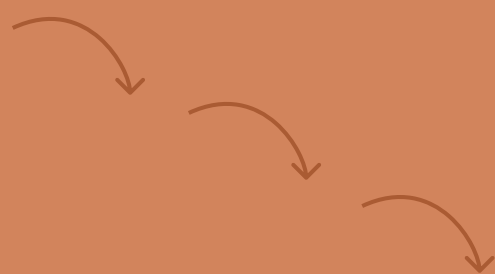


# WHAT IS A WATERFALL DISTRIBUTION STRUCTURE?

Finding an attractive investment is more complicated than trusting a company's reputation—you need to understand the distribution structure of the opportunity. Here's what you need to know:

## What is a waterfall structure?

It's called a waterfall because funds are distributed based on a prioritized tier order, and each tier receives their share before the next one.

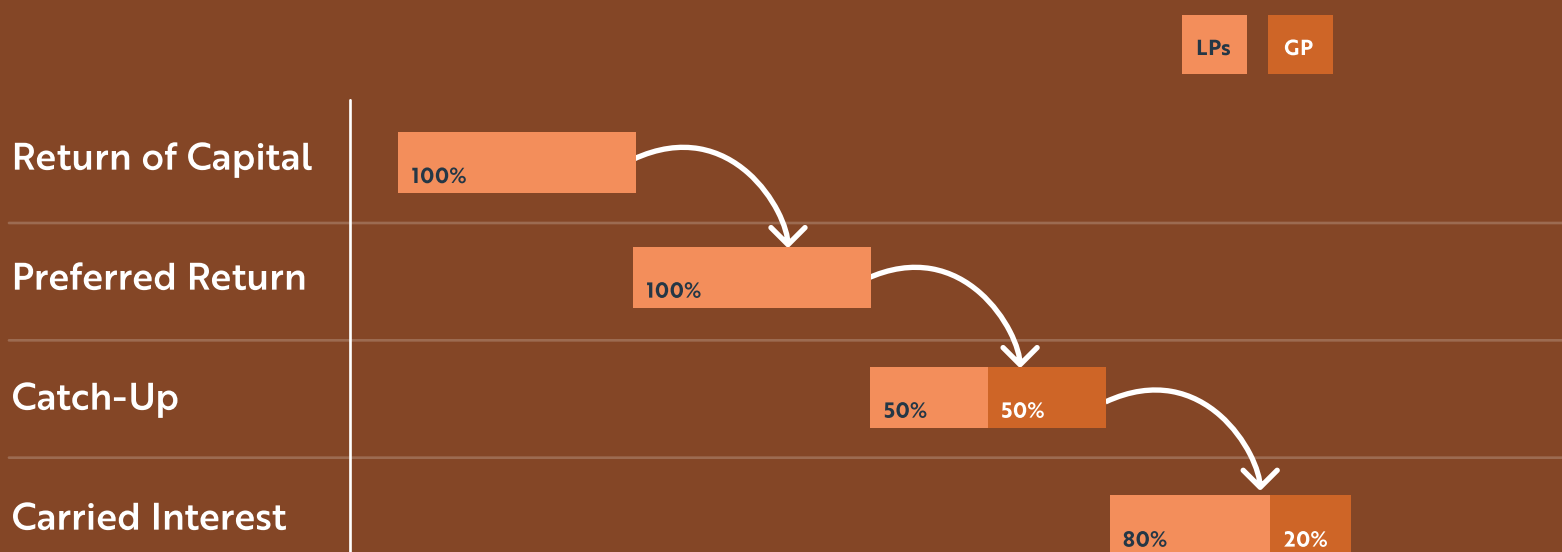


## Why?

The investors' (limited partners) capital is managed by the money manager (general partner), with the latter contributing a portion into the investment to align interests. The waterfall structure protects investors by ensuring funds are only allocated to the general partners after the limited partners receive their agreed upon return.

## How do the tiers work?

The different tiers of distribution can be as follows:



### Return of Capital

Investors have their initial funds returned.

### Preferred Return

This tier highly favors investors because they receive 100% of the distribution until the preferred rate of return is met.

### Catch-Up

Here is where a portion—or all—of distributions are allocated to the general partner once the contributed capital and preferred return have been met, and this tier incentivizes the GP to create higher returns than the preferred return.

### Carried Interest

This final tier compensates the GP with a percentage of the fund's investment profits in a way that, like the catch-up tier, provides an incentive to maximize returns for the investors and is only paid once the prior tiers have been surpassed.

**When evaluating a real estate investment, it is important that you understand the waterfall—or how funds will flow from the property to investors. The terms of the waterfall are a critical component for ensuring alignment of interests between the limited partners (LPs) and the general partner (GP). At JLAM, we use straightforward waterfall structures that are tailored to the investment strategy, provide a high degree of alignment, and help protect investor capital. To learn more about our approach,**

**VISIT [WWW.JLAMRE.COM](http://WWW.JLAMRE.COM)**