients pay. Some broker-dealers and other counterparties the Firm selects have (or are affiliates of entities that have) other material business relationships with the Firm or its affiliates, or with the Firm's principals. In addition, certain Clients may not have clearing, custodial or financing arrangements (including ISDA agreements, repurchase agreements, securities lending



agreements, futures agreements or give up/clearing agreements) with all counterparties that have relationships with other Clients. While the Firm attempts to negotiate similar arrangements on behalf of all Clients, there can be no assurance that these arrangements will be uniform across all Clients, that the Firm will be able to establish uniform arrangements in a timely manner or that such arrangements will be established at all. Accordingly, certain Clients may be subject to higher clearing, custodial and financing expenses.

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

With respect to transactions in derivatives (i.e., swaps, forwards, options and futures (and options thereon)), the Firm executes such transactions through regulated or exempt swap dealers, non-registered swap dealers, non-swap dealers or futures commission merchants. From time to time, the Firm also uses the services of introducing brokers.

### ***Research and Other Soft Dollar Benefits***

General Information. The Firm may use brokerage commissions generated from Client transactions (“Soft Dollars”) to obtain research and other products or services other than execution (“Soft Dollar Benefits”). Soft Dollar Benefits may be proprietary (i.e., created or developed and provided directly by a broker-dealer) or from a third party (i.e., created or developed by a third party but provided by a broker-dealer). The Adviser intends that all Soft Dollar Benefits will qualify for the safe harbor in Section 28(e) of the Securities Exchange Act of 1934, as amended.

To obtain Soft Dollar Benefits, the Firm may cause Clients to pay brokerage commission rates higher than those charged by other broker-dealers. The Firm does not seek to allocate Soft Dollar Benefits to each Client in proportion to the amount of commissions that each Client has paid or credits that each Client has generated. In addition, not every Client will receive Soft Dollar Benefits on every transaction. As a result, Clients that do not receive Soft Dollar Benefits may effectively pay the same or higher commission rates as those that do.

Broker-dealers sometimes suggest the level of commissions they would like to receive in return for the various services they provide. While the Firm may budget for these, there is no obligation to meet such levels.

The Firm receives a benefit from the use of any Soft Dollars in that it does not have to pay for such Soft Dollar Benefits itself. The Firm, therefore, has a conflict of interest to select broker-dealers based on this benefit, rather than selecting broker-dealers based on Clients’ interests in receiving the most favorable cost of execution.

Soft Dollar Benefits. The Firm may obtain Soft Dollar Benefits, including but not limited to: (1) research reports on companies, industries and securities; (2) economic and financial data; (3) narrowly marketed and specialized financial publications; (4) quantitative analytical software; and (5) market data-related feeds, software and services. The Firm’s Compliance Department reviews

and approves all Soft Dollar arrangements, including Soft Dollar Benefits and providers of Soft Dollar Benefits.

Where generated, the Firm may utilize any Soft Dollars to purchase mixed-use products or services (e.g., a product or service of which a portion is both eligible and non-eligible under Section 28(e)). The Compliance Department will make a good faith determination as to the cost of the Soft Dollar eligible portion of the mixed-use product or service and pay only that amount with Soft Dollars. The use of Soft Dollars in non-U.S. jurisdictions may be subject to varying and sometimes more rigorous local regulation, and the Firm has policies and procedures to ensure compliance with these rules. To the extent that certain services, such as research, may not be provided by broker-dealers under Soft Dollar arrangements, such services will be charged as direct expenses to the applicable Client.

### ***Brokerage for Client Referrals***

Please refer to Item 14 below regarding brokerage practices with respect to capital introduction events sponsored by broker-dealers.

### ***Trade Aggregation***

When buying and selling securities for Sculptor Clients, the Firm generally aggregates multiple transactions into one order so that as many eligible Sculptor Clients as possible may participate on a fair and equitable basis over time at the best available terms under the circumstances. The Firm also may aggregate orders for Sculptor Clients together with orders for other Sculptor Clients (including Sculptor REIT and/or Sculptor Clients with substantial investments by partners, principals, employees and other affiliates) advised by it or its affiliates. The Firm will only aggregate orders if that aggregation is consistent with (i) the Firm's duty to Sculptor Clients to seek to obtain best execution and (ii) the investment guidelines and restrictions of each Sculptor Client for which trades are aggregated.

Although certain Sculptor Clients may be excluded from a given aggregated order, no Sculptor Client is favored over any other on an overall, long-term basis. Generally, orders are not aggregated across multiple investment strategies; as a result, the price at which an order may be executed for one strategy may be higher or lower than another order in the same security for a different strategy on the same day. Each Sculptor Client that participates in an aggregated order participates at the average price for all transactions with respect to that aggregated order in that security on a given business day, except as noted below. Typically, transaction costs are shared *pro rata* based on each Sculptor Client's participation in the transaction. In certain transactions, prices may differ as a result of differences in fees, taxes and transaction charges that are assessed on each participating Sculptor Client and vary depending upon a number of factors including, but not limited to, the domicile of the Sculptor Client, the size of participating Sculptor Client accounts, amounts allocated or whether some or all of the transaction was effected via a derivative instrument. The Firm does not earn any additional compensation as a result of aggregating orders.

When the Firm aggregates orders in specific securities, the Firm considers the appropriateness of the investment for each Sculptor Client based on its investment strategies and objectives, as well as other factors (collectively, the "Allocation Factors") such as:

- Whether a Sculptor Client has a sector or geographic regional focus
- Individual Sculptor Client relationships and counterparties
- Degree of leverage employed
- Timing of capital contributions and withdrawals
- Tolerance for volatility/risk
- Domicile of the Sculptor Client
- Desired portfolio and/or strategy diversification
- Desired hedge ratio
- Client-specific limitations or requirements
- Availability of credit facilities (and their terms)
- Tax or regulatory considerations
- Investment capacity
- Liquidity needs of the Sculptor Client
- Investment or ramp-up phase of one or more Sculptor Client(s)
- Other relevant factors

### ***Allocation of Aggregated Orders and Other Investment Opportunities***

The Firm considers a number of factors when allocating aggregated orders and other investment opportunities to Sculptor Client accounts, including the Allocation Factors above. For example, when a Sculptor Client is in its investment or ramp-up phase (i.e., when it has, relative to its portfolio, a significant amount of capital (whether drawn or undrawn) or available leverage that has not been deployed or if it has a fixed investment period) and is seeking to rebalance its portfolio or has received a capital infusion or withdrawal request, preference may be given to that Sculptor Client (including Sculptor Clients with substantial investments by partners, principals, employees and other affiliates, which, to the extent such Sculptor Client does not receive capital from third parties, may persist for an indefinite period of time), so that it reaches its desired position in a timely manner. Sculptor Clients may also employ different securities or different amounts of the same securities as a hedge depending upon availability of securities, timing of investments, risk tolerances and other factors the Firm considers relevant. The Firm may weight these factors and other factors deemed relevant differently for each Sculptor Client and, therefore Sculptor Client portfolios may hold differing proportional amounts of investments. In this regard, Sculptor Clients may not participate in each aggregated transaction on a *pro rata* basis if the Firm determines that to do so would not be in the best interests of each participating Sculptor Client. The Firm strives to provide all Sculptor Clients with meaningful investment allocations over time, although each and every Sculptor Client will not receive an allocation of each and every profitable investment.

**Investment Strategies.** When allocating investment opportunities (including Limited Opportunities and Special Investments and Follow-On Investments), the Firm believes that fairness requires consideration of the specific investment programs employed for Sculptor Clients. Specifically, certain Sculptor Clients invest on a global, multi-strategy basis while others focus on specific strategies or geographic regions. As discussed below, the Firm seeks to classify investment opportunities based on which combination of investment strategy (or sub-strategy, as applicable) and geographic region in which such strategy (or such sub-strategy, as applicable) (each such combination, an “Investment Strategy”) the opportunity falls. The Firm then seeks to allocate such opportunity primarily to the Sculptor Clients that participate in such Investment Strategy.

Client Allocation Ratios. Generally, when determining allocations of aggregated orders and investment opportunities, the Firm establishes for each Investment Strategy a ratio for each participating Sculptor Client, without reference to any specific investment opportunity, that reflects the portion of a given investment opportunity in such strategy that it will be allocated, subject to further modification in accordance with procedures. Determination of each Sculptor Client's ratio is based on the Allocation Factors listed above, as well as any other factors that the investment professionals believe are consistent with the fair and equitable treatment of all Sculptor Clients over time.

In this regard, the Firm may, for example, allocate a greater proportionate allocation (within reasonable risk tolerance levels) of certain types of investments to those Sculptor Clients with principal investment strategies that focus on specific strategies and/or geographic regions than Sculptor Clients with more diverse investment programs. As noted in Item 11 above, the Firm's Allocation Policy sometimes directs greater proportional allocations to certain Sculptor Client accounts, even if the interests of partners, principals, and employees constitute a majority or substantial portion of such Sculptor Client's assets. Allocations to all Sculptor Clients are generally different than what would be the case if allocations were done on a mechanical, *pro rata* basis based on net asset value or other parameters. Furthermore, if a Sculptor Client does not or cannot establish a relationship with a given counterparty, such Sculptor Client (1) may be excluded from an aggregated order, (2) may be subject to greater costs and expenses (including adverse price movements in the underlying security) in connection with a given transaction or (3) may be excluded from an investment opportunity.

The Firm's investment professionals review all ratios at least on a monthly basis and at times more frequently, taking into account actual and anticipated capital changes and changes in the risk profile within each Sculptor Client account and relative sizes of Sculptor Client accounts, recognizing that the appropriate ratio for each Sculptor Client may change over time. The Firm initially bases the ratio on estimated Sculptor Client account changes at the beginning of a particular month and then adjusts the ratio as necessary once Sculptor Client account changes are finalized that month and also as necessary to reflect changes in Sculptor Client circumstances. Accordingly, the pre-determined ratios may be adjusted one or more times during a given month depending on the circumstances related to a given Sculptor Client.

For investment opportunities that have unlimited availability, a Sculptor Client's investment professional may determine to adjust the allocation that such Sculptor Client would have otherwise received if the investment professional believes based on the Allocation Factors that doing so would be in the individual best interest of such Sculptor Client.

For investment opportunities that have limited availability ("Limited Opportunities"), i.e., any (1) primary or secondary offering of equity or debt, or (2) other investment opportunity that the Firm believes is too limited for all Sculptor Clients to participate in to the full extent that would otherwise be in their individual best interest, a Sculptor Client's investment professional may determine to reduce the allocation that such Sculptor Client would have otherwise received based on the Allocation Factors.

Real Estate Clients. Pursuant to the Firm's Allocation Policy, the Firm can initially allocate up to 100% of all private real estate investment opportunities to clients of Sculptor Real Estate Advisors

LP and clients of Sculptor Advisors LLC with a dedicated real estate investment program, including Sculptor REIT (“SRE Clients”). Each such opportunity will be allocated among SRE Clients in accordance with the allocation procedures for Special Investments described below. Private real estate investment opportunities will generally first be allocated to SRE Clients prior to other Sculptor Clients and in accordance with their respective distinct investment programs. Private real estate investment opportunities will generally be preferentially allocated to a specific SRE Client where the investment opportunity fits within such SRE Client’s dedicated investment program as determined by the Firm. In addition, where a private real estate investment opportunity overlaps the primary investment programs of more than one SRE Client, allocation will follow any preferential allocation rights provided in the offering memoranda of SRE Clients. For further information regarding allocation procedures for real estate investment opportunities among, please see “Allocation of Real Estate Investment Opportunities” in Item 8 above.

Any portion of a private real estate investment opportunity remaining after all SRE Clients have received their desired allocation will be allocated in the following order of priority: (a) to Sculptor Clients (including certain client accounts managed by Sculptor on a non-discretionary basis (“Non-Discretionary Clients”)) in existence on or prior to the date that any such SRE Client makes its initial investment who, as part of a broader overall investment program, have a dedicated allocation to private real estate investment opportunities (b) next, as a Co-Investment Transaction (as defined below) among investors in any SRE Client that (i) made its initial investment on or after April 1, 2018 and (ii) participates in the applicable private real estate investment opportunity and (c) next, among the other Sculptor Clients in accordance with the allocation procedures for Special Investments described above and (d) thereafter, to other Co-Investors (as defined below). As a result, all Sculptor Clients may not participate (i) in every private real estate investment opportunity or (ii) *pro rata* in those private real estate investment opportunities in which they do participate.

Special Investments. In order to ensure all participating Sculptor Clients receive appropriate exposure to Special Investments, the Firm allocates such Special Investments among participating Sculptor Clients on a basis other than the ratios in accordance with Firm policies and procedures. Allocations of Special Investments are determined based on a variety of factors, including, among other things, investment capacity for Special Investments, the liquidity profile of the Sculptor Clients at the time, the expected timing of realization of the investment or any other held by a Sculptor Client, the level of risk that Sculptor believes that Sculptor Clients should absorb, the desired level of hedging, and any other Allocation Factors set forth above as applied to the Special Investment. For example, Special Investments might be deemed to possess inherently more risk than more liquid investments or other non-Special Investments. Risk assessment is an ever-adjusting, subjective determination. Therefore, a Sculptor Client’s investment professional may want to limit risk by limiting the size of a Special Investment in relation to the net asset value of the Sculptor Client or other parameters. Managing Sculptor Client portfolios to account and adjust for risk, requires a non-formulaic approach to allocating exposure to Special Investments to take into account the risks associated with a specific opportunity or strategy. These risk considerations will change over time.

“Follow-On” Investments. The allocation of Special Investments to participating Sculptor Clients may differ depending on whether the Firm designates an additional investment opportunity in or relating to an existing Special Investment as a “Follow-On” investment or as a “new” Special

Investment, which designation is made in the sole discretion of Sculptor. In determining whether to designate such additional investment opportunity as a Follow-On investment or as a new Special Investment, the Firm will consider many factors, including, but not limited to, whether such investment is accretive to, or necessary to protect the value of, an existing Special Investment, and whether such investment can be allocated in the same manner as the original Special Investment to which it relates, taking into consideration the Allocation Factors. If such additional investment opportunity is designated as a “new” Special Investment, a new allocation will be determined as described above, including with respect to participation by a Non-Discretionary Client, as applicable. Accordingly, a Sculptor Client that participates in the original Special Investment may have an increased or decreased allocation to such new Special Investment as compared to the original Special Investment. If such additional investment opportunity is designated as a “Follow-On” Special Investment, then the Firm will seek to allocate the Follow-On investment in the same manner as the original Special Investment. However, if, due to any of the Allocation Factors, or if the Firm otherwise believes that it would not be appropriate for a Sculptor Client to participate (or fully participate) in a Follow-On investment opportunity, then the Follow-On investment opportunity (or the remaining portion thereof) will be allocated first to other Sculptor Clients that participated in the original Special Investment, second to other Sculptor Clients that did not participate in the original Special Investment for which the investment would be appropriate (and this can include Non-Discretionary Clients), and last to third parties, if any additional allocation remains.

Special Purpose Vehicles. Sculptor Clients may utilize special purpose vehicles and subsidiaries with respect to investments, including using financing subsidiaries to permit Sculptor Clients to leverage its investments. To the extent Sculptor Clients invest in a special purpose vehicle or subsidiary in which one or more other Sculptor Clients also invest and the assets of such special purpose vehicle or subsidiary are pooled and/or used as collateral, Sculptor Clients may be subject to a risk of partial or total loss of its investment in any such special purpose vehicle or subsidiary as a result of the negative performance of any assets in such special purpose vehicle or subsidiary. In addition, the non-performance by one or more other Sculptor Clients of its obligations to a special purpose vehicle or subsidiary, including defaulting on its capital contribution or other obligations to such special purpose vehicle or subsidiary, may impact the capital commitments to, and the assets held by, such special purpose vehicle or subsidiary. While the Firm and its affiliates will endeavor over time to treat the Sculptor Clients that participate in a special purpose vehicle or a subsidiary fairly and equitably, conflicts could arise that may require a particular Sculptor Client to take such steps as may be necessary to minimize or eliminate such conflict, even if that would require such particular Sculptor Client to (a) forego an investment opportunity or divest an underlying investment in such special purpose vehicle or subsidiary that, in the absence of such conflict, it would have made or continued to hold or (b) otherwise take action that may have the effect of benefitting any other Sculptor Clients (or the Firm or any of its affiliates) and therefore may not have been in the best interests of the Sculptor Clients.

In certain limited circumstances, such as where loans or private securities are purchased in an aggregated order, the Firm may not be able to allocate a portion of the order to a particular Sculptor Client due to considerations including, without limitation, minimum denomination requirements, excessive costs or negative tax or regulatory consequences. For this reason, the Firm may establish one or more special purpose vehicles (each, an “SPV”) to help facilitate these transactions. Eligible Sculptor Clients will generally participate in the SPV subject to client-imposed investment

guidelines or restrictions and tax and regulatory considerations. In such cases, non-participating Sculptor Clients may be subject to higher costs with respect to such transactions. The Firm may, in its discretion, also decide not to have certain non-participating Sculptor Clients invest in such transactions if it is determined that the costs (e.g., assignment fees in the case of bank debt) or tax or regulatory consequences associated with the non-participating Clients' investment are or could be too high. To the extent that one Sculptor Client makes an initial investment in or increases its investment in an SPV, such investment will dilute other interests in such SPV (and its exposure to the underlying investments therein) unless the Firm determines to increase that Sculptor Client's investment in such SPV on a proportionate basis.

Non-Discretionary Clients. The terms of any Non-Discretionary Client's investment program will govern which investments may be offered to the applicable Non-Discretionary Client (e.g., geography, sector, instrument type, risk tolerance, etc.). Subject to such terms, Non-Discretionary Clients may be included in the allocation for an investment opportunity after taking into account the Allocation Factors, in accordance with Sculptor's policies and procedures.

Regardless of such allocation, Non-Discretionary Clients may elect to take less than all (including none) of their share of any such investment opportunity, including Limited Opportunities, Special Investments and Follow-On investments. Depending on the allocation selected by the Non-Discretionary Client (including if the Non-Discretionary Client chooses not to participate in such investment opportunity), Sculptor may adjust (either up or down) the allocation to all other eligible Clients to ensure all participating Clients (including the Non-Discretionary Client(s)) receive the appropriate exposure to the investment opportunity. Accordingly, the ability of a Non-Discretionary Client to select exposure to any investment to which it has received an initial allocation will impact (either increase or decrease) amounts available to allocate to other participating Clients over which Sculptor has discretion.

Individual Investment Advice. Individual investment advice and treatment will be accorded to each Sculptor Client. In this regard, the Firm may exclude a Sculptor Client, including Sculptor REIT, from participating in any investment opportunity or adjust the Sculptor Client's relative participation if the Firm believes that the opportunity is not appropriate for the Sculptor Client or the Sculptor Client's exposure to the investment should be limited. Reasons may include the risk of the investment, desired portfolio and/or strategy diversification, the liquidity profile of the Sculptor Client, the overall volatility of the Sculptor Client's portfolio or other factors deemed relevant at such time. In addition, any SMA clients directly, and the investment professionals of certain Sculptor Clients, may request or establish, respectively, greater or lesser portfolio concentrations which may cause the Firm to allocate investment opportunities on other than a *pro rata* basis.

Sector-Specific Clients. Pursuant to the Firm's Allocation Policy, the Firm may initially allocate up to 100% of all private sector-investment opportunities to Sculptor Clients whose investment program is primarily focused on sector-related investments ("Sector-Specific Clients"). Each such opportunity will be allocated among Sector-Specific Clients in accordance with the allocation procedures for Special Investments described above. Any portion of a sector-specific investment opportunity remaining after all Sector-Specific Clients have received their desired allocation will be allocated in the following order of priority: (a) to Sculptor Clients (including any Non-Discretionary Clients) in existence on or prior to the date that any such Sector-Specific Client

makes its initial investment who, as part of a broader overall investment program, have a dedicated allocation to sector investment opportunities (b) next, as a Co-Investment Transaction (as defined below) among investors in any Sector-Specific Client that (i) made its initial investment on or after April 1, 2018 and (ii) participates in the applicable sector investment opportunity and (c) next, among the other Sculptor Clients in accordance with the allocation procedures for Special Investments described above and (d) thereafter, to other third parties or “Co-Investors” (as defined below). As a result, all Sculptor Clients may not participate (i) in every sector investment opportunity, or (ii) *pro rata* in those sector investment opportunities in which they do participate.

Private Credit-Specific Clients. Pursuant to the Firm’s Allocation Policy, the Firm can initially allocate up to 100% of all private credit investment opportunities to Sculptor Clients whose investment program is primarily focused on private credit-related investments (such as Sculptor Clients, “Private Credit-Specific Clients”). Each such opportunity will be allocated among Private Credit-Specific Clients in accordance with the allocation procedures for Special Investments described above. Any remaining portion of such opportunity will be allocated (a) first, among the other Sculptor Clients in accordance with the allocation procedures for Special Investments and (b) thereafter, to Co-Investors. As a result, all Sculptor Clients may not participate (i) in every private credit investment opportunity or (ii) *pro rata* in those private credit investment opportunities in which they do participate.

Risk Assessment. When the Firm makes an investment decision, the Firm assesses the amount of risk that Sculptor Clients should bear. The Firm’s risk assessment is an inherently subjective determination. The Firm does not follow a pre-established formula to determine or modify Sculptor Client risk capacity. Furthermore, risk assessments will vary depending on the nature of an investment and the strategy deployed. Because allocation of investment opportunities is based on these risk assessments, a portion of the Firm’s allocation decision is itself subjective.

Pre-Settlement Order Adjustments. From time to time, circumstances arise before settlement of a transaction that result in the adjustment of the original order to make securities settle into a different account than was called for under the original order. This is generally done to avoid a violation of Sculptor Client investment restrictions or guidelines, to avoid a negative tax consequence for a Sculptor Client, or for a variety of other reasons. The effect of this is to allocate more or less to one or more Sculptor Clients than what would have otherwise been the case in accordance with the original allocation. Please see the Firm’s complete Order Aggregation and Allocation Procedures on the investor website for additional detail.

Over-Allocations to Sculptor Clients with Substantial Proprietary Investments. As described above, the Firm’s allocation procedures factor in the need to ramp up new Sculptor Clients to a fully invested position in a timely manner. This objective can raise a conflict of interest between the Firm and Sculptor Clients to the extent that the Firm, its partners, principals, and employees have contributed the majority of a new Sculptor Client’s capital. The Firm’s interest in new Sculptor Clients may remain substantial for an extended period of time, depending on the degree of investments by third-party investors. The same issue applies to investments by the Firm’s partners, principals, and employees also in other, more seasoned Sculptor Clients, which also may be substantially comprised of proprietary investments.



Special Considerations for New Sculptor Clients and Allocations of Public Investments. When making investment decisions for a new Sculptor Client or a Sculptor Client making large subscriptions or redemptions (including Limited Opportunities and Special Investments), the Firm may determine not to allocate such orders on a *pro rata* basis, but instead, may allocate a larger proportion of an order (up to 100% of the order) to such Sculptor Client to achieve the desired exposure to such issuer (or in the case of a withdrawal, the desired liquidity). As a result of these factors and processes, all Sculptor Clients, including Sculptor REIT, will not participate equally in every order placed for the purchase or sale of an investment opportunity, including those that may have very limited availability.

Allocations of Primary and Secondary Offerings. With respect to allocations of primary and secondary offerings, the Firm will determine whether and the extent to which a particular offering will be allocated among Sculptor Clients and the amount of such allocation in accordance with the procedures outlined above for Limited Opportunities and, as applicable, Special Investments (including available capital) and in a manner consistent with applicable regulations (e.g., Financial Industry Regulatory Authority Rules 5130 and 5131, as amended, supplemented and interpreted from time to time, collectively the “FINRA Rules”). The Firm will modify procedures related to the allocation of orders in offerings so as to comply with any rule or interpretation thereof adopted by any applicable regulatory authority or if the Firm otherwise believes that a modification is necessary to ensure that all Sculptor Clients are treated fairly over time.

The Firm will allocate appreciation and depreciation from “new issues,” as defined under the FINRA Rules, and other restricted investments, only to Sculptor Clients that are eligible to participate. Under the FINRA Rules, certain persons (including, without limitation, persons associated with a broker-dealer, investment professionals, executive officers, and directors of public companies and certain family members of such persons) are “restricted” with respect to their participation in new issues. As a matter of fairness to investors that do not participate in a Sculptor Client’s investments in new issues and other restricted investments, the Firm may debit a use-of-funds charge to the capital accounts of those investors that do participate in new issues and credit that amount to the capital accounts of all other investors. The decision of whether to debit a use-of-funds charge is made on a case-by-case basis. Historically, the Firm has not exercised its authority to impose such a charge.

Dilution of Investment Opportunities. The Firm has entered into, and will enter into, business relationships with entities that provide investment ideas and opportunities that are appropriate for one or more Sculptor Clients. In addition, Sculptor Clients sometimes retain the Firm to provide non-discretionary advice, as noted above, and, in some cases, retain consent rights over their investments. To the extent that the Firm’s business expands in these directions, the investment opportunities given to any specific Sculptor Client will likely be diluted over time as more Sculptor Clients and joint ventures (including joint ventures from which the Firm derives an economic benefit) will compete for a limited pool of opportunities or as specific groups of Sculptor Clients receive priority in allocations of investment opportunities related to specific investment strategies (such as described in Item 12 herein in “SRE Clients,” “Sector-Specific Clients,” and “Private Credit-Specific Clients”). As a result of this dilution, investment opportunities that are appropriate for a Sculptor Client may not be allocated (or may be allocated in lesser amounts) to such Sculptor Client, including Sculptor REIT, and may instead be allocated to other Sculptor Clients and joint ventures (including joint ventures from which the Firm derives an economic benefit).

The Firm sometimes permits third parties or one or more investors, which may include third parties and/or investors in a Sculptor Client (each, a “Co-Investor”), to co-invest in certain investment opportunities (including Limited Opportunities and Special Investments) (each, a “Co-Investment Transaction”). Generally, the Firm will offer investment opportunities to Co-Investors only if the Firm determines that Sculptor Client accounts have received a full allocation of such investment opportunities in accordance with the Firm’s Allocation Policy; provided, that Co-Investment Transactions that are private real estate, private aviation or private credit investment opportunities will be allocated in accordance with the allocation procedures for SRE Clients, Sector-Specific and Private Credit-Specific Clients described above. Any such Co-Investment Transaction may be subject to a placement fee, management fee and/or an incentive allocation payable to the Firm or its affiliates. The Firm’s decision to permit Co-Investment Transactions may be based on a business relationship with the Co-Investor (including investment by the Co-Investor in one or more investment vehicles managed by the Firm or its affiliates), or other factors.

In certain instances, subject to each Sculptor Client’s governing agreements, a Co-Investment Transaction is typically structured in a manner such that the proposed Co-Investors would not bear any Broken Deal Expenses, with the result being that a Client who would have participated in the Co-Investment Transaction would bear all such Broken Deal Expenses; provided, if so structured, that such Co-Investors would not be entitled to receive any break-up or similar fee income, if any, earned with respect to such transaction. In many cases, the Firm does not expect that proposed Co-Investors will bear Broken Deal Expenses. Consequently, the Clients may bear all such Broken Deal Expenses in connection with transactions involving loans and public securities in which they would have participated, respectively (and in such case would be entitled to any such break-up or similar fee income, but it must be noted that there may be instances in which the Clients bear all Broken Deal expenses without the benefit of any break-up or similar fees). Notwithstanding the foregoing, the Clients will not bear the *pro rata* portion of Broken Deal Expenses attributable to other Sculptor Clients who would have participated in a Co-Investment Transaction had it been consummated, as such portion will be borne by the applicable Sculptor Clients. Further, from time to time, certain of the Sculptor Clients will incur certain ongoing expenses that benefit Co-Investors (for instance, insurance premiums). In such instances, these ongoing expenses will be borne solely by the applicable Sculptor Client or Sculptor Clients and will not be borne by any benefiting Co-Investors.

### ***Other Brokerage Practices, Issues, and Conflicts***

Separate Trading Desks and Strategies. The Firm has separate trading desks for different products and strategies that are managed by different traders and investment professionals. The Firm’s investment professionals and traders employ separate strategies pursuant to which they may invest and trade in the same or similar securities. These trading activities may result in our trading desks placing simultaneous competing orders or opposite orders for the same securities, which could cause the price of these securities to increase or decrease. These competing trades may therefore cause a Sculptor Client to pay a higher purchase price or receive a lower sale price than it otherwise would have paid or received if competing orders had not been placed.

OTC Transactions. When OTC transactions are placed, Sculptor generally employs primary market-makers, except when it is believed that better executions can be obtained from other market

participants. From time to time, OTC trades may be executed on an agency basis rather than on a principal basis. In these situations, the broker the Firm selects may acquire or dispose of a security through a market-maker. The transaction may thus be subject to both a commission (from the agency broker) and a mark-up or mark-down (from the market maker) and, therefore, the net price may be greater than what might otherwise be available. The Firm believes that the use of a broker in such instances is consistent with its duty to seek to obtain best execution for Sculptor Clients, in light of the factors considered. For example, the use of a broker can provide anonymity in connection with a transaction, and a broker may, in certain cases, have greater expertise or greater capability in connection with both accessing the market and executing a transaction.

Cross Trades. The Firm sometimes effects “cross” transactions between Sculptor Clients, where permitted by applicable law. In a “cross” transaction, one Client will purchase securities held by another Client. The Firm will only effect these transactions:

- (1) when the Firm deems the transaction to be in the best interests of both Sculptor Clients;
- (2) at a price and under circumstances that the Firm has determined by reference to independent market indicators, or other factors, which the Firm believes to constitute best execution for both Sculptor Clients (which may or may not involve a valuation agent or a third-party bid); and
- (3) when approved in advance by the Conflicts Committee or, in limited circumstances, by the Firm’s Chief Compliance Officer.

The Firm does not receive any transaction-based compensation in connection with cross transactions. “Inadvertent” cross transactions may also occur when trades cross in the market. For example, when the Firm rebalances Sculptor Client accounts, certain Sculptor Clients may sell securities into the market at the same time that others are purchasing the same securities in the market, resulting in an inadvertent or “deemed” market cross. In these cases, the Firm does not instruct the independent broker-dealer to directly move positions between Sculptor Clients and the broker-dealer establishes the price for the transaction.

Trade Errors. The Firm has established policies and procedures regarding the handling of trade errors that occur from time to time in the normal course of its business operations. Pursuant to these policies and procedures, a trade error is the execution of a trade of a security or other investment for a Sculptor Client where such execution did not reflect the intent of the Firm. In the event of a trade error, the Firm attempts to place Sculptor Clients in the position that was intended at the time a decision to trade was made. The Firm uses a variety of methods to achieve this goal and the goal of treating all Sculptor Clients fairly and equitably, including without limitation, by canceling orders, entering into offsetting transactions, entering into hedging transactions (including on a temporary basis pending an offsetting transaction) and, where a trade error results from a deviation of the applicable standard of care in the relevant Sculptor Client documents (as discussed below), reimbursing Sculptor Client accounts in which transactions have settled for actual losses (not lost opportunity gain or loss of appreciation), including an appropriate rate of interest.

More specifically, Sculptor reimburses Sculptor Clients for trade errors where the Firm: (i) determines a trade error resulted from a breach of the governing standard of care in the applicable Sculptor Client(s) documents; or (ii) otherwise voluntarily reimburses the Sculptor Client(s). Generally, the Firm will net all gains and losses resulting from trade errors within a Sculptor Client account on an annual basis (or such other period as determined by the Firm). In the event of an overall gain for a fiscal year (or other accounting period), the Firm will credit the amount of overage to the Sculptor Client.

The Firm has a conflict of interest in determining whether a trade error has occurred as a result of a breach of the governing standard of care in the applicable Sculptor Client(s) documents, as well as whether the costs of such trade error should be borne by the Sculptor Client or the Firm. Sculptor's Conflicts Committee will review all such determinations as needed and, in all cases, at least annually.

The Firm is not responsible to correct the errors of third parties, such as broker-dealers and prime brokers, unless the Firm has otherwise expressly assumed this obligation. The Firm will make reasonable efforts to attempt to have a third party correct any error the third party has caused, and the Firm may in its sole discretion determine to reimburse Sculptor Clients or otherwise provide assistance in connection with resolving errors committed by third parties.

In addition, the Firm is not generally responsible for errors in programs or models, whether internally or externally built or adapted which do not operate in the intended manner ("Programming Errors"). The Firm is not, under certain circumstances, obligated to reimburse Clients for any losses arising from orders of securities or other instruments which were placed or executed in connection with or in reliance on one or more Programming Errors.

Aggregated orders of securities executed as intended but allocated incorrectly among one or more Sculptor Clients are not trade errors. The Firm, however, will seek to ensure appropriate resolution of allocation errors in a manner consistent with the Firm's Allocation Policy. For example, the Firm may reallocate a trade to another Sculptor Client account when that reallocation is consistent with a legitimate investment decision on behalf of each Sculptor Client account involved. Where reallocation is not permissible or practicable, the Firm will engage in a transaction(s) for the affected Sculptor Client as may be necessary to correct the error in a fair and equitable manner. The Firm's Conflicts Committee will approve the resolution of allocation errors.

To the extent that a Sculptor Client is regulated under a different regulatory regime, the Firm will follow that regime's different policies and procedures regarding error correction.

Transactions with Investors and Sculptor Clients. The Firm and its affiliates sometimes enter into transactions with certain investors or other Sculptor Clients. The terms of these transactions are negotiated on an arm's length basis. However, the Firm and its affiliates are subject to a conflict of interest when determining such terms because it may ultimately benefit from retaining the investor or Sculptor Client.

Allocation of Time and Resources. Generally, the Firm is not subject to specific obligations or requirements concerning the allocation of time, efforts, resources, or investment opportunities to any particular Sculptor Client and/or non-advisory client. The Firm's personnel devote time to the

affairs of Sculptor Clients and/or non-advisory clients as they, in their discretion, determine to be necessary for the conduct of the business consistent with governing Sculptor Client documents.

Material Non-Public Information. The Firm is a global institutional asset management firm that manages multiple investment strategies for many different Sculptor Clients and non-advisory clients. As part of the Firm's investment advisory and other activities, the Firm and its affiliates sometimes come into possession of material non-public information regarding other issuers, including both public and private companies. The Firm is generally prohibited from using this information for the benefit of any Sculptor Client. As an example, the Firm may lawfully obtain material non-public information or enter into a non-disclosure agreement if it is contemplating a transaction in furtherance of certain investment strategies, including investment strategies for Sculptor Clients and non-advisory clients. If any Sculptor Client has an existing holding that is affected by the Firm's receipt of material non-public information or the terms of the non-disclosure agreement, the Sculptor Client will not be able to sell, dispose of or close out that position during the effectiveness of the agreement or duration of the restriction. As a result, the Sculptor Client, including Sculptor REIT, may experience a loss in value, which may include a total loss, of the position during this restricted period. Furthermore, the Firm will be unable to enter into new positions (or increase existing positions) in such affected securities during the confidentiality or restricted period. The Firm's activities for a Sculptor Client may be affected by these restrictions even when the Firm obtained the material non-public information with the intention of trading for a different Sculptor Client or in connection with the sponsorship of a vehicle such as a SPAC. The Firm may therefore be precluded from affecting transactions in issuers for certain Sculptor Clients, including Sculptor REIT, as a result of the receipt of confidential or material non-public information in furtherance of strategies on behalf of other Sculptor Clients or vehicles.

Investment by and in Broker-Dealers/Banks. The Firm permits affiliates of broker-dealers or banks to invest in the Sculptor Clients. These relationships can create a conflict of interest because there is a risk that a broker-dealer or bank is selected to perform commission-earning services for the Sculptor Clients as a result of the broker-dealer's (or its affiliate's) being a Sculptor Client or making investments in the Sculptor Clients. As described above, the selection of broker-dealers or banks is based on a variety of factors and the Firm does not consider the investment of assets with the Clients in selecting brokers for purposes of executing Sculptor Client orders. Nonetheless, a conflict of interest exists.

In addition, the Firm sometimes transacts in debt and equity securities and loans of broker-dealers or banks (or their affiliates) for Sculptor Clients and through which Sculptor Client brokerage is executed. The Firm makes these investments in the exercise of its investment discretion and only when the Firm believes the investment to be beneficial to Sculptor Clients. The Firm does not have any pre-arrangement or understanding with any broker-dealer or bank that an investment in the broker-dealer's or bank's (or its affiliate's) debt or equity securities or loans is in recompense for business or other services such broker-dealer provides to the Firm and Sculptor Clients.

Complex Institutional Relationships. Throughout Item 12, and elsewhere in the Brochure, the Firm discloses conflicts of interest arising out of Firm or affiliate relationships with prime brokers and other counterparties and service providers. For example, some counterparties have established platforms to allow some of their own clients and customers to invest in Sculptor Clients through feeder funds. These conflicts may be exacerbated to the extent that the Firm and its affiliates have

multiple such relationships, involving a variety of transactional work with the same or related entities. The Firm's relationships with counterparties and other service providers are dynamic and evolve over time. Because of the number and nature of these relationships, conflicts of interest that arise in connection with any one transaction or relationship can be compounded when many different transactions and relationships develop at the same time. The governing documents of the Clients establish complex arrangements among the Clients, the Firm, other Sculptor Clients, investors, and other relevant parties. From time to time, questions may arise regarding certain parties' rights and obligations in certain situations, some of which may not have been contemplated upon the negotiation and execution of such documents. In some instances, the operative provisions of the governing documents, if any, may be broad, unclear, general, conflicting, ambiguous, and vague and may allow for multiple reasonable interpretations. In other instances, there may not be a directly applicable provision. While the Adviser will construe the relevant provisions in good faith and in a manner consistent with its fiduciary duty and legal obligations, the interpretations used may not be the most favorable to a Client or its investors.

### **Item 13 – Review of Accounts**

Currently, the only account under the supervision of the Adviser is Sculptor REIT. Generally, the Firm reviews daily Sculptor Client portfolios. The Firm reviews quarterly certain Sculptor Client portfolios, including real estate fund portfolios. This review is carried out by Firm analysts and investment professionals. The Firm also reviews daily the transactions entered into for Sculptor Clients to ensure that correct entries have been made for all Sculptor Client records.

The Firm provides periodic reports to Sculptor REIT's Board of Directors relating to the operating performance of Sculptor REIT's investments and certain other matters pertaining to the Firm's obligations under Sculptor REIT's charter and the Sculptor REIT Advisory Agreement.

Investors in Sculptor Clients generally will receive written periodic reports which will include capital balance and applicable performance statistics. Investors in such Sculptor Clients will also receive written annual audited financial statements.

While not currently required, at some point in the future Sculptor REIT may elect to become a public reporting company under the Securities and Exchange Act of 1934 (as amended, the "Exchange Act") by electing to file a Form 10, which if Sculptor REIT so elects will require (i) Sculptor REIT to file periodic reports (i.e., as required by the Exchange Act), and (ii) the Adviser to update Sculptor REIT SEC filings, as required by the Securities Act of 1933, as amended. Any such filings will be available on the SEC's EDGAR filing system.

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

The Firm may execute Sculptor Client transactions with prime brokers that sponsor events, meetings or other communications between potential investors and the Firm and its affiliates. These capital introduction services are provided incidental to other brokerage services. The Firm and its affiliates are not compelled to engage broker-dealers that sponsor these capital introduction programs in order to be included at these events. However, these capital introduction events are

typically sponsored by prime brokers that provide necessary services to the Sculptor Clients, and they may create the appearance of using the execution services or prime brokerage services of these broker-dealers in order to be invited to their capital introduction programs.

The Firm does not cause Sculptor Clients to execute transactions or pay higher commissions or other transaction costs in connection with these programs or services (although Sculptor Clients will not necessarily pay the lowest possible commission when executing transactions through these broker-dealers—please see Item 12 above for additional information). However, the Firm does pay to attend certain conferences, seminars and other events that are attended by prospective investors but are not specifically designed as capital introduction events. Furthermore, broker-dealers or their affiliates may introduce us to prospective investors and will continue to have business relationships with, and execute brokerage transactions on behalf of, Sculptor Clients.

In addition, certain counterparties, including affiliates of broker-dealers, have established exclusive and non-exclusive platforms to allow their clients and customers to invest in the Sculptor Clients directly or through feeder funds and other vehicles. These platforms are described in greater detail in Item 6 and in Item 12 above. The Firm pays platform sponsors out of its own assets. In addition, the Firm anticipates entering into an arrangement with a platform sponsor whereby such sponsor is paid an annual product access payment from the Firm and an investment vehicle (and therefore its investors) placed by the sponsor in its investment menu for access to its clients and advisors.

The Firm may enter into solicitation agreements pursuant to which it compensates third parties for client referrals that result in the provision of investment advisory services by the Firm, including compensation in the form of a percentage of introduced capital. Such compensation may be paid pursuant to a written agreement with the solicitor in accordance with applicable rules under the Advisers Act and any applicable laws and regulations. The Firm may bear the costs of any such compensation and, therefore, such fees would not result in additional charges to any Sculptor Clients (whether directly or through offset of management fees received by the Firm). Placement agents that solicit investors may pose a conflict of interest because they are compensated in connection with their solicitation activities. If an investor is introduced to a Sculptor Client by an intermediary placement agent, the investor will be informed of any fees payable by the applicable Sculptor Client, Sculptor Capital LP, or the Adviser to the intermediary related to its investment.

## **Item 15 – Custody**

The Custody Rule defines custody as holding client securities or funds or having any authority to obtain possession of them. The Adviser is generally deemed to have custody of the Clients' funds. The Adviser generally complies with the Custody Rule by, among other things, providing all investors in a Client with audited financial statements.

## **Item 16 – Investment Discretion**

The Firm generally receives and exercises discretionary authority to manage investments on behalf of Sculptor Clients, although it can also sometimes provide advice to Sculptor Clients on a non-discretionary basis. Sculptor Clients may also direct the Firm to use a particular broker-dealer or

broker-dealers. In limited cases, certain Sculptor Clients retain consent rights over their investments.

The Firm typically assumes discretionary authority through a power of attorney or contract provision granted or entered into by a Sculptor Client, or through the constituent governing documents.

## **Item 17 – Voting Client Securities**

As described in Item 12 above, Sculptor REIT may invest opportunistically in the equity of publicly traded real estate-related companies. Notwithstanding the fact that Sculptor REIT does not intend to regularly invest in publicly traded securities, the Firm has adopted proxy voting policies and procedures (the “Proxy Policies”). Under the Proxy Policies, the general practice is to vote proxy proposals or resolutions relating to Sculptor Client securities, including interests in private investment funds, if any (collectively, “proxies”), in a manner that serves the best interests of Sculptor Clients. In determining how to vote proxies, the Firm typically considers a combination of the following factors: (1) the impact on the value of the securities; (2) the costs and benefits associated with the proposal; (3) the effect on liquidity; (4) the customary industry and business practices; (5) ESG-related factors; and (6) any other factors deemed relevant.

The Firm may vote consistent with management recommendations, with shareholder recommendations, with the recommendation of a proxy voting service, or in any other manner deemed by our investment professionals to be consistent with the Firm’s fiduciary duties. In addition, the Firm can decide not to vote or to abstain when the Firm believes doing so is in the best interests of Sculptor Clients. Furthermore, under the Proxy Policies, the Firm may opt to not vote proxies issued by companies if Sculptor Clients no longer have any economic exposure to the issuer of the proxy.

The Firm has also adopted proxy voting procedures pursuant to which an investment professional is required to conduct a case-by-case review and analysis before making a decision about matters that directly affect ESG issues. As detailed in the Proxy Policies, however, decision-making in the proxy voting context is a combination of all relevant economic and non-economic considerations rather than based solely on ESG considerations, consistent with the Firm’s fiduciary duties and Sculptor Clients’ investment mandates.

The Firm has created an internal Conflicts Committee (described in Item 11 above) composed of representatives of the Legal and Compliance Departments, as well as senior executives and other employees of Sculptor, as needed, which receives an annual presentation on proxy voting activities and adherence to the Proxy Policies. If the Firm (or one of its partners or principals) has a conflict with respect to a proxy, the Proxy Policies require that the Firm refer the determination of how to vote the proxy to its internal Conflicts Committee for review and resolution.

The Firm does not permit Sculptor Clients to direct how it will vote on specific proxies.



## **Item 18 – Financial Information**

Form ADV Part 2A requires investment advisers such as Sculptor to disclose any financial condition reasonably likely to impair its ability to meet contractual commitments to clients. The Adviser has no information to report that is applicable to this Item 18.