

**Part 2A of Form ADV
Firm Brochure**



Northwater Capital Management Inc.

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This brochure provides information about the qualifications and business practices of Northwater Capital Management Inc. ("**Northwater**"). If you have any questions about the contents of this brochure, please contact us at (416) 360-5435. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("**SEC**") or by any state securities authority.

Northwater is a registered investment adviser. Registration with the SEC does not imply a certain level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser. Additional information about Northwater also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Material Changes

This brochure, dated March 27, 2018, is the updated disclosure document of Northwater Capital Management Inc., prepared according to the requirements of the Securities and Exchange Commission.

The following are material changes since Northwater's last annual update of this brochure on March 27, 2017:

- Northwater continues to advise two remaining intellectual property funds. As the eight year term of both of the funds has past, Northwater continues an orderly monetization and disposition of the remaining assets and wind up of operations. During 2018, Northwater will continue to focus on the liquidation process.
- Northwater continues its efforts to wind down the remaining fund of hedge funds business and distribute the proceeds of such liquidations to Northwater's investors. Northwater expects the last remaining fund of hedge fund company to be wound up in the first half of 2018.
- The wind up of the majority of Northwater's investment advisory business has significantly reduced the need for dedicated resources to this line of business. As a result, Northwater employees are dedicating a significant amount of time to a non-advisory business of an affiliate company.
- Northwater is not currently soliciting new clients for its legacy advisory business.
- Northwater has decided to continue to advise one remaining private investment company managed for David G. Patterson, the Chair and founder of Northwater, and this wife.

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Item 4 Advisory Business

Northwater is an investment firm formed in January 1989 and based in Toronto, Ontario, Canada. Northwater employs a team of ten individuals in its Toronto office. Northwater performs investment advisory services to (1) private investment funds; (2) pension plans; (3) other corporate or business entities; and (4) certain high net worth individuals.

Northwater is indirectly majority owned by David G. Patterson.

This brochure and the material contained herein is not meant to be, nor shall it be construed as, an offer or solicitation of an offer for the purchase or sale of any of the funds described.

Intellectual Property/Venture Capital

Northwater advises private investment funds with respect to the selection of private equity, venture capital and other types of investments that derive a significant portion of their value from or that have direct or indirect exposure to intellectual property assets, including patents and other forms of intellectual property. Northwater currently advises two intellectual property funds with \$8 million in assets under management. The eight year investment term of both funds has come to an end. As described in the Limited Partnership Agreements, Northwater's focus, following the end of the investment term, is the orderly monetization and disposition of the remaining assets and wind up of operations. During 2017, Northwater made strides in this direction, and in 2018, we will continue to focus on the orderly monetization and disposition of the remaining assets.

Proprietary Trading

Northwater advises one private investment company with respect to the selection of exchange-traded futures contracts and exchange-traded funds with a view to creating a balanced diversified portfolio with minimal volatility. In addition, Northwater advises one pooled fund invested in a portfolio of economically-balanced diversified alternative mix of global asset classes. Both the investment company and pooled fund are beneficially owned by David G. Patterson, the Chair and founder of Northwater, and his wife.

Funds of Hedge Funds

Northwater continued to make progress in the process of winding down its remaining traditional fund of hedge funds business. The remaining private investment company advised by Northwater in connection with the selection and monitoring of potential hedge fund investments is currently being liquidated with a view to returning proceeds to the investors in such private investment company as soon as possible, subject to the liquidity of the underlying hedge fund managers. Northwater seeks in all cases to balance the timeliness of the return of capital to investors without sacrificing the value achieved in such liquidations of illiquid holdings of the underlying hedge funds held in the remaining portfolio.

Discretionary management is provided in accordance with the investment objectives indicated in the relevant investment management or investment advisory agreements.

Northwater does not participate in wrap fee programs.

As of December 31, 2017, Northwater managed approximately \$16.3 million of client assets on a discretionary basis.

Item 5 Fees and Compensation

Fee Schedule:

Intellectual Property/Venture Capital

Northwater Intellectual Property Fund L.P. 1/Northwater Intellectual Property Fund L.P. 2

Management Fee:

2% per annum of the net asset value of the fund payable quarterly in arrears. The management fee is deducted from clients' assets.

Carried Interest:

20% of all amounts otherwise distributed to investors after the return of the aggregate capital contributions of investors.

Fund of Hedge Funds

Asset Based Fee:

1% per annum of the net asset value of the fund payable quarterly in arrears.

In relation to the funds under Northwater's management, Northwater is entitled to deduct fees from the clients' assets by issuing an authorized notice to the fund administrator. The fund administrator will then verify that the calculation methodology is consistent with the governing documents and that the calculations have been performed correctly. The fund administrator will then facilitate payment of the fees.

Fund investors may also incur fees and expenses, other than management fees and performance fees including, but not limited to: (1) legal, accounting, audit and operational fees incurred by the fund, (2) brokerage commissions and securities transaction costs, (3) fees and expenses of the administrator and custodian and (4) in certain circumstances, organizational expenses incurred in connection with the formation and organization of the fund. For additional information regarding brokerage costs, please see Item 12 below.

All fees charged to clients are payable in arrears.

Neither Northwater nor its supervised persons accept compensation for the sale of securities or other investment products.

Proprietary Trading

Fees are not being charged on the proprietary trading vehicles.

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

Northwater receives performance based compensation from certain clients as set forth in Item 5 above. As described above, Northwater provides investment advisory services to certain clients that are charged a performance based fee and to certain clients that are only charged an asset based fee or no fee at all.

Currently, the only funds that Northwater manages which pay performance based fees are the Intellectual Property/Venture Capital funds in the process of liquidation.

To the extent that Northwater charges a performance fee for a particular client account or investment fund, Northwater may be perceived to have an incentive to maximize gains in that account (and, therefore, maximize Northwater's performance fee) by making investments for that account that are riskier or more speculative than would be the case in the absence of a performance fee. Northwater does charge different advisory fees to investment funds and/or separately managed accounts that it advises. This creates a conflict of interest in that it may be more beneficial to Northwater to direct certain investment opportunities to an investment fund or account in which it has a higher performance fee or management fee structure or by devoting more resources to the management of those funds or accounts. Northwater seeks to mitigate the conflicts which arise from managing investment funds and accounts that charge different advisory fees by monitoring and enforcing its policies and procedures, including those related to fairness in investment allocations. Currently the funds that charge a performance fee are in liquidation and are no longer receiving investment allocations.

Northwater faces a conflict of interest in the incentive for Northwater to allocate a disproportionate amount of time to advising those funds which are still paying a performance fee. Northwater manages this conflict by acknowledging its fiduciary duty to act in the best interests of all clients regardless of the fee structure.

Item 7 Types of Clients

As described in Items 4 and 5 above Northwater provides advice to certain trusts, limited partnerships and corporations in which pension plans, certain high net worth individuals related to the Chair and CEO and other private organizations have made an investment.

Each private investment fund advised by Northwater has minimum investment requirements as set forth in its respective offering documents.

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

Northwater is an investment firm that manages \$16.3 million as of December 31, 2017 in intellectual property focused private equity/venture capital strategies, funds of hedge funds for sophisticated institutional investors and proprietary trading accounts. Both the intellectual property private equity and funds of hedge funds strategy are currently in the process of being wound down as described in Item 4 above and no new investments are being made in such strategies. The intellectual property focused private equity/venture capital strategy is further described below.

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

Intellectual Property

This strategy involves investing in, holding, selling and otherwise dealing in a diversified portfolio of intellectual property assets. The intellectual property assets are expected to derive their value from direct investment in, economic exposure to, or commercialization of, patents and other types of intellectual property. As part of this investment strategy, client assets will generally be invested in assets of the type contemplated below. Investments are made in companies that derive a substantial portion of their value from intellectual property that they hold. Northwater also expects to consider investments either directly or indirectly in intellectual property and to take an active role by advising with respect to the development of these investments with a view to increasing the value of intellectual property assets in which its clients invest. Northwater will seek to diversify the intellectual property portfolio across a spectrum of intellectual property assets, including, without limitation:

- Securities of public or private companies that derive a significant portion of their value from intellectual property;
- Securities of private investment vehicles (including companies, partnerships, trusts, etc.) that hold or manage intellectual property portfolios;
- Financing transactions related to intellectual property assets (such as advances and/or loans to entities managing portfolios of intellectual property assets, including patents);
- Trade secrets;
- Patents, including the negotiation of royalty agreements for patents; and
- Patent rights agreements including the assertion of intellectual property rights in patents.

This list is provided for illustrative purposes. Client assets are not expected to be invested in every type of intellectual property asset listed above and may invest in intellectual property assets that are not listed, including new and emerging forms of intellectual property.

Client assets may be temporarily invested in cash pending investment or distribution in high quality, liquid short-term investments, including money market funds.

The intellectual property private equity strategy is currently in the process of being wound up and no new investments are being made in such strategies. As the liquidation progresses, the intellectual property investment portfolio has become significantly less diversified.

Material Risk Factors

Loss of Investment. Investing in the aforementioned strategy should be considered speculative and involves the risk of loss or all or a part of a client's investment.

Limited Ability to Dispose of Investments. Given the long-term and illiquid nature of the investments

contemplated by the investment strategy, there is a significant risk that a client will be unable to sell any particular asset (or otherwise complete any monetization or other exit strategy as to the asset) at an attractive price and/or on its desired timetable. These risks could arise, for example, from changes in the financial condition or prospects of particular companies or intellectual property assets, changes wrought by emerging technologies, the impact of advances in intellectual property similar in nature to and competing with the intellectual property assets, changes in national or international economic conditions, and changes in laws, regulations, fiscal policies or political conditions of countries in which investments are made. In addition, it is unlikely that there will be a market for the assets held by a client. Trading in intellectual property assets is typically effected only after both extended efforts to identify potential buyers and “one-on-one” negotiations of terms. In some cases, a client may be prohibited by contract from selling an intellectual property asset for a period of time or otherwise be restricted from disposing of its investment. Trading in intellectual property assets is unregulated and, for intellectual property assets that are not securities, is not expected to be subject to the protections of the securities laws.

Potential for Unprotected Property Rights. The value of an intellectual property asset can be significantly influenced by the legal regime available to the owner of an asset seeking to enforce relevant property rights and by various political events affecting that regime. In particular, an asset’s value will be reduced to the extent the owner’s property rights in the asset cannot be effectively enforced against infringers. While principles and legal procedures of enforcement in developed, industrialized economies are relatively well established, the enforcement of such rights in developing economies may be highly uncertain. In addition, legal protections available in all markets require affirmative efforts and the commitment of resources on the part of property owners to effect enforcement and are subject to technical interpretation and legal challenge.

Industry-Specific Intellectual Property Considerations. Certain types of intellectual property are subject to risks specific to their industry. For example, the value of some intellectual property, such as music, film, entertainment, print and art copyrights, is significantly affected by changing consumer tastes and technology advances, which can be difficult to predict. Also, for example, some intellectual property, especially in the green energy, energy storage, medical devices, medical, pharmaceutical and biotech industries, is dependent on approvals from regulators and faces government regulation and limits on reimbursement rates. The inability to obtain or maintain such approvals may significantly impair the value of an intellectual property asset. Intellectual property assets in the medical, pharmaceutical and biotech industries are subject also to the risks of potentially undesirable side-effects experienced by users of the relevant products. Those risks include public relations concerns and/or the prospect of litigation. Certain types of intellectual property face intense competition. For example, the green energy, energy storage, medical devices, software, pharmaceutical and biotech industries are highly competitive and rapidly evolving. The length of any product’s commercial life, including that of any product in which a client may own a royalty, cannot be predicted. There can be no assurance that any intellectual property that a client owns will not be rendered obsolete or non-competitive by new intellectual property or by new products or improvements made to existing products, either by the current marketer of the product or by another manufacturer. If a product in which a client owns a royalty is rendered obsolete or non-competitive by new products or improvements on existing products, such developments could have a material adverse effect on a client’s investment performance.

While Northwater will devote its best efforts to the management of a client’s portfolio, there can be no assurance that such client will not incur losses. Many unforeseeable events, including actions by various government agencies and domestic and international political events, may cause sharp fluctuations in the value of the royalties.

Other Intellectual Property Considerations. Intellectual property generally has limited value in and of itself. To the contrary, “unlocking” the value of an intellectual property asset typically requires

complementary assets, such as production capability, a trained workforce and/or distribution networks. For these and other reasons, intellectual property can be expensive to bring to market effectively. There can be no guarantee that complementary assets will be effectively leveraged (or even available) in respect of the intellectual property assets in which a client invests. In addition, regardless of the availability of complementary assets, some intellectual property will not make the transition from development to cost-effective commercial application. This may result from technical weaknesses, incompatibility with existing infrastructure or market practices, limited adoption by consumers or for other reasons. Finally, every intellectual property asset is subject to the risk of commercial displacement by competitive intellectual property, whether currently existing or developed in the future. The pace of obsolescence cannot be predicted and can be rapid. There can also be no assurance that the better technology embodied in intellectual property will prevail in a competitive market where there are other factors at work.

Participation in Litigation. A client may participate in patent rights or other intellectual property litigation and may do so either as plaintiff (or by providing financing to the plaintiff) to enforce rights to which it believes the plaintiff is entitled or as a defendant in cases when another party claims infringement of that party's rights. Among other risks, litigation is complex. It requires consideration of a variety of procedural, strategic and other matters, and the skills required to understand those considerations differ significantly from those applicable to managing an investment portfolio. Because litigation can be of uncertain duration and may extend for many years, the financial and administrative burdens of prosecuting (or defending) a litigation claim – including costs represented by adverse publicity and other management distractions – are difficult to predict. A client may invest a substantial portion of its assets in one or more litigations that may not have a successful outcome. Prosecuting a litigation claim also exposes a client to the risk of countersuits.

Significant Investments in Individual Companies. Northwater at times may advise a client to take significant positions in the companies to which such client has committed resources. Those interests may be represented by either direct debt or equity investments in a company or by holdings in intellectual property assets significant to a company. In these cases, a client may obtain the right, among other things, to appoint a representative or observer to the company's board of directors or to exercise special voting privileges on various corporate matters. Depending on the particular factual circumstances, such client's interest in a company may be deemed to represent control of the company, which may limit such client's rights upon the company's bankruptcy, may limit the manner in which the client may dispose of its interest in the company, and may expose the client to claims by other interested parties, including creditors and government agencies.

Product Liability Claims. The manufacturers, developers or marketers of products in which a client owns royalties could become subject to product liability claims. A successful product liability claim could adversely affect the amount of revenues payable to such client on the particular royalty. Although Northwater does not believe that a client will bear responsibility in the event of a product liability claim against the company manufacturing, marketing and selling the underlying products, there can be no assurance that such claims would not materially and adversely affect such client's investment performance.

Item 9 Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Northwater or the integrity of Northwater's management. Northwater has no information applicable to this Item.

Item 10 Other Financial Industry Activities and Affiliations

Northwater is registered as a commodity pool operator and a commodity trading adviser with the Commodity Futures Trading Commission and is also a member of the National Futures Association. Affiliates of Northwater act as general partner to certain limited partnerships for which Northwater acts as investment adviser. These limited partnerships have been formed under the laws of the State of Delaware. Certain of these limited partnerships invest in portfolios of intellectual property assets.

Northwater is registered as (i) an investment fund manager in the province of Ontario; (ii) a dealer in the category of exempt market dealer in the provinces of Ontario, British Columbia, Alberta and Saskatchewan; (iii) an adviser in the category of portfolio manager in the provinces of Ontario, British Columbia, Alberta, Saskatchewan and Québec; and (iv) an adviser in the category of commodity trading manager under the *Commodity Futures Act* (Ontario).

Northwater has been granted an exemption under paragraph 911A(2)(1) of the Australian Corporations Act 2001 by the Australian Securities and Investments Commission (“ASIC”) from the requirement to hold an Australian financial services license. The decision of ASIC was printed in the Commonwealth of Australia Gazette ASIC 35/06, Tuesday, 5 September 2006. The exemption is contingent on Northwater’s continued registration as an investment adviser in the United States with the Securities and Exchange Commission.

An affiliate of Northwater, CPOD Inc., has submitted an application to the SEC to register as a broker dealer. If and when the registration is granted, it is intended that David Patterson, Dan Mills and Shauna Cassidy, all officers and/or directors of Northwater, are expected to be officers and/or directors of the registered broker dealer. At this time, CPOD Inc. is not registered as a broker dealer or performing any registerable activities.

Northwater faces a conflict of interest in allocating the time of its employees to activities other than its investment advisory business. The wind up of the majority of Northwater’s investment advisory business has significantly reduced the need for dedicated resources to this line of business. In addition, Northwater manages this conflict by acknowledging its fiduciary duty to act in the best interests of all clients regardless of the size of the investment advisory activities.

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

Northwater's Code of Ethics is intended to address its commitment to the maintenance of high standards of conduct and professionalism for all of its employees, officers and directors.

The general principles governing Northwater's Code of Ethics, and that pertain to the fiduciary duties of Northwater and its employees, include the following:

- 1) the duty to place the interests of Northwater's clients first;
- 2) the duty to act in a professional and ethical manner;
- 3) the duty to act with independence and objectivity;
- 4) the duty to act with skill, integrity, competence and diligence;
- 5) the duty to communicate with clients in a timely and accurate manner;
- 6) the requirement that all personal securities transactions be conducted in such a manner as to be consistent with Northwater's Policy on Personal Securities Transactions and Additional Prohibitions;
- 7) the fiduciary principle that investment advisor personnel should not take inappropriate advantage of their positions;
- 8) the fiduciary principle that information concerning the identity of the holdings and financial circumstances of clients is confidential;
- 9) the obligation to uphold the applicable rules governing capital markets to which Northwater is subject; and
- 10) the principle that independence in the investment decision-making process is paramount.

Northwater's Code of Ethics deals with a variety of issues, including fiduciary duties, personal securities transactions, insider trading, gifts, conflicts of interest, corporate responsibility, anti-money laundering, press and media dealings and other related issues.

A copy of Northwater's Code of Ethics is available to any client or prospective client upon request.

From time to time, a related person of Northwater may make an investment in a private investment company or an investment trust (an "**Investment Vehicle**") for which Northwater or a related person serves as investment manager, as the case may be. An investment in any such Investment Vehicle may also be recommended to clients, subject to their receiving appropriate disclosure. Northwater and/or its related persons may recommend to clients that they buy or sell interests in the same investment products in which it, or its related persons may have a financial interest, including ownership and Northwater and/or its related persons may own, buy or sell for themselves the same interests in the same investment products that they may have recommended to clients.

Investment of Northwater's Capital

Northwater or related persons may invest their own capital in investment products in which its clients may also have made investments. Such investments are typically made on the same terms as those of its clients. Northwater or related persons and consultants to Northwater may also invest their own capital in securities in which an investment has been made by private investment funds advised by Northwater. In addition, certain legacy investments in securities in which private investment funds advised by Northwater are also invested, may have been made by consultants prior to their association with affiliates of Northwater.

Northwater's Participation as General Partner

From time to time, Northwater or related persons may provide investment advice to limited partnerships formed to invest in private securities. Northwater or its related persons are a limited partner and act as the general partner. In these cases, the general partner will receive a portion of the profits of the partnership once a return to partners has been obtained.

Other Private Equity Program Participation by Employees

Certain consultants of Northwater or related persons may purchase securities in non-public transactions. Thereafter, Northwater or related persons may recommend the purchase of securities of the same issuers for private investment funds in which its clients are invested. In this event, the consultant who made a personal investment in a non-public transaction of such issuer will not participate in the consideration of whether Northwater's clients should invest in that issuer's securities. Such consideration will be subject to independent review by Northwater's investment personnel having no personal investment in the issuer. All purchases made by employees, officers or directors of Northwater are subject to the standards of Northwater's Code of Ethics. (See above.)

Northwater employees are permitted to trade their own accounts. However, Northwater has established certain policies governing securities transactions of its employees that are designed to minimize conflicts of interest by requiring pre-clearance of certain transactions. Specifically, a Northwater employee may not engage in any investment transaction under circumstances in which the Northwater employee benefits from or interferes with the purchase or sale of investments on behalf of a Northwater client, use information concerning the investments or investment intentions of Northwater on behalf our clients, or their ability to influence such investment intentions, for personal gain or in a manner detrimental to the interests of any Northwater client; or trade in a "covered security" without the appropriate pre-clearance.

Item 12 Brokerage Practices

Northwater typically has the authority to determine, without obtaining specific client consent, the securities to be bought and sold, the amount of the securities to be bought or sold, the broker or dealer to be used, if applicable, and the commission rates to be paid on behalf of each client.

Otherwise, Northwater expects that generally, its clients will not use brokers or dealers for their portfolio transactions. Purchases and sales of portfolio securities for clients will usually be principal transactions directly with the issuer or an underwriter or market maker for the securities. Purchases from underwriters may include a commission or concession paid by the issuer to the underwriter, and purchases from dealers serving as market makers will include the spread between the bid and asked prices.

In certain instances, however, Northwater may use futures commission merchants or broker/dealers.

In selecting broker/dealers for client securities transactions, Northwater will work to obtain the best available price and execution. Northwater will not, however, base execution decisions solely on whether the lowest possible commission costs may be obtained. Northwater also evaluates the various broker/dealers and the services they provide, including their credit strength, reliability and integrity, execution capability (including transaction terms), ability to reconcile transactions electronically, willingness to take positions in securities, operational capabilities and their ability to transact in global markets as well as any other matter that may be relevant in the selection of a broker or dealer. Northwater does not enter into soft dollar arrangements.

Northwater does not pay any referral fees to third party entities for introducing new clients to Northwater.

Item 13 Review of Accounts

The trading activity of the portfolios managed by Northwater is reviewed on a regular basis by senior portfolio managers assigned to the portfolio in question. Reviews are conducted on an account by account basis and with the help of computer support systems, on a security holding and performance exception basis.

Portfolios may be rebalanced daily, weekly and/or monthly depending upon the mandate involved.

Trading is also reviewed on a periodic basis by non-trading personnel to ensure that portfolio mandates are adhered to. The frequency of review depends on the nature of the account.

The finance and risk management group also monitors investment activity on a daily basis, reconciling investment transactions and resulting positions with statements provided by trust companies and brokers. Discrepancies are noted and resolved in a timely manner, and senior management is appropriately involved.

In addition to ensuring compliance with the terms of each investment mandate, senior management of Northwater monitors investment decisions and results relative to additional stringent measures imposed by the firm to augment the investment terms constraints. Compliance monitoring occurs for each sensitive component for each portfolio, including leverage, credit exposure, currency position and asset allocation. Results are reviewed by senior management, who ensure that discrepancies are resolved on a timely basis.

Trade authorization and the movement of cash into and out of investor trust and custody accounts are restricted to qualified investment personnel named in certificates of incumbency that Northwater provides to trust companies and custodians, and are subject to other limitations. The certificates of incumbency are reviewed on a periodic basis.

Internal reports are designed for the purpose of compliance monitoring and other risk management requirements. Each report is reviewed by senior management to ensure that any errors or other discrepancies are identified and appropriately addressed.

External written reports and statements are produced periodically, at month end and/or quarter end, depending upon the terms of the investment mandate, including with respect to the liquidating portfolios. Intended for investors and/or the trust companies and custodians involved, these reports contain details of investment transactions, subscriptions or redemptions, exposures and positions, income and expenses, and other financial information relevant to the investment as appropriate. The private funds advised by Northwater provide investors with annual audited financial statements.

Item 14 Client Referrals and Other Compensation

As of the date hereof, Northwater has no client referrals or other compensation to report in this Item.

Item 15 Custody

For all segregated accounts, Northwater does not take custody of client accounts at any time. Accounts are custodied at the various firms that hold client accounts. Such firms are “qualified custodians” as that term is defined in Rule 206(4)-2(d)(6) of the Investment Advisers Act of 1940. Northwater believes based upon due inquiry that all segregated account clients receive written statements directly from their custodian no less frequently than quarterly. Northwater encourages its segregated account clients to compare information contained in reports provided by Northwater with the statements provided by their custodian.

For the Intellectual Property/Venture Capital private investment funds, Northwater is deemed to have custody because affiliates of Northwater act as the general partner to the funds. Each private investment fund will be audited at least annually by an independent public accountant and Northwater will distribute the audited annual financial statements (prepared in accordance with U.S. generally accepted accounting principles) to the investors in each private investment fund within 120 days of each fund’s fiscal year end.

In addition, pursuant to Rule 206(4)-2 under the Investment Advisers Act of 1940, Northwater may be viewed for regulatory purposes as having custody of certain client assets due to Northwater’s ability to deduct fees directly from certain client accounts.

Item 16 Investment Discretion

Northwater has discretionary authority to buy and sell securities for client accounts without obtaining specific client consent pursuant to authority granted to it by certain investment management and investment advisory agreements. Northwater's discretionary authority is limited by the investment objectives set forth in the relevant offering documents or investment management or investment advisory agreement, as applicable.

Item 17 Voting Client Securities

Northwater has adopted policies and procedures regarding the voting of proxies as required under Rule 206(4)-6 under the Investment Advisers Act. Most of the accounts managed by Northwater generally do not include securities for which proxies are regularly solicited. Nonetheless, these policies and procedures are designed to ensure that proxies received with respect to securities in client accounts where Northwater exercises voting discretion, if any, are voted in the best interests of such clients and that Northwater maintains records of its proxy voting in compliance with the Investment Advisers Act. Unless otherwise instructed by a client, Northwater will vote client proxies consistent with general guidelines that Northwater has adopted and that it believes reflect the best interests of its clients, after taking into consideration all relevant facts and circumstances at the time of the vote. Northwater will provide to any client, upon request, at no cost a copy of these voting policies and procedures and information regarding how such client's proxies have been voted in the past.

Item 18 Financial Information

Northwater has never filed for bankruptcy and is not aware of any financial condition that is expected to adversely affect its ability to manage the liquidation of the remaining client accounts.