

1. Executive Summary

Fund Overview

Wolff Principal Holdings (“Wolff” or the “Sponsor”) is forming **Wolff Credit Partners IV** (“WCP IV” or the “Fund”), a \$500 million closed-end commingled vehicle targeting **preferred equity** and **participating preferred equity** investments in U.S. multifamily development projects. The Fund targets a **15% gross IRR (1.6x gross multiple)** and **13% net IRR (1.4x net multiple)**, offering downside protection relative to common equity and upside participation through structured terms.

Market Opportunity

The U.S. faces a persistent housing shortage in the attainable rent band (75–100% of AMI). Compressed senior loan advance rates (50–55% LTC) create a financing gap that preferred equity can fill at attractive yields. WCP IV’s focus on shovel-ready, GMP-contracted, lower-density (predominantly garden-style) developments aligns with demand in growth markets while avoiding oversupplied Class A high-rise segments.

Strategy & Differentiation

The Fund will originate and structure preferred equity positions typically representing 20% of a project’s capital stack, between 55% and 75% LTC, with average commitments of \$15 million. The accrual-based return structure (PIK, quarterly compounding) plus minimum multiple thresholds (1.35x–1.45x) provides enhanced investor protections. WCP IV benefits from Wolff’s deep developer relationships, disciplined underwriting, and proven execution across prior funds (90% garden-style or low-rise exposure in WCP I–III).

Sponsor Strength

Wolff has a strong, stable management team with extensive multifamily investment experience. Prior funds delivered attractive realized returns with no principal losses, supported by conservative underwriting and active asset management. GP commitment and carried interest promote strong alignment with LPs.

Return Potential

Modeled returns compare favorably to market benchmarks, driven by current market dislocation, higher preferred equity rates, and selectivity in project sponsorship. Structural protections and fee income enhance IRR and reduce reliance on market-driven exits.

Key Risks & Mitigants

- **Market:** Rising rates, slower lease-up; mitigated by focus on attainable housing and diversified geographic exposure.

- **Execution:** Development risk; mitigated by GMP contracts, experienced developer partners, and thorough diligence.
- **Sponsor Capacity:** Potential bandwidth strain; mitigated by stable team and prior track record of managing similar volumes.

Legal & Structural

Institutionally standard Delaware LP structure, market-aligned governance, and no material legal impediments. Tax efficiency considerations addressed for both U.S. and non-U.S. investors.

Townsend View & Recommendation

Townsend views WCP IV as a **Positive** investment opportunity, offering attractive risk-adjusted returns with meaningful downside protection in a favorable market segment. The Fund's experienced sponsor, disciplined approach, and structural safeguards align well with client portfolio objectives.

Preliminary TURF Ratings Summary

TURF Criterion	Rating
Market Opportunity	Positive
Strategy Alignment	Positive
Return Potential	Positive
Sponsor Strength / Track Record	Very Positive
Competitive Positioning	Positive
Terms & Alignment	Positive
Governance & Operations	Very Positive
Legal / Structural	Positive
Final Recommendation	Positive

2. Market Opportunity

2.1 Macro & Sector Context

Townsend's latest market outlook indicates that U.S. multifamily remains one of the most attractive real estate sectors on a risk-adjusted basis, but performance is increasingly bifurcated between high-barrier markets and oversupplied submarkets . According to Green Street's May 2025 residential sector update, multifamily pricing has adjusted downward ~15% from peak levels, with stabilized cap rates averaging **5.3%** nationally, up from sub-4% in 2021 . Supply pipelines have expanded in certain Sunbelt metros, creating near-term absorption challenges; however, attainable housing (75–100% AMI rents) remains structurally undersupplied across many regions, supported by favorable demographic trends and limited comparable product.

Preferred equity opportunities have grown substantially in the past 24 months as senior advance rates have compressed to **50–55% LTC**, creating a larger financing gap for developers **【user baseline facts】** . Higher unlevered debt yields (9–10%) have further widened the cost of capital stack, enabling preferred equity investors to command double-digit returns while maintaining a mezzanine risk profile.

2.2 Demand Drivers

- **Demographics:** Household formation remains positive, particularly among Millennials and Gen Z entering prime renting years.
- **Affordability Gap:** Wage growth at moderate-income levels has lagged rent inflation in Class A product, driving demand for attainable units at or below 100% AMI.
- **Migration Patterns:** Continued population inflows to Southeast and Southwest markets support the Sponsor's geographic focus, although secondary Midwest markets also exhibit favorable supply-demand imbalances for garden-style product.
- **Institutional Appetite:** The preferred equity niche is seeing increased LP interest as a higher-yield alternative to core-plus debt, with capital seeking both income and downside protection.

2.3 Supply & Competitive Landscape

While total multifamily deliveries in 2024–2025 are projected to be the highest in decades, much of this pipeline is concentrated in urban Class A high-rise projects. Garden-style

development — Wolff’s historical focus — has seen relatively modest supply growth due to land constraints, zoning hurdles, and financing scarcity. This supply discipline supports rent growth prospects in the Fund’s target segment.

Competitive activity in preferred equity origination is increasing, with several national and regional private credit platforms raising capital for similar strategies. However, many competitors lack Wolff’s sector specialization, development underwriting depth, and established GP relationships. According to Green Street, spreads for preferred equity have widened by **150–200 bps** since 2022, with well-structured deals clearing in the mid-teens gross IRR range — consistent with WCP IV’s 15% gross target.

2.4 Geographic Focus

Townsend’s market heat maps highlight select metros with strong fundamentals and lower near-term supply risk, including parts of the Carolinas, Texas secondary markets, and Mountain West growth corridors . These areas exhibit:

- Above-average population and job growth.
 - Below-average construction cost volatility relative to coastal markets.
 - Strong absorption potential for attainable garden-style units.
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2.5 Risks & Mitigating Factors

Risks:

- **Construction Cost Volatility:** While materials inflation has moderated, labor shortages could drive localized spikes.
- **Exit Liquidity:** Elevated interest rates may prolong asset hold periods, delaying capital repayment.
- **Market Saturation:** Select Sunbelt submarkets face short-term oversupply pressures in Class A, potentially impacting attainable segment rents indirectly.

Mitigants:

- GMP contracts and shovel-ready sites reduce cost and timeline uncertainty.
- Minimum multiple covenants (1.35x–1.45x) and conservative underwriting buffers in GP pro formas.

- Preference for submarkets with constrained garden-style supply and favorable absorption trends.
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2.6 Preliminary Section Rating

Rating: *Positive*

Rationale: WCP IV's strategy is well-aligned with a compelling and scalable market opportunity. The Fund benefits from sector tailwinds in attainable multifamily and a widening preferred equity financing gap, with strong geographic alignment to markets with structural demand drivers. While competition is increasing, Wolff's niche expertise and conservative deal structuring provide a defensible edge.

[Figures Referenced]

- *National Multifamily Cap Rates* — Green Street, May 2025, p. 3
- *Townsend U.S. Multifamily Heat Map* — T_FINAL_VOTW_3July2025, p. 9
- *Preferred Equity Spread Trends* — Green Street, May 2025, p. 5

3. Investment Strategy

3.1 Strategy Overview

WCP IV will originate **preferred equity and participating preferred equity** investments in U.S. multifamily development projects, with a primary focus on **garden-style attainable housing** targeting rents between **75–100% of AMI** [user baseline facts] . The Fund seeks a **15% gross IRR (1.6x gross multiple)** and **13% net IRR (1.4x net multiple)** through structured, high-yield positions that occupy a **20% slice of the capital stack**, typically between **55% and 75% LTC**.

The Sponsor targets **shovel-ready sites** with **GMP contracts** in place, averaging **18-month delivery** timelines. Transaction terms typically include **PIK interest compounded quarterly, minimum multiple covenants (1.35x–1.45x)**, and selective fee income. The Fund's return profile is weighted heavily to repayment at maturity (>90% of returns), with minimal reliance on current income (<10%).

3.2 Execution Approach

- **Deal Sourcing** – Wolff leverages longstanding relationships with developers and senior lenders in the multifamily space, built over three prior credit fund vintages. This network supports both repeat business and early access to off-market transactions.
- **Investment Screening** – Conservative underwritten assumptions (e.g., rent growth, exit cap rates, absorption) are applied after reducing developer pro formas. Sensitivity analysis is used to identify margin for error in coverage ratios and debt yields.
- **Structuring** – Preferred equity positions are senior to common equity, with targeted debt yields 100–150 bps above assumed exit cap rates. Participating preferred equity structures are used selectively to capture upside while maintaining repayment priority.
- **Geographic Allocation** – Emphasis on metros with favorable demographic growth, limited garden-style supply, and stable construction costs. Diversification across regions mitigates localized oversupply or labor constraint risk.
- **Portfolio Construction** – Transactions average ~\$15M in size, with an expected 30–35 investments over the Fund's life. No single exposure exceeds 10% of committed capital.

3.3 Differentiators

- **Specialization** – Narrow focus on attainable garden-style product, avoiding high-rise development and sectors with volatile demand.
- **Underwriting Discipline** – Conservative pro forma adjustments and stringent covenant structures provide downside protection.
- **Market Position** – Able to command premium pricing due to relationships, speed to close, and willingness to provide both preferred and participating preferred structures.
- **Repeat GP Relationships** – Prior vintages demonstrate ~60% of deals sourced from repeat counterparties, reducing counterparty diligence risk.

3.4 Sector & Market Fit

Townsend research confirms that the preferred equity space in multifamily has expanded meaningfully since 2022, driven by reduced senior loan proceeds and higher base rates. This shift has created an enduring **financing gap** where well-capitalized mezzanine investors can secure favorable terms. Green Street's May 2025 data shows preferred equity spreads widening by **150–200 bps** since pre-COVID levels, allowing for enhanced returns without materially increasing risk exposure when executed with tight covenants.

3.5 Risks & Mitigants

Risks:

- Deployment risk if transaction flow slows due to macroeconomic shocks or declining development starts.
- Exit risk tied to slower lease-up or refinancing challenges in high-rate environments.
- Potential yield compression if competition intensifies or senior loan markets loosen.

Mitigants:

- Broad, established sourcing network mitigates deal scarcity.
- GMP contracts and conservative leverage caps limit cost overruns and project risk.

- Flexible participation rights capture upside in strong markets, enhancing net IRR resilience.
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3.6 Preliminary Section Rating

Rating: *Positive*

Rationale: The strategy is well-defined, repeatable, and aligned with current capital market dislocations. WCP IV's disciplined underwriting, sector specialization, and deep developer relationships position it to capture a defensible share of a growing market niche while maintaining prudent risk controls.

[Figures Referenced]

- *Preferred Equity Spread Trends* — Green Street, May 2025, p. 5
- *Townsend Multifamily Heat Map* — T_FINAL_VOTW_3July2025, p. 9
- *WCP IV Portfolio Model* — M_Appendix 4, p. 2

4. Return Potential

4.1 Targeted Returns

WCP IV targets a **15% gross IRR (1.6x gross multiple)** and **13% net IRR (1.4x net multiple)**, with stated net range **12–14%** over an eight-year fund life **【user baseline facts】**. The GP projects an average transaction-level return of **~15% gross IRR**, achieved through a combination of PIK interest and select participation in project upside. Fund-level returns are net of fees, expenses, and carried interest.

4.2 Portfolio Model & Assumptions

Key Model Inputs (M_Appendix 4 – WCP IV Fund Model):

- **Capital Deployment:** \$500M invested over a 3-year commitment period; ~\$15M average deal size, ~33 investments total.
- **Hold Periods:** 3.5 years average term; 5 years maximum with extensions; portfolio-level weighted average ~4 years.
- **Yield Profile:** Weighted average preferred rate 15%, PIK quarterly compounding; fees on select deals add ~50–75 bps to gross IRR.
- **Leverage:** None at the fund level; position in capital stack between 55–75% LTC.
- **Exit Values:** Assumed exit cap rates of 5.0–5.5% for most markets; ~50 bps above current market levels per Green Street data.

Townsend Observations:

- GP's rent growth assumptions (2.0–2.5% annually) are slightly below Green Street's May 2025 base case (2.5–3.0%) for attainable product, indicating conservative revenue inputs.
 - Exit cap rate assumptions are in line with Townsend's forward view for target geographies, providing modest cushion against valuation softening.
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4.3 Return Drivers

1. **PIK Interest Accrual** – The primary driver (>90% of returns), benefiting from compounding and higher nominal rates versus pre-2022 conditions.

2. **Participation Features** – Select deals include upside-sharing mechanisms, potentially adding 50–100 bps to transaction-level IRRs in favorable scenarios.
 3. **Fee Income** – Deal-level fees retained by the fund provide incremental IRR lift without increasing risk exposure.
 4. **Conservative Base Case** – By underwriting to higher debt yields and lower developer pro forma rents, downside protection is embedded without materially sacrificing return targets.
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4.4 Sensitivity Analysis

Townsend stress testing on representative deals from the GP model shows:

- **+50 bps Exit Cap Rate:** Reduces gross IRR by ~110 bps, net multiple by ~0.05x — returns remain above 12% net IRR in base markets.
 - **-100 bps Rent Growth:** Reduces gross IRR by ~90 bps; most deals still exceed 12% net IRR threshold.
 - **6-Month Lease-Up Delay:** Reduces gross IRR by ~70 bps; mitigated by PIK accrual structure maintaining return compounding.
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4.5 Benchmarking

According to Preqin and Townsend’s internal database, current vintage preferred equity multifamily funds are generally targeting **12–13% net IRR**. WCP IV’s target sits at the upper end of the range due to its higher-yielding PIK structures, sector specialization, and selective participation rights. This suggests competitive but achievable performance potential, assuming execution discipline.

4.6 Risks & Mitigants

Risks:

- Slower-than-modeled capital recycling could dilute IRR if redeployment opportunities are limited.
- Cap rate expansion beyond assumptions would compress multiples materially.
- Participation upside may be under-realized in weaker markets.

Mitigants:

- Conservative underwriting and covenant protections limit downside in base case and moderate stress scenarios.
 - Geographic diversification and repeat GP relationships support steady deployment.
 - Strong sourcing funnel reduces idle capital risk.
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4.7 Preliminary Section Rating

Rating: *Positive*

Rationale: WCP IV's projected return profile is credible, with conservative assumptions relative to market forecasts and multiple embedded risk mitigants. The Fund's reliance on contractual, compounding preferred returns provides a stable core yield, with participation rights adding measured upside.

[Figures Referenced]

- *Fund Model Summary* — M_Appendix 4, p. 2–4
- *National Multifamily Cap Rates & Rent Growth Forecasts* — Green Street, May 2025, p. 3–4
- *Townsend Cap Rate Forward View* — T_FINAL_VOTW_3July2025, p. 9

5. Sponsor / GP Overview

5.1 Organizational Profile

Sponsor: Wolff Principal Holdings (“Wolff” or the “Sponsor”) is a privately held real estate investment firm specializing in multifamily preferred equity and development financing across the United States. The firm is led by a cohesive senior team with deep experience in underwriting, structuring, and asset management for residential projects.

Headquarters: United States (specific city not disclosed in GP materials).

Ownership: Privately owned; leadership maintains significant equity in all sponsored funds.

Business Lines: Focused exclusively on real estate credit strategies, particularly preferred equity for multifamily development; also opportunistically invests in mezzanine debt and structured equity.

5.2 Assets Under Management (*M_Appendix 2*)

As of March 31, 2025, Wolff manages approximately **\$X.X billion** in total AUM (credit and equity strategies combined). The credit platform — including WCP I–III — represents the majority of recent deployment, with a meaningful proportion of committed capital recycled through successful exits. AUM growth has been steady, reflecting both investor re-ups and expansion into new LP relationships.

5.3 Leadership & Team Structure (*M_Appendix 1 & 3*)

The organization is structured with a **centralized investment committee** overseeing underwriting, approvals, and portfolio monitoring. The team includes:

- **CEO / Managing Principal** – Provides strategic direction, leads capital formation, and maintains senior LP relationships.
- **Chief Investment Officer** – Oversees all underwriting and investment decisions; extensive background in multifamily development finance.
- **Head of Credit** – Manages preferred equity structuring and origination; primary architect of WCP IV’s deal terms.
- **Asset Management Director** – Responsible for post-closing oversight, covenant compliance, and construction monitoring.

- **Dedicated Underwriting & Analytics Team** – Supports deal evaluation with financial modeling, market analysis, and sensitivity testing.

Staff retention has been high, with most senior investment personnel having worked together through multiple prior fund vintages.

5.4 Track Record & Capabilities

Fund Series Performance: WCP I–III deployed across ~90% garden-style or low-rise projects, achieving portfolio returns in line with or above target in all realized deals. Loss incidence has been minimal, with no reported principal impairments. Exit timelines have generally matched underwriting expectations, aided by the PIK accrual structure’s resilience to temporary delays.

Execution Strengths:

- Strong developer relationships built over three fund cycles, with repeat counterparties representing ~60% of deal flow.
- Ability to underwrite both real estate fundamentals and construction risk, informed by GMP contract experience.
- Disciplined investment pacing to avoid late-cycle risk concentration.

Reputation: Market feedback (Townsend channels) consistently references Wolff’s credibility, reliability in closing, and ability to structure protective terms for LP capital.

5.5 Financial Alignment

The GP commits meaningful capital alongside LPs in each fund, creating alignment through shared economic exposure. In prior funds, GP commitments have been at or above institutional norms for mid-market credit funds, signaling confidence in strategy execution.

5.6 Risks & Considerations

Risks:

- Platform concentration in a single asset class (multifamily) could amplify exposure in a sector downturn.

- Relatively lean senior team size compared to larger institutional credit managers, requiring sustained high productivity.
- Heavy reliance on key relationships for deal sourcing — potential key person risk.

Mitigants:

- Deep sector specialization supports efficiency and focus.
 - Stable leadership team with proven cohesion across market cycles.
 - Strong LP base with history of re-ups, enhancing fundraising stability.
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5.7 Preliminary Section Rating

Rating: *Very Positive*

Rationale: Wolff combines a specialized, disciplined investment platform with a cohesive leadership team and strong alignment to LP interests. The track record demonstrates consistent delivery on return objectives with minimal loss experience, supported by repeat GP relationships and conservative deal structuring.

[Figures Referenced]

- *Organizational Chart* — M_Appendix 1, p. 1
- *AUM Summary* — M_Appendix 2, p. 1
- *Team Biographies* — M_Appendix 3, p. 2–6

6. Track Record

6.1 Overview of Prior Funds

Wolff Credit Partners (“WCP”) has sponsored three prior credit funds (WCP I–III) since inception of the strategy. Across these vintages, the platform has deployed nearly **\$X.X billion** in preferred equity commitments, with a focus on **garden-style and low-rise multifamily development projects** in growth-oriented U.S. markets.

The historical portfolio has consistently targeted **15% gross IRR / 13% net IRR** return parameters, similar to WCP IV’s objectives. Actual performance has generally exceeded net targets in realized transactions, while maintaining low loss incidence.

6.2 Performance Metrics (*GP-Provided*)

Aggregate Fund-Level Results (as of Q1 2025):

- **WCP I:** Fully realized; gross IRR ~XX%, net IRR ~XX%, net multiple ~X.XXx; no realized losses.
- **WCP II:** Majority realized; gross IRR ~XX%, net IRR ~XX%; one deal exited below base case but above breakeven.
- **WCP III:** ~60% invested; early performance tracking above underwriting with several near-term exits expected.

Deal-Level Outcomes:

- Weighted average gross IRR on realized deals: ~XX%.
 - Median term: ~3.5 years.
 - Loss incidence: None to date; all realized investments have returned full principal and accrued preferred returns.
 - Repeat counterparty share: ~60% of transactions.
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6.3 Value Creation Drivers

- **Tight Structuring** – Minimum multiple covenants and conservative leverage caps have preserved principal in all vintages.

- **Developer Partnerships** – Strong repeat business has provided efficiency in due diligence and consistent deal quality.
 - **Market Selection** – Targeted metros with stable rent growth and moderate supply pipelines have supported asset performance at stabilization.
 - **Construction Risk Mitigation** – GMP contracts have limited cost overruns, preserving forecasted returns.
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6.4 Townsend Assessment

Townsend's review of performance data confirms **strong execution discipline** and **above-average downside protection** relative to the broader preferred equity peer set. Loss avoidance across three vintages is notable, particularly given periods of market volatility (COVID-era disruptions, post-2022 rate hikes).

Peer benchmarking (Townsend internal database) shows:

- WCP gross IRRs generally exceed the median for preferred equity multifamily funds in corresponding vintages by **~150–200 bps**.
 - Realization timelines have been consistent with underwriting, avoiding late-cycle concentration.
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6.5 Risks & Considerations

Risks:

- WCP III's unrealized portfolio has yet to be fully tested through a complete market cycle in the current rate environment.
- Heavy concentration in a single sector and investment type may amplify vintage-level correlation risk.

Mitigants:

- Historical resilience of attainable housing segment and defensive positioning of preferred equity.
 - Broad geographic diversification and consistent underwriting discipline.
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6.6 Preliminary Section Rating

Rating: *Very Positive*

Rationale: WCP's three-fund track record demonstrates consistent delivery of targeted returns with zero realized losses to date. Strong repeat relationships, disciplined structuring, and effective market selection have supported outperformance relative to peers.

[Figures Referenced]

- *Portfolio Summary by Vintage* — M_Appendix 4, p. 6–8
- *Peer Fund Performance Benchmarks* — T_FINAL_VOTW_3July2025, p. 11
- *Realized Deal IRR Distribution* — M_Townsend DDQ_WCP IV, p. 14

7. Competitive Set Comparison

7.1 Competitive Landscape Overview

The U.S. multifamily preferred equity space has grown significantly since 2022, fueled by lower senior loan proceeds (50–55% LTC) and higher unlevered debt yields (9–10%). This dislocation has drawn both traditional private credit managers and opportunistic equity funds into the segment. The competitive set for WCP IV consists of:

1. **Specialized Real Estate Credit Managers** – Dedicated to preferred equity/mezzanine for multifamily, often with regional focus.
2. **Broad-Scope Private Credit Platforms** – Allocating opportunistically to real estate credit among multiple asset classes.
3. **Developer-Affiliated Funds** – Offering structured capital as part of vertically integrated platforms.

7.2 Benchmarking Against Peers

Attribute	WCP IV	Peer Median (Preferred Equity Multifamily Funds)	Townsend Top Quartile
Target Gross IRR	15%	13%	15%+
Target Net IRR	13%	11–12%	13%+
Leverage (Fund-Level)	None	None–Low	None
Typical Position Size	\$15M	\$10–20M	\$15M+
Capital Stack Position	55–75% LTC	55–80% LTC	55–75% LTC
Sector Focus	90%+ garden-style attainable housing	Mixed multifamily	Niche specialization
Geographic Diversification	Multi-region, growth markets	Multi-region	Multi-region

Attribute	WCP IV	Peer Median (Preferred Equity Multifamily Funds)	Townsend Top Quartile
Loss Incidence (Realized)	0%	3–5%	≤1%
Repeat Counterparty Share	~60%	40–50%	≥60%

Source: M_Townsend DDQ_WCP IV, T_FINAL_VOTW_3July2025, Townsend proprietary performance database.

7.3 Competitive Advantages

- **Sector Specialization** – Narrow focus on attainable garden-style multifamily avoids higher-risk urban high-rise exposure common in some peers.
- **Execution Track Record** – Zero realized losses across three prior funds, outperforming median peer loss rates.
- **Relationship-Driven Deal Flow** – ~60% repeat counterparties improve underwriting efficiency and reduce counterparty risk.
- **Conservative Structuring** – Minimum multiple covenants, above-market debt yield requirements, and PIK accrual structure support downside protection.

7.4 Competitive Challenges

- **Market Entry by Larger Platforms** – Large-scale private credit funds have recently raised dedicated allocations for multifamily preferred equity, potentially exerting downward pressure on spreads.
- **Fund Size vs. Deployment Window** – At \$500M, WCP IV's deployment discipline will be tested in maintaining target yields without compromising underwriting standards.
- **Sector Concentration** – While specialization is a strength, it can also limit flexibility if the multifamily sector experiences a prolonged downturn.

7.5 Townsend's Relative Assessment

Townsend's benchmarking places WCP IV in the **top quartile** of its peer group on projected net returns, loss history, and sector expertise. The strategy's niche focus, repeat relationships, and disciplined structuring provide defensible differentiation in a market experiencing increased competition. Risks relate primarily to maintaining pricing power as more capital targets the space.

7.6 Preliminary Section Rating

Rating: *Positive*

Rationale: WCP IV compares favorably against peers on returns, risk profile, and execution history. While competition is increasing, Wolff's entrenched relationships, specialization, and conservative structuring provide a competitive edge.

[Figures Referenced]

- *Competitive Benchmark Table* — Townsend proprietary database, T_FINAL_VOTW_3July2025, p. 12–13
- *Peer Fund IRR Targets* — Preqin (2025), I_GreenStreet-ResidentialSectorUpdate, p. 6
- *WCP IV Track Record Summary* — M_Townsend DDQ_WCP IV, p. 14–15

8. Fund Terms & Alignment

8.1 Key Economic Terms

Fund Size: \$500 million target commitments.

Term: 8 years (with two 1-year extension options, subject to LPAC approval).

Investment Period: 3 years from final close.

Management Fee: 1.25% per annum on committed capital during the investment period; thereafter, 1.25% on invested capital.

Carried Interest: 15% over an 8% preferred return, with 100% catch-up to GP thereafter.

Hurdle Structure: European waterfall.

Recycling: Allowed within investment period for proceeds received from realizations, subject to concentration limits.

8.2 GP Commitment & Alignment

- **GP Commitment:** At least 2% of total commitments (expected ~\$10 million), funded in proportion to LP capital calls.
 - **Skin in the Game:** Commitment level aligns with institutional norms for mid-market private credit funds and is above the peer median (~1%).
 - **Fee Offsets:** 100% of transaction and monitoring fees received by the GP are offset against management fees payable by the Fund.
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8.3 Governance & LP Protections

- **LP Advisory Committee (LPAC):** Comprised of representative LPs; approves conflicts of interest, valuation policies, and key extensions.
- **Key Person Provisions:** Investment period suspension triggered if any two of the three named senior principals cease day-to-day involvement.
- **Removal Rights:**
 - **For Cause:** Immediate removal of GP and termination of investment period with simple majority LP approval.
 - **No Fault:** GP removal requires supermajority LP approval.
- **Co-Investment Rights:** Offered to LPs on a discretionary basis for larger transactions exceeding fund concentration guidelines.

8.4 Term Competitiveness vs. Market

Townsend's proprietary term database shows:

- **Fees:** WCP IV's 1.25% management fee is slightly above the preferred equity peer median (1.0–1.15%), but within range given niche specialization and targeted net returns.
 - **Carry & Hurdle:** 15% carry over 8% pref is in line with peer norms; European waterfall is LP-favorable relative to American structures.
 - **GP Commitment:** 2%+ is above median, supporting alignment credibility.
 - **Fee Offsets:** Full offset of transaction/monitoring fees aligns with best practices.
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8.5 Risks & Considerations

Risks:

- Higher-than-peer median management fee could marginally dilute net returns if deployment lags.
- Key person provisions focus on top three executives; broader coverage could enhance protection.

Mitigants:

- GP commitment size provides material economic alignment with LPs.
 - LP-friendly governance terms (European waterfall, LPAC authority, for-cause removal rights).
 - Fee offsets ensure ancillary income benefits LPs directly.
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8.6 Preliminary Section Rating

Rating: *Positive*

Rationale: WCP IV's fund terms are competitive, with above-average GP commitment, strong fee offsets, and LP-friendly governance. While the management fee is slightly above median, the combination of conservative structuring and targeted returns supports net performance potential.

[Figures Referenced]

- *Fund Structure Summary* — M_Appendix 10, p. 2
- *Term Benchmarking Table* — Townsend proprietary term database, T_FINAL_VOTW_3July2025, p. 14
- *GP Commitment & Fee Offsets* — M_Townsend DDQ_WCP IV, p. 10–12

9. Governance, Operations & ESG

9.1 Governance Framework

Fund Governance: WCP IV operates under a standard private closed-end fund governance model with an **LP Advisory Committee (LPAC)** empowered to review and approve conflicts, valuation methodologies, related-party transactions, and investment period extensions. The LPAC meets at least semi-annually, with ad hoc meetings as needed.

Key Person Provisions: The investment period will be suspended if any **two of the three** named senior principals cease to be actively involved. This triggers LPAC review and potential LP vote on fund continuation.

Removal Rights:

- **For Cause:** Immediate GP removal with simple majority LP vote.
- **No Fault:** Supermajority LP vote required to remove GP or terminate the investment period without cause.

Valuation Policy: Quarterly valuations prepared in-house using discounted cash flow and market comparables; reviewed by an independent valuation firm at least annually.

9.2 Operational Infrastructure

Fund Administration: Outsourced to a third-party administrator with experience in real estate credit funds, responsible for capital calls, distributions, and investor reporting.

Technology & Systems: The Sponsor uses an integrated deal management and portfolio monitoring system that tracks underwriting assumptions, covenant compliance, and project milestones in real time.

Compliance & Risk Management:

- Written compliance policies reviewed annually.
- Internal audit function focused on adherence to fund terms, investment guidelines, and reporting accuracy.
- Construction risk monitoring integrated into asset management workflows, with periodic site visits and third-party reports.

Reporting Cadence:

- **Quarterly Reports:** Include portfolio summaries, asset-level performance metrics, market commentary, and capital account statements.
 - **Annual Reports:** Audited financial statements prepared in accordance with U.S. GAAP.
 - **Interim Updates:** Provided for material events affecting portfolio assets.
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9.3 ESG Integration

Policy Framework: Wolff has a formal ESG policy applied across all investments, though the emphasis is on **practical ESG integration** at the asset level rather than thematic investing.

Environmental Practices:

- Preference for developments meeting or exceeding local energy efficiency standards.
- Evaluation of water conservation measures, waste reduction, and material sourcing during underwriting.

Social Practices:

- Focus on attainable housing supporting renters at **75–100% AMI**.
- Engagement with developers to incorporate community amenities and services.

Governance Practices:

- Adherence to anti-bribery, anti-corruption, and labor practice standards.
- GP and affiliated entities maintain independent oversight on conflicts and related-party transactions.

Measurement & Reporting: ESG data collection is embedded into developer reporting requirements; aggregated ESG metrics included in annual investor reports.

9.4 Townsend Assessment

Governance provisions in WCP IV are **LP-friendly**, with meaningful oversight rights, a functioning LPAC, and for-cause removal on a simple majority basis. Operational infrastructure is appropriate for the fund's size and strategy, with established third-party

administration and robust asset monitoring processes. ESG integration is pragmatic and aligned with the fund’s attainable housing mandate, although the Sponsor does not market the fund as an “impact” vehicle.

Relative to peers, WCP IV’s governance and operational capabilities meet or exceed best practice standards for middle-market private real estate credit funds.

9.5 Preliminary Section Rating

Rating: *Positive*

Rationale: Strong governance rights, institutional-grade operational infrastructure, and practical ESG integration support both transparency and risk management. While ESG integration is not thematic, the focus on attainable housing and efficiency measures aligns with broader investor priorities.

[Figures Referenced]

- *Governance & LP Rights Summary* — M_Appendix 10, p. 3–4
- *Operational Process Overview* — M_Townsend DDQ_WCP IV, p. 13–15
- *ESG Policy Extract* — M_Townsend DDQ_WCP IV, p. 16

10. Legal / Structural Overview

Fund Structure

Wolff Credit Partners IV (“WCP IV” or the “Fund”) will be established as a closed-end, commingled private investment vehicle domiciled in the United States. The legal structure is a Delaware limited partnership with Wolff Principal Holdings serving as General Partner (“GP”) and an affiliated entity serving as the Fund’s Investment Manager. A Delaware limited liability company wholly owned by the GP will serve as the Fund’s General Partner of record. The Fund will be organized to admit U.S. taxable, tax-exempt, and non-U.S. investors, subject to applicable legal and regulatory limitations.

The GP’s carried interest participation is structured at 20% over an 8% preferred return, with a standard European-style waterfall. Appendix 10 provides a detailed structure diagram outlining the relationships between the Fund, GP, management entities, and limited partners.

Jurisdiction & Domicile

The Fund’s legal domicile in Delaware provides a well-established, investor-friendly legal framework with extensive precedent in private fund governance and dispute resolution. The choice of Delaware law enables consistency with prior Wolff vehicles and aligns with prevailing U.S. institutional investor standards.

Regulatory Framework

WCP IV will rely on exemptions from registration under the U.S. Investment Company Act of 1940 and the Securities Act of 1933, as amended. The GP and its affiliates are expected to qualify for investment adviser registration exemptions available to managers of private funds. No public offerings are contemplated. The GP’s compliance function will be overseen by in-house legal counsel supported by external law firms for fund formation and transaction execution.

Tax Considerations

The Fund is structured to be tax-efficient for U.S. taxable and tax-exempt investors, with a partnership tax election to allow income and gains to flow through to investors. UBTI exposure is expected to be minimal for tax-exempt investors given the Fund’s preferred equity investment strategy, although unrelated debt-financed income (UDFI) may occur in certain circumstances. Non-U.S. investors will be subject to applicable U.S. federal withholding taxes, and the GP has engaged tax counsel to advise on optimal structuring for cross-border capital.

Key Legal Documents

Core legal documents include:

- **Limited Partnership Agreement (LPA)** — governs Fund operations, GP powers, investor rights, and economic terms.
- **Private Placement Memorandum (PPM)** — discloses Fund strategy, risks, terms, and GP background.
- **Subscription Agreement** — governs LP admission, representations, and AML/KYC compliance.

All documents incorporate institutional-grade investor protections, including standard LPAC rights, restrictions on GP removal only for cause, and customary indemnification language.

Structural Advantages / Constraints

Advantages:

- **Delaware LP structure familiar to institutional investors.**
- **Prior Wolff funds used identical framework, minimizing investor onboarding friction.**
- **GP co-investment through carried interest promotes alignment.**

Constraints:

- **Closed-end structure with limited liquidity; LP interests are not freely transferable without GP consent.**
- **Term extensions subject to LPAC approval; extensions may be needed in adverse market conditions.**

Townsend Assessment

The Fund's legal and structural elements are in line with market norms for U.S. real estate private equity vehicles. The GP's use of a proven structure from prior funds, coupled with a Delaware domicile and clear governance documents, mitigates legal and operational risk. Tax considerations have been addressed proactively for a diverse investor base.

Preliminary Section Rating: Positive — Legal and structural terms are consistent with institutional best practice and provide adequate investor protections. No material structural impediments are identified.

11. Evaluation & Recommendation

11.1 Overall Assessment

Wolff Credit Partners IV (“WCP IV”) offers a compelling opportunity to access preferred equity investments in U.S. multifamily development, led by a sponsor with a proven strategy, deep market expertise, and demonstrated execution across prior funds. The Fund’s focus on lower-density, attainable housing aligns with durable demand fundamentals, while the current capital markets environment creates favorable entry points for preferred equity capital with attractive yields and enhanced structural protections.

From a legal and structural standpoint, the Fund is institutionally sound, with Delaware LP governance, proven documentation from prior vehicles, and terms that are consistent with market norms. The strategy is well-aligned with Townsend’s view of attractive risk-adjusted returns in this segment of the market.

11.2 Strengths

- **Compelling Market Opportunity:** Persistent U.S. housing shortage in target rent bands (75–100% AMI) supports sustained demand.
 - **Strategy Fit:** Preferred equity focus offers downside protection relative to common equity in development projects.
 - **Experienced Sponsor:** Wolff has executed three prior funds with a consistent team, achieving attractive realized returns.
 - **Attractive Terms:** Targeted net IRR of 12–14% with structural protections including minimum multiple thresholds and accrual-based returns.
 - **Alignment:** GP commitment via co-investment and carried interest participation.
 - **Favorable Capital Markets Backdrop:** Senior construction loan advance rates have compressed, creating greater demand for preferred equity.
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11.3 Key Risks

Market Risks

- Rising interest rates and macroeconomic uncertainty could impact absorption rates, valuations, and exit cap rates.

- Regional economic slowdowns could affect rent growth assumptions in specific target submarkets.

Strategy & Execution Risks

- Development risk inherent in construction projects, including potential cost overruns or delays despite GMP contracts.
- Heavy reliance on shovel-ready projects may limit deal flow in certain market conditions.
- Concentration in multifamily, with limited diversification into other residential property types.

Sponsor & Operational Risks

- Execution capacity could be strained if deal volume exceeds historical averages.
- Dependence on key Wolff personnel for sourcing and execution.

11.4 Risk Mitigants

- Conservative underwriting assumptions and sensitivity testing on key variables.
- Minimum multiple thresholds and PIK accrual structure protect downside and ensure priority in capital stack.
- Geographically diversified portfolio across U.S. growth markets.
- Experienced development partners with track records in target submarkets.
- In-place GMP contracts and due diligence on construction budgets mitigate cost overrun risk.

11.5 Townsend View

Townsend views WCP IV as a well-structured vehicle in an attractive segment of the U.S. residential market. The strategy benefits from a dislocated capital markets environment favoring preferred equity providers, and the sponsor's experience provides confidence in execution. While development risk and market cyclicalities remain, the Fund's structural protections, conservative leverage, and downside positioning mitigate these concerns.

11.6 Recommendation

Preliminary Section Rating: Positive — The combination of a strong sponsor, attractive market opportunity, and protective investment structure justifies the risks identified. Townsend should consider WCP IV a competitive option within its opportunity set for U.S. multifamily investments, subject to standard legal and compliance review, finalizing commitment size based on portfolio construction priorities.

