

**Disclosure Brochure  
(Form ADV, Part 2A)**

Starwood Capital Group Management, L.L.C.

2340 Collins Avenue

Miami Beach, FL 33139

(305) 695-5500

[www.starwoodcapital.com](http://www.starwoodcapital.com)

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**This brochure provides information about the qualifications and business practices of Starwood Capital Group Management, L.L.C. If you have any questions about the contents of this brochure, please contact us at (305) 695-5500 or [mguttin@starwood.com](mailto:mguttin@starwood.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. That the firm is registered is not intended to, and does not, imply a certain level of skill.**

**Additional information about Starwood Capital Group Management, L.L.C. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Material Changes**

Starwood Capital Group Management, L.L.C. (“SCGM”) filed its most recent annual update on March 31, 2023. This annual update includes updated regulatory assets under management, descriptions of certain risk factors and certain descriptions of SCGM’s business. There are no other material updates to this annual update since the last annual update.

We encourage all recipients to read this annual update carefully and in its entirety.

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## 1. Advisory Business

Starwood Capital Group Management, L.L.C. (“SCGM”), in business since 1993 (as a successor to Starwood Capital Group I, L.P.), provides investment advisory services primarily to real estate investment vehicles and related entities (*e.g.*, real estate investment trusts (“REITs”)). The investment funds that SCGM advises through various affiliated general partners, member managers and other managers (each referred to herein hereafter as a “Starwood affiliate”) invest in general partnerships, limited partnerships, or limited liability companies that, in turn, hold real estate-related assets or, to a limited extent, energy assets, as described below in greater detail. In this brochure, “investment funds” (or each, a “fund,” and collectively, the “funds”) is used to designate the private real estate and other types of investment vehicles advised by SCGM or a Starwood affiliate unless otherwise noted. Investment funds principally focused on public securities investing may be referred to as public securities investment funds.

SCGM is registered pursuant the U.S. Investment Advisers Act of 1940, as amended (“Advisers Act”), with the U.S. Securities and Exchange Commission (“SEC”) as an investment adviser [SEC File No.: 801-56403], and, because it has its principal place of business in Miami Beach, FL and a local office in the State of Connecticut where some books and records are maintained, it makes annual notice filings with the State of Florida and the State of Connecticut.

Barry S. Sternlicht is the Chairman and CEO of SCGM and is its ultimate controlling owner. SCGM is part of Starwood Capital Group (“Starwood”). Starwood is a privately held private equity firm founded by Mr. Sternlicht in 1991 that primarily specializes in real estate and real estate-related investments.

Pursuant to an Investment Advisory Agreement with SPT Management, L.L.C. (“SPT Management”), SCGM also advises, through SPT Management, Starwood Property Trust, Inc. (“Starwood Property Trust”), a publicly traded finance company structured as a REIT, with respect to the management of Starwood Property Trust’s investment portfolio. For Starwood Property Trust, SCGM primarily advises with respect to certain types of investments in real estate interests, including public and private mortgage debt instruments, triple-net leases, REIT equity securities, and the equity or debt securities of public real estate companies. SCGM also provides advice concerning real estate assets that do not involve securities.

Pursuant to an Investment Advisory Agreement with Starwood REIT Advisors, L.L.C. (“Starwood REIT Advisors”), a relying adviser, Starwood REIT Advisors advises Starwood Real Estate Income Trust, Inc. (“SREIT”), a public reporting, non-listed real estate investment trust formed to invest primarily in stabilized, income-oriented commercial real estate and debt secured by commercial real estate. SREIT seeks to invest in properties, and debt secured by properties, located in the United States but may also be diversified on a global basis through investments in properties and debt secured by properties, outside of the United States, with a focus on Europe. To a lesser extent, SREIT also invests in real estate-related securities to provide a source of liquidity for its share repurchase plan, cash management and other purposes.

Pursuant to an Investment Advisory Agreement with Starwood Credit Advisors, L.L.C. (“Starwood Credit”), a relying adviser, Starwood Credit advises Starwood Credit Real Estate Income Trust (“SCREDIT”), a public reporting, non-listed statutory trust whose investment

strategy is to originate, acquire, finance and manage a portfolio of primarily CRE debt investments, focused on senior secured, floating-rate CRE loans diversified across both geography and asset class. To a lesser extent, SCREDIT may invest in other real asset lending strategies, including infrastructure loans, and other real-estate related debt and equity securities, including commercial mortgage-backed securities and collateralized loan obligations.

SCGM provides advisory services to its affiliate, Starwood European Finance Partners Limited, which, in turn, serves as the management company to Starwood European Real Estate Finance Limited (“SEREF”). SEREF is a publicly-traded vehicle in the United Kingdom that is offered to certain institutional investors in the United States pursuant to private placements under Regulation D of the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (“Securities Act”) and operated in the U.S. pursuant to an exemption from registration under the U.S. Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder (the “1940 Act”). There is no public market for shares of SEREF in the United States. SEREF focuses on making real estate debt investments (including debt instruments) in the United Kingdom and Continental Europe.

On a more limited basis, SCGM provides advisory services to certain private funds that invest in non-real estate opportunities, such as investments in energy assets, including oil and gas investments. SCGM provides investment advisory services to such funds via investment advisory agreements.

Additionally, as permitted by the governing documents (as defined below), SCGM expects to provide (or agree to provide) investment or co-investment opportunities (including the opportunity to participate in co-invest vehicles) to certain current or prospective investors or other persons, including other sponsors, market participants, finders, consultants and other service providers, portfolio investment management or personnel, SCGM personnel and/or certain other persons associated with SCGM and/or its affiliates. As of December 31, 2023, SCGM managed \$68,062,428,598 of regulatory assets under management, as calculated for and reported in Item 5F of Part 1A of Form ADV, on a discretionary basis. For purposes of calculating Regulatory Assets Under Management in Item 5F, Starwood Capital Group Management, L.L.C. does not include CMBS trusts that are consolidated by LNR, a subsidiary of Starwood Property Trust, but all other related assets are included.

For certain disclosure purposes or in cases where the Advisers Act requires a look through of an investment fund, the firm may look through the fund structure to the investor as if the investor were a client. For example, in assessing carried interest, SCGM and its affiliates may be required comply with Rule 205-3 under the Advisers Act, which requires each investor in a private investment fund to be a “qualified client.” The firm also discloses in its Part 1A and below the types of investors that invest in Starwood-sponsored investment funds advised by SCGM.

The information provided above about the investment advisory services provided by Starwood is qualified in its entirety by reference to the governing documents and the funds’ subscription agreements.

## **2. Fees and Compensation**

SCGM receives a base management fee for its services. SCGM management fees may vary according to the amount or value of the real estate, real estate-related or other assets owned by the investment fund. In addition, a Starwood affiliate may receive a carried interest allocation entitling it to a prescribed portion of the fund's or REITs' profits. The agreements governing the investment fund or REIT (the "governing documents"), such as a limited partnership agreement or registration statement in the case of Starwood Property Trust or SREIT or Form 10 in the case of SCREDIT, disclose the nature of the carried interest and management fees to the investors prior to their commitment or investment. Management fees are assessed quarterly in advance, and only in the case of Starwood NNE Co-Invest, L.L.C. and Starwood ERE Co-Invest, L.L.C. are fees paid more than six months in advance.

Under the relevant governing documents for SCGM's private institutional closed-end funds, the management fee will be calculated and charged on a basis that generally is not tied to a fund's then-current net asset value. As further specified in the relevant governing documents, management fees will initially generally be charged based on a formula tied to the amount of the relevant fund's aggregate commitments (including where applicable, a fund borrowing component). However, after a certain date specified in the governing documents, a fund's management fee generally will be charged and calculated based on a formula tied to the amount of contributed capital or the cost basis of investments made by the relevant fund. As a result, except where the relevant governing documents expressly provide to the contrary, the amount of management fees generally will not correspond with fluctuations in a fund's net asset value, including where the fair market value of an investment exceeds or falls below the total amount of contributed capital or the cost basis relating to such investment. Therefore, the management fee generally will not be reduced in connection with any partial distributions, partial realizations, reorganizations, restructurings, roll-over investments, extraordinary dividends or similar transactions (in each case in circumstances that do not result in the complete disposition of the relevant fund's interest therein, and even in cases where the value of a fund's investment or a fund's ownership percentage in such investment has been reduced (including substantially reduced) as a result of such transaction) and write downs of investments that have not otherwise been written-off in accordance with generally accepted accounting principles (GAAP) except as required by the relevant governing documents. Further, management fees will not be reimbursed or refunded under the governing documents in the event of realizations, dispositions or partial write-downs or write-offs that occur partway through the relevant calculation period.

The relevant governing documents set forth the full list of terms under which a fund's management fee will be reduced, offset or otherwise be limited, and consequently investors should expect to bear the full specified management fee in the relevant governing documents until they are reduced in the circumstances and on the date(s) specified therein.

Additionally, as provided in applicable governing documents, the management fees and asset management fees for certain non-U.S. investment vehicles will be increased to include all or part of the organizational and/or operating expenses incurred by SCGM (or its affiliates) in connection with the performance of its obligations as fund manager (in each case only to the extent that such operating expenses and organizational expenses have not been included in the calculation of the management fees), which expenses will subsequently be paid by SCGM (or its affiliates) on behalf

of the relevant fund(s). While SCGM (or its affiliates) expect to remit payments of these expenses in a timely manner, there could be a delay between receipt from a fund and payment.

SCGM or its affiliates and the investment funds may enter into side letters or similar agreements with certain investors that have the effect of establishing rights under, or altering or supplementing, a fund's governing documents, including provisions relating to the carried interest or management fees. Investment funds also can be subject to asset management fees which apply to each particular asset acquisition by an investment fund.

SCGM does not generally take acquisition fees, disposition fees or other compensation which would be duplicative of the fees or compensation provided under an investment fund's governing documents from entities in which an investment fund may invest, as the investment fund's governing documents usually prohibit such fees. SCGM could take such fees only if authorized by a particular investment fund's governing documents. In certain cases, certain parties related to a transaction (e.g., operating or joint venture partners) are expected to receive such fees or other customary real estate industry compensation from entities in which the relevant investment fund invests; such compensation is ultimately borne by investors in such investment funds.

Expenses chargeable to investors are set forth in a fund's governing documents and can include all fees, costs, expenses, liabilities and obligations relating to the investment fund's and/or its subsidiaries' activities, investments and business (to the extent not borne or reimbursed by a portfolio investment), including: (i) all fees, costs, expenses, liabilities and obligations attributable to structuring, organizing, acquiring, developing, financing, refinancing, managing, operating, holding, taking public or private, valuing, winding up, liquidating, dissolving and disposing of the investment fund's investments (including interest and fees on money borrowed by the investment fund or a Starwood affiliate or the general partner on behalf of the investment fund, pursuit costs (as described in the governing documents of the investment fund), registration expenses, commitment, real estate title, survey, brokerage, finders', custodial and other fees as well as transaction research and sourcing expenses), (ii) legal (whether rendered by an attorney employed by the general partner and the Starwood affiliate or by an outside attorney or firm), accounting, administration, custodian, depositary, auditing, insurance (including directors and officers, errors and omissions and representation and warranty liability insurance), travel (including, where appropriate, the cost of chartering private aircraft or other private air travel (including from the principals or an affiliate of the general partner) at a cost not exceeding the cost of first class commercial airfare, including when direct commercial flights are otherwise unavailable (which cost shall be determined by comparing the cost of first class commercial airfare for flights of similar distance between locations with similar populations, as reasonably selected by the general partner)), reasonable expenses for business development and entertainment directly related to the development and management of investments to the extent not reimbursed by a third party, litigation (including damages) and indemnification costs and expenses, judgments and settlements, consulting, brokerage, finders', financing, appraisal, third party valuation, filing, printing, title, transfer (including transfer agent fees), registration, telephone, engineering and environmental costs and expenses, property management fees and real estate commissions and other fees and expenses (including fees, costs and expenses associated with the preparation or distribution of the investment fund's financial statements, tax returns, tax estimates, FATCA filings and Schedule K-1s or any other administrative, regulatory or other investment fund-related reporting or filing (including Form PF and any investment fund-related filings or reports contemplated by the EU

Alternative Investment Fund Managers Directive, if applicable, or any similar law, rule or regulation)), (iii) costs and expenses of the advisory committee incurred in accordance with the terms set forth in the governing documents of the investment fund, (iv) all fees, costs, expenses, liabilities and obligations incurred by the investment fund, the general partner or any other Starwood person relating to investment and disposition opportunities for the investment fund not consummated (including legal (whether rendered by an attorney employed by the general partner and the Starwood affiliate or an outside attorney or firm), accounting, auditing, insurance, travel (including, where appropriate, the cost of chartering private aircraft at a cost not exceeding the cost of first class commercial airfare, including when direct commercial flights are otherwise unavailable (which cost shall be determined by comparing the cost of first class commercial airfare for flights of similar distance between locations with similar populations, as reasonably selected by the general partner)), reasonable expenses for business development and entertainment directly related to such investments to the extent not reimbursed by a third party, consulting, brokerage, finders', financing, appraisal, filing, printing, real estate title, survey, reverse breakup, termination, Broken Deal Expenses (as defined below) and other fees and expenses), (v) all out-of-pocket fees, costs and expenses incurred by the investment fund, the general partner or any other Starwood person in connection with the annual meetings of the investors and any other conference or meeting with any investor(s) (including any associated expenses related to meals and entertainment), (vi) the investment fund management fee and asset management fee (as described above), (vii) any taxes, fees and other governmental charges levied against the investment fund (except to the extent that the investment fund is reimbursed therefor by a partner pursuant to the governing documents of the investment fund), (viii) costs and expenses that are classified as extraordinary expenses under GAAP, (ix) all fees, costs and expenses incurred in connection with the organization, management, operation, and dissolution, liquidation and final winding up of any controlled affiliates, additional investment vehicles or alternative investment vehicles (or negotiations related thereto) of the investment fund, (x) unreimbursed costs and expenses incurred in connection with any transfer contemplated by and in accordance with the governing documents of the investment fund and (xi) any activities with respect to protecting the confidential or non-public nature of any information or data, including email hosting, disaster recovery, software and other related computer and internet expenses as well as information described in the governing documents of the investment fund. Except where the relevant governing document or side letter(s) expressly provide to the contrary, Broken Deal Expenses and other expenses relating to the diligence or evaluation of a prospective investment generally are allocated among investors within a fund regardless of whether any individual investor negotiated for an elective or automatic contractual right that would have excused them from participating in the investment. Investment funds will also bear expenses of vehicles and assets in which the funds invest, including profit sharing, promote, carried interest, profits interest or other incentive payments due to joint venture partner or other third parties. Such expenses are ultimately borne by investment fund investors and reduce returns to the extent incurred. As discussed below, investment funds are expected to bear expenses (including incentive payments due to joint venture partner or other third parties), directly or indirectly, in connection with services provided by SCGM affiliates as authorized in accordance with the applicable investment fund's governing documents. In addition, to the extent holding or intermediate entities include one or more special purpose acquisition companies ("SPACs"), the relevant fund(s) will bear the costs of organizing and offering such SPACs, as well as the amount and dilutive effect of any founders' equity or similar interests issued thereby that are not held directly or indirectly by the fund, and except where prohibited by the applicable governing



documents, such interests are permitted to be issued to SCGM and its personnel. The Starwood affiliates reserve the right to agree with operating partners, joint venture or similar partners, service providers, portfolio investment management or other persons that all or a portion of certain expense reimbursements, payments or other amounts owed to such persons relating to one or more investments will be paid in the form of a profits, participation or equity interest granted in the relevant investments or related intermediate entities. While such an arrangement is more favorable to the relevant fund in that it does not involve an initial cash outlay for the payment of expenses, and could be further favorable to the relevant fund if the investment does not increase in value, in the event of appreciation in the relevant investment any such profits, participation or equity interest generally would have a dilutive impact on a fund's investment, as well as the potential to result in economic gains to the recipient greater than the original amount of compensation, which in either case could be substantial. A fund also generally will bear the costs of implementing, reporting on (as applicable), monitoring and complying with investment guidelines and directives relating to the fund's strategy, including in side letters relating thereto, and (where applicable) environmental, social, governance and other standards to which the relevant general partner has committed in making investments on behalf of such fund.

Expenses related to consummated transactions generally are shared pro rata by all investment funds participating in the transaction, including co-invest vehicles or funds. Where a co-invest vehicle is formed, such entity generally will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the funds. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction or would otherwise be beneficial, in the judgment of the Starwood affiliate, ultimately is not consummated, all broken-deal expenses and other expenses relating to the diligence or evaluation of a prospective transaction ("Broken Deal Expenses") relating to such proposed transaction will be borne by the applicable investment funds participating in the transaction. To the extent that such co-investors have already executed definitive documentation to invest in such transaction, such co-investor is expected to bear its pro rata share of such Broken Deal Expenses. To the extent a fund makes use of a credit facility to invest in an investment or pay related expenses, it generally will not be reimbursed separately by co-investors for the costs of establishing, negotiating or maintaining the facility as a whole.

Expenses relating to the funds or portfolio investments are expected to be charged using credit cards or other widely available third-party rewards programs that provide airline miles, hotel stays, travel rewards, traveler loyalty or status programs, "points," "cash back," rebates, discounts and other arrangements, perquisites and benefits under the available terms of such reward programs. Such programs are expected to vary over time, and any such rewards (whether or not de minimis or difficult to value) generally will inure to the benefit of the personnel participating in the rewards program, rather than the portfolio investments, the funds or their respective investors; the value of such discounts, benefits, and perquisites received will not offset or reduce management fees or otherwise be shared with the funds.

### **3. Performance-Based Fees and Side-By-Side Management**

As noted in Item 2 above, the Starwood affiliates may receive carried interest entitling them to a portion of the profits of the particular investment fund or REIT. These profit incentives are considered performance fees for purposes of the Advisers Act, including Rule 205-3 for certain

investment funds. Rule 205-3 subjects these rules to investor eligibility conditions as a “qualified client” based on measures of financial sophistication. Carried interest payments have been structured to comply with the Advisers Act, including Rule 205-3 under the Advisers Act.

In any particular strategy, there may be differences in the structure of the carried interest. Differences in the performance fee structure could create potential conflicts in that a Starwood affiliate could have greater incentive to favor investment fund structures having the most profitable performance fee structure versus other investment fund structures that have a lower or no performance fee structure. These potential conflicts, however, are practicably mitigated by various limitations common to private equity structures. For example, allocations of investment opportunities in investment funds using a private equity structure are typically subject to organizational limitations on the creation of successor investment funds. That is, before Starwood may permissibly raise a new investment fund, a predecessor fund in the same strategy generally must be substantially committed. For public securities investment funds, or allocations of public securities among public securities investment funds and REITS, SCGM will allocate investment in accordance with its allocation policy, which seeks to allocate eligible investments in a fair and equitable manner and certain investment funds using a private equity structure may participate in the same public securities issuers to the extent specified in the fund’s governing documents and in accordance with SCGM’s allocation policy. Additionally, Starwood-sponsored investment funds may be limited to the types of investment opportunities based on the particular sector investing designated for that investment fund, restrictions in governing documents, or parameters set forth in allocation policies.

In addition, the existence of performance-based compensation has the potential to create an incentive for a Starwood affiliate to make riskier or more speculative investments than they would otherwise make in the absence of performance-based compensation.

#### **4. Types of Clients**

As noted in Item 1 above, SCGM’s clients are the investment funds, REIT or related entities that it advises pursuant to an investment advisory agreement between it and the Starwood affiliate(s). Other than the public REITs, Starwood Property Trust, SREIT, SCREDIT and SEREF, investors in SCGM advised investment funds include various institutional investors and high net-worth individuals, many of which have had longstanding relationships with Starwood. The institutions that typically invest in a Starwood-sponsored investment fund include financial institutions, corporations, sovereign wealth funds, endowment funds, charitable organizations, private and public pension funds, other investment funds, and often include (directly or indirectly) principals or other personnel of Starwood and its affiliates and members of their families, operating or joint venture partners or other service providers retained by Starwood affiliates or a fund.

#### **5. Methods of Analysis, Investment Strategies, and Risk of Loss**

##### *Investment Analysis and Strategy*

SCGM makes investment recommendations to its clients predominantly in the real estate sector and to a lesser extent, in the energy sector. As adviser through SPT Management, with respect to Starwood Property Trust, SCGM renders advice as to certain “target assets.” Target assets for

Starwood Property Trust would include commercial mortgage loans and other commercial debt instruments, commercial mortgage-backed securities, net-leased properties and other real estate-related assets, as well as residential mortgage-backed securities and mortgage loans.

In the case of investment funds, investment recommendations include mortgage debt instruments, publicly traded REIT equity and the public or private equity securities, debt or derivatives of or with respect to public real estate companies. The energy funds investment recommendations include investments in the oil and gas sector and in such sector SCGM and certain Starwood professionals rely on the expertise and professional relationships developed in the energy industry. SCGM may use borrowings in investment funds to the extent authorized and for the purposes set forth in the fund's governing documents.

In formulating its investment recommendations, SCGM uses fundamental, cyclical, and technical methods of analysis. With respect to mortgage debt securities recommendations, SCGM will analyze the underlying collateral, including the fair market value, physical condition, projected cash flow and interest coverage, competitive position in the relevant market, and the abilities of the asset or property manager. Lastly, for certain real estate investments, SCGM will review industry periodicals and newsletters, meet with or interview local industry experts and local asset and property managers and professionals.

### *Risks*

Very generally, investing in securities and other investment assets involve risk of loss of the principal amount invested. Clients and investors should be prepared to bear any risk of loss. Investing in the real estate sector, the energy sector and in privately offered securities may raise unique investment risks, as summarized below. The risk summary contained herein is intended solely as a summary and is not an exhaustive list of risk. Risks associated with each investment fund and REIT is described in offering documents or public registration statements. Those documents also disclose potential risks for each investment fund or REIT in greater and more particularized detail than the summary set forth below.

- The firm's investment strategies and expertise rely on key professionals. The departure of any of these key professionals from Starwood could adversely impact the performance of an investment fund or REIT.
- Failure of investors to fund commitments when due can adversely affect an investment fund's ability to complete its investment program and, if substantial defaults on commitments, to continue operations.
- Real estate and energy related investing can include the use of leverage which, among other things, can increase the risk of loss during unfavorable economic conditions.
- Assets held by investment funds, and the interests in the investment funds themselves, can be illiquid, thus making them hard to value and liquidate, particularly in a falling market. Additionally, interests in investment funds are subject to restrictions on transfer pursuant to the Securities Act.

- Risk of loss associated with mortgage loans and mortgage-backed securities. These instruments are subject to default, foreclosure timeline extension, fraud, commercial and residential price depreciation, unfavorable modification of loan principal amount and interest rate, and amortization of principal. Any of the foregoing events can result in investment losses.
- Prepayment risk. To the extent assets may be backed by mortgage instruments, prepayment can adversely affect the value of the underlying real estate portfolio.
- Some mortgage-related instruments may include distressed opportunities, which can increase the potential for risk of loss.
- There are risks related to a real estate investment vehicle's organization whether it be limitations prescribed by the 1940 Act in the case of a private fund or even a public REIT, or tax limitations in the case of a REIT structure.
- Investment strategies and analysis may not accurately project targeted returns because the considerations and assumptions underlying any projected returns are subject to uncertainty.
- Real estate, because it is generally considered a long-term investment, may be subject to risks not associated with investments in more liquid assets. For instance, real estate may experience fluctuations and cycles in value during any holding period. Some factors attributable to the marketability and value of real property include, but are not limited to the following: (i) changes in general or local economic conditions; (ii) changes in supply or demand for the particular property type; (iii) fluctuations in occupancy and rents for real property; (iv) changes in interest rates; (v) government regulation related to land-use and zoning, environmental protection and occupational safety; (vi) unavailability of mortgage funds, making property disposition difficult; (vii) the financial condition of consumers of real property; (viii) insurance coverage; and (ix) natural disasters, pandemics and threat of terrorism.
- Environmental risk. Real estate and energy related investment is subject to certain environmental risks associated with environmental claims, environmental regulations and occupational safety issues and concerns.
- Energy risk. Energy, including oil and gas assets, are subject to significant energy commodity risks, including price, volumetric and spread risk. These particular risks, although sought to be managed as noted above, can create reduced or volatile returns to investors.
- Energy regulations. Oil & gas is heavily regulated. Energy regulations are subject to change, which can impact the financial condition of oil & gas assets.
- Concentration risk. Real estate investing may lack a diversified pool of assets compared to other types of investment funds that trade in publicly traded securities.

- **Currency exchange risk.** Typically, distributions from and contributions to an investment fund are denominated in U.S. dollars. Investments, however, may be denominated in currencies other than the U.S. dollar. Therefore, the value of these non-U.S. dollar denominated investments will depend in part on the strength of the U.S. dollar, and the value of dividends, interest and gains and losses can be adversely affected by fluctuating currency exchange rates.
- **Non-U.S. investment risk.** Non-U.S. investments are subject to risks in addition to U.S. investments, such as currency risks, differences in governing law (including tax laws), trade disruptions, governmental instability, enforceability risk, and different reporting and accounting regimes.
- **Counterparty credit quality.** Investment funds can have assets tied to long-term contracts or other arrangements the performance of which will be dependent on the credit quality of the counterparties. Defaults by such counterparties could adversely affect the value of these assets or create the risk of loss.
- **Cybersecurity//Information systems and data storage.** Recent events have illustrated the ongoing cybersecurity risks to which various entities are subject, particularly operating companies in historically vulnerable industries such as the retail and hospitality industries. To the extent that any of a portfolio investment, investment fund, or SCGM or its affiliates is subject to cyber-attack or other unauthorized access is gained to their systems, substantial losses may occur in the form of stolen, lost or corrupted (i) data or payment information; (ii) financial information; (iii) software, contact lists or other databases; (iv) proprietary information or trade secrets; or (v) other items. If technology systems are compromised, become inoperable for extended periods of time or cease to function properly, SCGM, the general partners', the investment funds and/or their portfolio investments may incur significant time or expense to fix or replace them and to seek to remedy the effects of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in SCGM's, the general partners', the investment funds', portfolio investments' and/or service providers' operations, including the ability to make distributions to limited partners, and 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). In certain events, a failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. The use of internet- or cloud-based programs, technologies and data storage applications generally heightens these risks, and the risks of attack are expected to be heightened in remote work environments. Any of such circumstances could subject a portfolio investment, or the relevant investment fund, to substantial losses, including losses relating to: misappropriation of assets, intellectual property or confidential information; corruption, deletion or destruction of data; physical damage and repairs to systems; reputational harm; financial losses from remedial actions; and/or disruption of operations. Third parties, including activist, criminal, nation-state or terrorist actors, may also attempt fraudulently to induce portfolio investments or their personnel to disclose sensitive information (including passwords) in order to gain access to data, accounts, funds or other assets, or otherwise to inflict harm. In addition, in the event that such a cyber-attack or other unauthorized access is directed at SCGM or one of its service providers

holding its financial or investor data, SCGM, its affiliates or the investment funds may also be at risk of loss.

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

- Public health emergency. Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, Ebola and COVID-19, have resulted in historic market disruptions, and future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to the funds.

The ultimate impact of any such health emergency—and any resulting decline in economic and commercial activity—on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict, but could have a significant adverse impact and result in significant losses to the funds. The extent of the impact on the funds' and their investments' operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors may limit the ability of the funds to source, diligence and execute new investments and to manage, finance and exit investments in the future, and governmental mitigation actions may constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy the funds intend to pursue, all of which could adversely affect the funds' ability to fulfill their investment objectives. They may also impair the ability of investments or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. In addition, the operations of the funds, investments, the Starwood affiliates and SCGM may be significantly impacted,

or even temporarily or permanently halted, as a result of any such health emergencies, or any measures, restrictions, remote-working requirements and other factors related thereto, including its potential adverse impact on the health of any such entity's personnel. These measures may also hinder such entities' ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

- Subscription lines. A fund generally is permitted to enter into a subscription line with one or more lenders in order to finance its operations, including the acquisition of the fund's investments, as well as to consolidate or make less frequent capital calls to limited partners. Fund-level borrowing subjects investors to certain risks and costs. For example, because amounts borrowed under a subscription line typically are secured by pledges of the relevant general partner's right to call capital from the investors, investors may be obligated to contribute capital on an accelerated basis if the fund fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder. Moreover, any investor claim against the fund would likely be subordinate to the fund's obligations to a subscription line's creditors.

Although borrowings by the fund may enhance overall returns, they may further diminish returns (or increase losses) to the extent returns during the borrowing are less than the fund's interest costs and expenses relating to such borrowings or in the event of default, and such use of leverage may ultimately result in costs to the fund that may not be covered by distributions made to the fund or appreciation of its investments. Such expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a subscription line, an upfront fee for establishing a subscription line, and other one-time and recurring fees and/or expenses, as well as legal fees relating to the establishment and negotiation of the terms of the borrowing facility. Because a subscription line's interest rate is based in part on the creditworthiness of the fund's investors and the terms of the governing documents, it may be higher than the interest rate an investor could obtain individually. To the extent a particular investor's cost of capital is lower than the fund's cost of borrowing, fund-level borrowing can negatively impact an investor's overall individual financial returns even if it increases the fund's reported net returns in certain methods of calculation. On that point, prospective investors should note that calculations of net returns in respect to the fund as reported to investors are generally based on the payment date of capital contributions received from investors. This treatment also applies in instances where the fund utilizes borrowings under the fund's subscription line in advance of receiving capital contributions from investors to repay any such borrowings and related interest expense. As a result, use of a subscription line or similar borrowing or guarantees generally will result in a higher reported net return than if the facility had not been utilized and instead such investors' capital had been contributed at or prior to the inception of an investment. Conflicts of interest also have the potential to arise to the extent that a subscription line is used to make an investment that is later sold in part to co-investors (including one or more co-investing funds), as to the extent co-investors are not required to act as guarantors under the relevant facility or pay related costs or expenses, co-investors nevertheless stand to receive the benefit of the use of the

subscription line and neither the relevant fund nor investors generally will be compensated for providing the relevant guarantee(s) or being subject to the related costs, expenses and/or liabilities.

A credit agreement or borrowing facility may contain other terms that restrict the activities of the fund and the investors or impose additional obligations on them. For example, certain lenders are expected to impose restrictions on the general partner's ability to consent to the transfer of an investor's interest in the fund or impose concentration or other limits on a fund's investments and/or financial or other covenants that could affect the implementation of the investment fund's strategy. In addition, in order to secure a subscription line, the general partner may request certain financial information and other documentation from investors to share with lenders. The general partner will have significant discretion in negotiating the terms of any subscription line and may agree to terms that are not the most favorable to one or more investors. In certain circumstances, due to separate evaluations of creditworthiness by lenders or facility providers, a portfolio investment or other fund subsidiary is expected to bear higher rates under a borrowing facility than are borne by the fund, resulting in a potential net benefit to the fund, or additional potential liquidity constraints or other burdens on the relevant portfolio investment or fund subsidiary. Except where otherwise required by the relevant governing documents, a fund will not be obligated to borrow on behalf of a portfolio investment, even in circumstances where the fund's creditworthiness would permit borrowing at a lower rate than is available to the portfolio investment.

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows the general partner to fund investments and pay partnership expenses without calling capital, potentially for extended periods of time. Calling a large amount of capital at once to repay the then current amount outstanding under a subscription line could cause short term liquidity concerns for investors that would not arise had the general partner called smaller amounts of capital incrementally over time as needed by the fund. This risk would be heightened for an investor with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the investor to meet the accumulated, larger capital calls at the same time. The fund may also utilize fund-level borrowing when the general partner expects to repay the amount outstanding through means other than investor capital. If the fund ultimately is unable to repay the borrowings through those other means, investors would end up with increased exposure to the underlying investment, which could result in greater losses.

In borrowing on behalf of an investment fund, SCGM is subject to conflicts of interest between repaying its obligations and retaining such borrowed amounts for the benefit of the investment fund, and in circumstances where interest accrues on any such outstanding borrowings at a rate lower than the relevant investment fund's preferred return, is expected to have incentives to cause such fund to borrow in this manner rather than drawing down capital commitments. Where a preferred return begins to accrue after capital contributions are due (regardless of when the investment fund borrows, makes the relevant investment, or pays expenses) and ceases to accrue upon return of these capital contributions, the use of borrowing to shorten the period between calling and returning capital limits the amount



of time the preferred return will accrue. In circumstances where there is not a preferred return on funds borrowed in advance or in lieu of calling capital, fund-level borrowing typically will reduce the amount of preferred return to which the limited partners would otherwise be entitled had the applicable general partner or Starwood affiliate called capital, and thus could result in the relevant general partner receiving carried interest sooner than it would without borrowing. The use of fund-level borrowing arrangements, and the repayment or non-repayment thereof, can also influence the determination of the end of a fund's investment period, and cause or defer a related change in the basis of the relevant fund's management fee calculation under the governing documents. It is expected that the costs relating to the establishment and/or maintenance of a subscription line of credit will be significant, and there can be no assurance that the benefits to limited partners will be commensurate with such costs. SCGM will effect such borrowings consistent with a fund's governing documents and in a manner it believes to be fair and equitable under the circumstances to the relevant investment fund.

If an investment appreciates in value and is disposed of prior to repayment, the relevant fund generally would apply disposition proceeds to repay the borrowing and related interest and expenses, and the absence of invested capital funded by limited partners potentially will result in a distribution of net proceeds without a preferred return accrual on the amount invested. Accordingly, borrowings have the potential to support the distribution of proceeds to limited partners and increase the potential carried interest for the relevant general partner, as reduced by the interest incurred by the relevant fund. Subject to any limitations in the governing documents, this scenario potentially incentivizes the relevant general partner to permanently fund the acquisition and ongoing capital needs of a fund's investments and related expenses with the proceeds of such borrowings in lieu of drawing down capital contributions on an as-needed basis, and, accordingly, capital contributions to repay such borrowings may be required only at the time of the disposition of an investment (or never, if principal and interest on such borrowings are always repaid out of disposition proceeds).

- **Certain Risks and Costs of Leverage Below a Fund.** Even though it presents many of the same risks as fund-level borrowing, indebtedness of entities other than a fund will not be treated as Fund-level borrowing for purposes of the fund's governing documents, even if the special purpose vehicles or other entities incurring such leverage engage in borrowings that are cross-collateralized with or among multiple investments such that multiple investments and a substantial portion of a fund's value are at risk. As a result, these borrowings will not be subject to any limitations on Fund-level borrowing in the governing documents. Since SCGM has the flexibility to engage in these structures, SCGM may have an incentive to incur significant leverage at the level of holding companies beneath a fund. The negative performance of one asset may materially and adversely impact the performance of other investments or a fund as a whole. Furthermore, depending on the terms of the cross-collateralization and the performance of the underlying assets, it is possible that a fund may ultimately bear a disproportionate share of the risk arising from any guarantees, borrowings or credit support that are incurred on a cross-collateralized or joint basis with other funds, but a fund will not receive compensation for bearing such risks for other such funds.

- **Investment and Intermediate Entity-Level Borrowing.** Under the governing documents, each fund is authorized to incur indebtedness that is secured by any assets of the fund (*e.g.*, asset-based borrowing, as well as “back leverage” and net asset value (NAV) facilities), and is permitted directly or indirectly through one or more intermediate entities (*e.g.*, special purpose vehicles) to incur indebtedness, including to borrow money from any person, to make guarantees or provide other credit support to any person or to incur any other obligation (including other extensions of credit). Indebtedness is permitted to be incurred for any purpose relating to the activities of the fund, including without limitation to: finance any investment-related activities of the fund; increase the buying power of the fund; provide interim financing to the extent necessary to consummate the purchase of investments prior to the receipt of permanent financing or capital contributions or distributions (as applicable); pay for fund expenses or fund the payment of management fees; make, hold or dispose of investments; provide financing or refinancing; fund the payment of amounts to withdrawing limited partners; fund distributions to the partners; and/or provide collateral to secure outstanding letters of credit or to create reserves, in each case in accordance with the governing documents. Additionally, SCGM reserves the right to enter into letters of credit in support of one or more of its investments, including for the purpose of such fund agreeing to fund additional equity financing or capital expenditures into an investment (regardless of who the beneficiary to such letter of credit may be) at a certain time or upon the occurrence of a certain event. Although in many cases the governing documents impose limits on borrowings at the fund level, investments and intermediate entities generally do not have such limits on their ability to engage in borrowings or incur leverage with respect to all or a portion of the relevant investments.
- **Impact of Government Regulation and Reform.** Certain industry segments in which an investment fund may invest, including various segments of the hospitality, real estate and other adjacent industries, are (or may become) (i) subject to regulation at both the federal and state levels in the United States and internationally and (ii) subject to ongoing regulatory change. An adverse change in applicable regulatory requirements or regimes, could have a material adverse effect on the operations and/or financial performance of the companies in which a fund may invest.

Additionally, the SEC has proposed and enacted significant rules that will impact the business of SCGM and its funds. In particular, the SEC has adopted a number of new rules that impose significant changes on private fund advisers and their management of private funds, and the SEC is expected to propose and/or adopt additional rules in the future. Such current and future rulemaking is expected to materially impact SCGM and its affiliates, the investment funds and/or their investments. In addition, the funds are expected to bear significant costs as a result of such rules, including costs relating to investor reporting and disclosures. Significant time and resources are expected to be required to comply with the new regulations, which potentially will detract from the time and resources dedicated to the investment funds. Certain rules are or may become subject to legal challenge from private fund industry groups and others, and to the extent such legal challenges are successful, investors will not be afforded some or all of the protections provided by these rules.

- **U.S. Taxation of Carried Interest.** U.S. federal income tax law treats certain allocations of capital gains to service providers by partnerships such as the funds as short-term capital gain (taxed at higher ordinary income rates) unless the partnership has held the asset that generated such gain for more than three years. Additionally, Congress has considered proposed legislation that would treat certain income allocations to service providers by partnerships such as a fund (including any carried interest) as ordinary income for U.S. federal income tax purposes that under current law are treated as an allocation of the partnership's income (and which may be taxed at lower rates than ordinary income). Such rules, as well as any such legislation that may be enacted in the future, could apply to reduce the after-tax returns of individuals associated with a fund, its general partner, or Starwood who were or may in the future be granted direct or indirect interests in carried interest, which could make it more difficult for the relevant general partner and its affiliates to incentivize, attract and retain individuals to perform services for a fund. This creates potential incentives for Starwood to cause a fund to hold investments for a longer period than would be the case if such greater-than-three-year holding period requirement did not exist.
- **Changes to Benchmark Rates.** To the extent that a fund's investments, borrowing facilities, hedging activities, or other assets or structures are tied to interest rates based on benchmark or reference rates, including the London Interbank Offered Rate ("LIBOR"), Secured Overnight Financing Rate (SOFR) or other rates (each, a "Benchmark Rate"), the fund may be subject to certain material risks, including the risk that a Benchmark Rate is terminated, ceases to be published or otherwise ceases to be broadly used by the market. Regulators, central banks, governments and other market participants have transitioned historical instruments and contracts away from LIBOR to new Benchmark Rates. This transition includes the potential to: increase volatility or illiquidity in markets; cause delays in or reductions to financing options for the funds and their portfolio investments; increase the cost of borrowing; reduce the value of certain instruments or the effectiveness of certain hedges; cause uncertainty under applicable legal documentation; or otherwise impose costs and administrative burdens relating to factors that include document amendments and changes in systems. Future transitions to and from Benchmark Rates have the potential to have similar effects.
- **International Conflicts.** Wars and other international conflicts, such as the Israeli-Palestinian conflict and the ongoing military conflict between Russia and the Ukraine have caused disruption to global financial systems, trade and transport, among other things. In response, multiple other countries have put in place sanctions and other severe restrictions or prohibitions on certain of the countries involved, as well as related individuals and businesses. However, the ultimate impact of these conflicts and their effect on global economic and commercial activity and conditions, and on the operations, financial condition and performance of the investment funds or any particular industry, business or investee country and the duration and severity of those effects, is impossible to predict.

These conflicts may have a significant adverse impact and result in losses to the investment funds. This impact may include reductions in revenue and growth, unexpected operational losses and liabilities and reductions in the availability of capital. It may also limit the ability of an investment fund to source, diligence and execute new investments and to manage,

finance and exit investments in the future. Developing and further governmental actions (military or otherwise) may cause additional disruption and constrain or alter existing financial, legal and regulatory frameworks and systems in ways that are adverse to the investment strategy which any investment fund intends to pursue, all of which could adversely affect the investment funds' ability to fulfill their investment objectives.

The investment funds focused on private real estate assets do not engage in frequent trading of portfolio assets in the manner of a trading fund, such as a hedge fund, mutual fund of the public securities investment funds.

- **Secondaries and other General Partner-Led Transactions.** There continues to be a significant market for secondary sales, general partner-led transactions, continuation funds, successor fund investments and other transactions, and SCGM reserves the right to dispose of (or seek additional capital for) fund investments through such means. Many of these transactions involve an auction process run by an investment bank and a buyer (or buyer group) that agrees to purchase all or a portion of one or more investments that will continue to be managed by SCGM following the transaction. Such transactions are permitted to be undertaken for various reasons, including, for example, to balance competing interests between offering liquidity to existing limited partners and maintaining exposure to an asset where SCGM believes there is the potential for additional value generation. Where undertaken, existing limited partners typically are offered certain options relating to receiving liquidity from the transaction or continuing to maintain exposure to the asset, assets or a new portfolio of assets (including a portfolio that combines assets from multiple investment funds sponsored by SCGM and its affiliates), often on different terms than their original investment in the fund. However, certain of such transactions are expected to involve a limited partner investing (or being required to invest) additional capital in the existing fund and/or other investment vehicles, hold greater exposure to one or more particular portfolio investments, and/or experience a delay in the full liquidation of its investment. In other circumstances, even limited partners that elect to continue to hold a direct or indirect interest in the relevant portfolio investment will have their interest adjusted as if distributed (i.e., a portion of such interest will be allocated to the relevant general partner to the extent of its right to receive carried interest, if any), effectively diluting their interests.

Each of these transactions has the potential for conflicts between the interests of a fund or limited partner and those of SCGM or any buyer group that typically are not applicable to more traditional investment sales. For example, in circumstances where SCGM or an affiliate will continue to manage and receive fees and/or performance-based compensation relating to the subject assets following the transaction (potentially in addition to performance-based compensation earned by the relevant Starwood affiliate on the sale of an asset from an existing fund in such transaction), their incentives are expected to diverge from those of limited partners who elect to sell their interests. Similarly, there are potential conflicts of interest among the selling fund, SCGM, the relevant general partner and any buyer group relating to the valuation and consideration offered for the subject investment(s). To the extent SCGM requires existing limited partners and/or new buyers to commit capital to a continuation fund or another fund managed by SCGM in addition to the purchase amount paid in a transaction (including commitments to the relevant fund in

specified ratios to the purchase price), such requirement is expected to have a dilutive effect on the purchase price for the selling fund and its limited partners. There can be no assurance that any such transaction will accurately reflect the fair market value of the investment(s) being sold. Further, the relevant general partner is expected to be incentivized, including through the possibility of receiving additional compensation, to make investments in portfolio investments with the view of holding such investments for longer periods of time or to make investments that it would not otherwise have made if the possibility of liquidity through a secondary transaction did not exist. Where co-investors historically have been invested in an investment subject to such a transaction, there can be no assurance that they will receive the same liquidity or other options as limited partners in the relevant fund, and in such circumstances SCGM reserves the right to compel co-investors to receive cash or continue to hold an interest in the relevant investment. In other circumstances, certain limited partners will not be permitted to continue to maintain exposure to the asset(s) due to a lack of eligibility to invest in a continuation vehicle under relevant securities, tax or other considerations. Although relevant potential conflicts of interest are disclosed to limited partners and/or the relevant advisory committee prior to the closing of the transaction, there can be no assurance that SCGM will successfully identify all conflicts of interest or resolve or mitigate all such conflicts of interest in favor of the selling fund or any individual limited partner or group of limited partners. However, SCGM reserves the right, in its sole discretion, to determine to engage in such transactions, subject to any approvals required in the relevant governing documents. SCGM is permitted to seek the consent of the relevant fund advisory committee(s) to approve conflicts associated with such transactions and accordingly not all limited partners will necessarily be able to approve or disapprove of such transactions. Similar to any prospective sale or disposition of fund investments, to the extent such transactions are not consummated, the relevant fund is expected to bear all of the related costs in the absence of an agreement with other parties to bear a portion of such costs.

- **Financial Institution Risk; Distress Events.** An investment in a fund is subject to the risk that one of the fund's banks, brokers, hedging counterparties, lenders or other custodians of some or all of the fund's assets (each, a "Financial Institution") fails to perform its obligations or experiences insolvency, closure, receivership or other financial distress or difficulty (each, a "Distress Event"). Distress Events can be caused by factors including eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance or accounting irregularities. In the event a Financial Institution experiences a Distress Event, SCGM, the funds and/or their portfolio investments may not be able to access deposits, borrowing facilities or other services for an extended period of time or ever. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by organizations such as the Federal Deposit Insurance Corporation ("FDIC"), in the case of banks, or the Securities Investor Protection Corporation ("SIPC"), in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose increased risk of loss. Although in recent years governmental intervention has resulted in additional protections for depositors, there can be no assurance that governmental intervention will be successful or avoid the risk of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

Any Distress Event has a potentially adverse effect on the ability of SCGM to manage the funds and their investments, and on the ability of SCGM, any fund and/or portfolio investment to maintain operations, which in each case could result in significant losses and unconsummated investment acquisitions and dispositions. Such losses have the potential to include a fund having to pay fees and expenses in the event it is not able to close a transaction (whether due to the inability to draw capital on a credit line provided by a Financial Institution experiencing a Distress Event, the inability of investors to make capital contributions or otherwise), as well as the inability of a fund to acquire or dispose of investments at prices that the relevant general partner believes reflect the fair value of such investments and/or the inability of portfolio investments to make payroll, fulfill obligations and maintain operations. Although SCGM expects to exercise contractual remedies under the agreements with Financial Institutions in the event of a Distress Event, there can be no assurance that such remedies will be successful or avoid losses or delays.

Many Financial Institutions require, as a condition to using their services or otherwise, that SCGM and/or the relevant fund maintain all or a set amount or percentage of their respective accounts or assets with a custodian, which heightens the risks associated with a Distress Event with respect to such custodian. SCGM is under no obligation to use a minimum number of custodians with respect to any fund, or to maintain account balances at or below the relevant insured amounts. Furthermore, such balances maintained by SCGM and the funds are generally expected to fluctuate, including with respect to the funds in connection with capital calls to limited partners and dispositions of investments, and certain balances from time to time will substantially exceed applicable deposit insurance.

## **6. Disciplinary Information**

Neither SCGM nor any of its professionals have been the subject of any legal or disciplinary event of an investment-related nature that would be material to the business of SCGM or that would be subject to disclosure in Item 11 of Part 1A of Form ADV.

## **7. Other Financial Industry Activities and Affiliations**

SCGM has investment advisory agreements with affiliated general partners, member managers and other managers, including SPT Management. An affiliated broker-dealer, Starwood Capital, L.L.C. ("SC"), acts as a dedicated placement agent for the private offer and sale of interests in certain of the investment funds advised by SCGM. SCGM, not the fund or investor, reimburses SC for its expenses for acting as placement agent for SCGM's private funds; SC does not receive commissions or other transaction fees for its services relating to SCGM's private funds. SC does not execute any portfolio trades of any investment fund or REIT. SC does act in a different capacity for SREIT and SCREDIT.

Certain management persons of SCGM are associated persons of SC. Specifically, Mr. Jerome Silvey (CRD No.: 4379503) is the Vice Chairman of SCGM and is qualified under a Series 82 license for SC. Mr. Silvey maintains a registration with SC in respect of its fund-raising efforts for Starwood's investment funds. Also, Mr. Matthew Guttin (CRD No.: 5801291) serves as the Chief Compliance Officer of SC and maintains Series 24, 7 and 63 licenses in this respect. Mr. Guttin is also the Chief Compliance Officer of SCGM. Mr. Guttin's role with SC, and SCGM for that matter,

is solely to provide legal and compliance services, as well as oversee the limited operations of SC. He does not participate in any fund-raising activities. Mr. Guttin also is associated with the law firm of Rinaldi, Finkelstein & Franklin, L.L.C. (“RFF”), which has an arrangement with Starwood, as more fully described below.

SCGM shares office facilities with SC and RFF, an independent law firm that provides legal services to Starwood. Mr. Ellis Rinaldi, SCGM’s Senior Managing Director and Co-General Counsel, is a principal of RFF. Legal fees of RFF are charged to the investment funds for services performed in accordance with the fund’s disclosure and operating documents. These documents are delivered to investors prior to their investment in the funds. RFF often represents SCGM and certain of its affiliates and principals and, as such, may have different fee payment arrangements for such parties, including the acceptance of carried interest.

Dyal Capital Partners, a unit of Neuberger Berman Private Equity, is an indirect owner of a passive, non-voting and non-controlling minority interest in SCGM.

SCGM personnel reserve the right to manage their own personal investments, whether or not through a formal family office or estate planning structure, and to pay or receive compensation relating to these arrangements. SCGM personnel are permitted to serve on boards or act in other role unaffiliated with SCGM, including boards of charitable and educational institutions, public companies and former portfolio investments, and receive compensation in connection with such services and roles. Additionally, except to the extent restricted by a fund’s governing documents, SCGM and its personnel are permitted to market, organize, sponsor or act in other capacities (including as director, founder or manager) for other pooled investment vehicles, accounts or SPACs the investment or business strategy of which does not overlap with the fund(s) and to receive compensation (including in the form of management fees, performance-based compensation, founders’ equity or similar interests) relating thereto. To the extent our principals form or participate in a SPAC, any transaction between an SCGM affiliated fund and such SPAC would present conflicts of interest that would have to be approved pursuant to the applicable governing documents and applicable law.

SCGM’s principals, employees and other personnel (including affiliated service providers) invest in other private equity investment vehicles (including single investor co-investments) managed by other advisers. In some cases, the SCGM or the funds may purchase portfolio investments that are owned by such other investment vehicles, which may indirectly benefit any principals, employees or other personnel.

## **8. Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading**

SCGM has adopted a Compliance Manual that addresses its particular business and compliance obligations under the Advisers Act. The Compliance Manual, which includes a code of ethics, addresses topics such as: (i) basic standards of conduct for personnel and SCGM; (ii) managing actual and potential conflicts of interest; (iii) affiliated transactions, joint investments, allocation, valuation, and the role of the advisory committee in applicable contexts; (iv) illegal insider trading and misuse of client confidential information; (v) gift policies; and (vi) compliance with custody,

advertising, recordkeeping, and disclosure obligations. The code of ethics is available to clients upon written request.

Typically, one or more Starwood entities will have a general partner or member manager interest in each of the investment funds advised by SCGM. Insiders and affiliates may have ownership interests in some the investments recommended by SCGM, and Starwood typically invests at least one percent of the total equity investment required to purchase real estate-related assets as a co-investment alongside SCGM's clients. Starwood insiders also may invest in assets in the same sector as an investment fund. To the extent an opportunity is received that is unsuitable for an investment fund, in SCGM's sole discretion, SCGM and its personnel reserve the right to refer such opportunity to third parties or to make personal investments in the relevant opportunity. Practically speaking, however, in many cases, the size of private investments allocated to an investment fund would be sufficient to make individual investing in the same asset uncommon or impractical. In any case, personal investing in the same sector is subject to the firm's compliance policies and monitoring for conflicts of interest. In addition, affiliates of SCGM enter into service arrangements with the investment funds advised by SCGM.

These arrangements present conflicts of interest and are disclosed to potential investors in disclosure documents delivered prior to investment. Depending on the facts and circumstances, the governing documents of an investment fund may set forth restrictions on conflicts of this nature. In the case of Starwood Property Trust, SREIT and SCREDIT, approval of a majority of the independent directors would be required for: (i) any purchase of the assets of Starwood Property Trust by Starwood; and (ii) any purchase of Starwood's assets by Starwood Property Trust, SREIT or SCREDIT. Further, the limited partnership agreements of Starwood's opportunistic real estate funds govern investment allocation between Starwood Property Trust, SREIT, SCREDIT and Starwood's most recent opportunistic real estate funds.

SCGM generally exercises its discretion to recommend to an investment fund or to a portfolio investment thereof that it contract for services with certain service providers, and such service providers are expected to include: (i) SCGM or a related person of SCGM (including as described above); (ii) an entity with which SCGM or its affiliates or current or former personnel has a relationship or from which SCGM or its affiliates or their personnel otherwise derives financial or other benefit, including relationships with joint venturers or co-venturers; or (iii) certain limited partners or their affiliates. For example, SCGM expects to be presented with opportunities to receive financing and/or other services in connection with an investment fund's investments from certain limited partners or their affiliates that are engaged in lending or related business. This discretion subjects SCGM to conflicts of interest, because, although SCGM selects service providers that it believes are aligned with its investment strategies and have the potential to enhance portfolio investment performance and, relatedly, the return of the relevant investment fund, SCGM has a potential incentive to recommend the related or other person (including a limited partner) because of its financial or other business interest. For example, a lender providing a fund's subscription facility will also be expected to engage in other lending arrangements with SCGM and its affiliates, including with respect to funding capital commitments to a Starwood affiliate on terms that may be influenced by such lender's overall relationship with SCGM and such fund. There is a possibility that SCGM, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant investment



funds or SCGM), would favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. SCGM will not necessarily seek out the lowest cost options when incurring (or causing a fund or its portfolio investments to incur) such expenses. Although SCGM generally seeks appropriate rates for services, it reserves the right to prioritize prior usage, perceived quality, sector competence or expertise, familiarity, onboarding speed or other factors in retaining or recommending service providers. Additionally, SCGM expects certain service providers, their affiliates and personnel to invest in, or co-invest alongside, one or more funds, and due to the nature of the service provider relationships and the timing of services these persons have the potential to have information advantages relative to other investors or co-investors, and likely will be offered co-investment opportunities before such opportunities are presented to other interested prospective co-investors. Based on the foregoing factors, limited partners should not expect service providers to SCGM or any fund to provide services that will be the most beneficial to any limited partner.

Additionally, SCGM and/or its affiliates reserve the right to employ personnel with pre-existing ownership interests in portfolio investments owned by the investment funds or other investment vehicles advised by SCGM and/or its affiliates; conversely, current or former personnel or executives of SCGM and/or its affiliates are expected to serve in significant management roles at portfolio investments or service providers recommended by SCGM. Similarly, SCGM, its affiliates and/or personnel maintain relationships with (or invest in) financial institutions, service providers and other market participants, including, but not limited to, managers of private funds, banks, brokers, advisors, consultants, finders, executives, attorneys, accountants, institutional investors, family offices, lenders, current and former personnel, as well as certain family members or close contacts of these persons. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, SCGM and/or its affiliates and/or the investment funds or other investment vehicles they advise. In other circumstances, these vendors are expected to provide personal banking, private wealth or lending arrangements (including lending arrangements with respect to personal investments in or through SCGM entities, whether or not relating to financing SCGM personnel obligations to fund general partner commitment obligations) to SCGM personnel and their estate planning vehicles. SCGM expects to be subject to a potential conflict of interest with an investment fund in recommending the retention or continuation of a third-party service provider to such fund or a portfolio investment if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more investment funds, will provide SCGM information about markets and industries in which SCGM operates (or is contemplating operations) or will provide other services that are beneficial to SCGM or one or more other investment funds. SCGM expects to be subject to a potential conflict of interest in making such recommendations, in that SCGM has an incentive to maintain goodwill between it and the existing and prospective portfolio investments for a fund, while the products or services recommended may not necessarily be the best available to a fund or its portfolio investments.

SCGM investment vehicles can permit certain affiliated services between an investment vehicle and SCGM and/or its affiliates, which can present conflicts of interest between the investment vehicle and such persons. For example, certain portfolio investments of the funds are expected to provide various services, including property management services, to portfolio investments of other funds. While the Starwood affiliates will seek to provide compensation at market rates for

such services, the determination of any market rates will be made by SCGM in its sole discretion. These fees, commissions, reimbursements and other costs, as applicable, will not offset or otherwise reduce the management fees and will not require approval of an advisory committee. This subjects a fund to potential conflicts of interest because, although a Starwood affiliate recommends service providers it believes are aligned with a fund's operational strategies and will enhance investment performance and returns of a fund, such Starwood affiliate has an incentive to recommend service providers because of its financial or other business interests. There is a possibility a Starwood affiliate, because of such belief or for other reasons, could favor such retention or continuation even if a better price and/or quality of service could be obtained from another service provider, and there can be no assurance that other service providers could not provide these services at lower cost. Affiliated services may be authorized under an investment fund's governing documents or by an investment fund's authorized advisory committee or in any other permissible manner, which is intended to mitigate such conflicts, together with any applicable pricing standard such as market rates, arms-length transactions or other standards. In any circumstance where SCGM commits or has committed to seek "market" or "arms-length" rates or terms SCGM will do so in its sole discretion, seeking rates that it has determined in its sole discretion to be reflective of the range of rates in the applicable or related markets. In certain cases, benchmarking will be limited to the Starwood affiliate's experience with non-affiliated service providers or other methodologies determined by the Starwood affiliate to be appropriate under the circumstances, including where the Starwood affiliate believes it has access to adequate market data to make the determination without reference to third-party benchmarking. SCGM will make determinations of market rates (e.g., rates that fall within a range that a Starwood affiliate has determined is reflective of rates in the applicable market and certain similar markets, though not necessarily equal to or lower than the median rate of comparable firms) based on its consideration of a number of factors, which are generally expected to include SCGM's experience with non-affiliated service providers as well as benchmarking data and other methodologies determined by SCGM to be appropriate under the circumstances. In respect of benchmarking, while SCGM often obtains benchmarking data regarding the rates charged or quoted by third parties for services similar to those provided by its affiliates in the applicable market or certain similar markets, relevant comparisons may not be available for a number of reasons, including as a result of a lack of a substantial market of providers or users of such services or the confidential or bespoke nature of such services (e.g., within property management services, different assets may receive different property management services). In addition, benchmarking data is based on general market and broad industry overviews, rather than determined on an asset-by-asset basis. As a result, benchmarking data does not take into account specific characteristics of individual assets then owned or to be acquired by a fund (such as location or size) or the particular characteristics of services provided. For these reasons, such market comparisons may not result in precise market terms for comparable services. Finally, in certain circumstances SCGM may determine that third-party benchmarking is unnecessary, either because the service is being provided at cost (including salaries and overhead) or near cost, the price for a particular good or service is mandated by law (e.g., title insurance in rate regulated states) or because SCGM has access to adequate market data to make the determination without reference to third-party benchmarking. SCGM reserves the right to deem third-party investment in a transaction to be verification that the transaction was entered into at a value that is "arms-length." Consequently, unless otherwise provided in the relevant investment fund's governing documents, SCGM undertakes no minimum amount or frequency of benchmarking (it being understood that certain key affiliate relationships are generally

benchmarked every year to 18 months), and does not represent that any such benchmarking ultimately will be accurate, comparable or relate specifically to the assets, services, geographies or comparable markets to which such rates or terms relate. Where any such rates or terms include hourly components, SCGM reserves the right to rely on approximations or estimates of time spent for purposes of allocating or charging for services. Any methodology, or choice among methodologies, involves potential conflicts of interest. In addition, such use or retention may create an incentive for SCGM to favor its affiliates over more qualified service providers. Expenses to obtain benchmarking data will be borne by a fund and/or the portfolio investment, as applicable, and will not reduce any management fees. Affiliated services will, often, include services and transactions, such as (1) use of affiliated legal service providers, such as Rinaldi, Finkelstein & Franklin, L.L.C., discussed above, for investment vehicles, investments, and SCGM and its affiliates, (2) use of tax, accounting and advisory services of entities with relationships with SCGM and its affiliates, (3) management, franchise, branding, licensing, marketing and other services agreements between investments of investment vehicles and SCGM and/or its affiliates, and (4) services as to which the applicable investment fund could have retained an independent third party on similar terms, which services may include, without limitation, acting as trustee, servicer, originator, property management, construction and design management, hotel management, retail management, retail real estate broker, developer, paying agent, leasing agent, title agent and other ancillary services related to title and escrow matters, procurement agent or other services (including asset purchases pursuant to options granted as special servicer). SCGM investment vehicles may permit multiple investment vehicles to invest in different levels of the capital structure of an investment in circumstances contemplated in an investment vehicle's governing documents, and affiliates of SCGM may be a party to or enter into lending relationships with SCGM investment vehicles. Such investments may result in potential conflicts between investment vehicles, but are subject to various parameters outlined in the governing documents in an attempt to mitigate such conflicts.

A fund is authorized to issue equity compensation to a service provider, including its officers and employees, if and to the extent such equity compensation constitutes part of an overall package of terms and conditions for the applicable service that a Starwood affiliate determines, in its sole discretion, complies with the arm's length standard set forth in the relevant governing documents or is otherwise not borne by a fund. For example, the officers and employees of a service provider held by a fund could receive incentive equity in connection with providing services to a portfolio investment held by another fund in addition to other market rate compensation. Any such compensation in the form of profits or equity interests in a portfolio investment or intermediate holding company will generally have a dilutive impact on the fund(s) that hold such portfolio investment.

SCGM may (but is not in any event required to), in its sole discretion and subject to availability, cause one or more hotels, restaurants, businesses or other portfolio investments in which an investment vehicle holds a direct or indirect interest to provide products or services at a discounted price or rate (or on some other preferred basis) to one or more direct or indirect investors in investment funds, vehicles, accounts and/or joint ventures managed, sponsored or otherwise controlled by SCGM and/or one or more of its affiliates. Such discounts may be utilized by such investor or any of its affiliates, and/or any of their respective employees, agents, associates, friends and/or family, as may be determined by SCGM or its applicable affiliate in its sole discretion. In order to benefit from any such discount, an investor may apply to SCGM or its applicable affiliate,

and SCGM shall review such request for compliance and other matters. For the avoidance of doubt, discounts may not be made available in instances where, to the knowledge of SCGM or its applicable affiliate, or as otherwise determined by SCGM or its applicable affiliate in its sole discretion, policies, laws, regulations, and/or respective affiliates would prohibit or restrict the use of such discounts. Investors benefiting from such discounts may include affiliates, employees, agents, associates, friends and/or family of SCGM, and may include investors in investment funds and/or joint ventures that have not invested in the applicable hotel, restaurant, business or other portfolio investment offering such discounts. SCGM or its applicable affiliate may, in its sole discretion, make any such discounts subject to limitations, including, without limitation, blackout dates and maximum usage per year. The terms of discounts may change based on availability and other business circumstances, and the terms offered to SCGM and its affiliates and their respective employees, agents, associates, friends and/or family may be more favorable than those offered to others.

Service arrangements between a fund advised by SCGM and Starwood are required to be pursuant to terms documented in written agreements that describe the services generally to be provided and the fees to be assessed. Under the governing documents of applicable funds, the terms and conditions of these written agreements must be at arm's length and on terms at least as favorable to the fund as would be the case if the service agreement were with an independent provider, unless otherwise approved by the advisory committee of the applicable investment fund in accordance with such fund's governing documents. The governing documents of certain funds require approval of such transactions regardless of terms, by an advisory committee, which is comprised of investors who are not affiliated with Starwood.

SCGM's Compliance Manual addresses conflicts of interest and the method of managing potential conflicts that may arise in the case of, among other things: (i) affiliated transactions; (ii) joint investments; (iii) allocating investment opportunities; and (iv) valuation of assets.

There is not expected to be an actively traded market for most of the securities owned by the private institutional closed-end funds. When estimating fair value, SCGM will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments based on its best judgment that is appropriate in light of the nature, facts and circumstance of the investments. However, valuations are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and differs from the prices at which such securities may ultimately be sold. Third-party pricing information may at times not be available regarding certain of a fund's assets, and there can be no assurance that SCGM will have all information necessary to make valuation decisions or that any information provided by third parties on which such decisions are based will be correct. Valuations cannot necessarily be substantiated by comparison to available market data, including public markets. Additionally, there is no assurance that the valuation decision of a fund's general partner with respect to an investment will represent the value ultimately realized by the fund on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation. Furthermore, with respect to the funds, the exercise of discretion in valuation by SCGM gives rise to conflicts of interest,

including that valuations impact SCGM's track record. Ultimately, whether an investment should be deemed worthless will affect the amount of management fees payable by a fund during the period the management fee is calculated and charged on invested capital. There can be no assurance that when a fund's general partner in its discretion determines an investment to have value and not be worthless, a third party would not otherwise determine such investment to be worthless, or if such investment will eventually be realized for any distributable proceeds to the fund's limited partners. SCGM is not obligated to follow any third-party methodology in making its determination on whether an investment is worthless and is entitled to make its own determination taking into account all facts and circumstances it deems relevant. Accordingly, SCGM may be incentivized to increase valuations or assign undue importance to factors that would justify an investment not being deemed worthless. For open-ended investment vehicles such as SREIT and SCREDIT, we rely on third party valuation firms to assist in the valuation process for such investment vehicles.

SCGM reserves the right to permit one or more current or prospective investors in an investment fund, as determined by SCGM in its sole discretion, to co-invest in certain investments made by an investment fund after the appropriate allocation has been first made to the investment fund taking into account factors such as the investment fund's governing documents, operating guidelines, diversification requirements, tax, regulatory and risk considerations and other relevant factors as it deems relevant. Such factors include, but are not limited to: expressed interest in co-investment opportunities; expertise of the prospective co-investor in the geographic location, market or industry to which the investment opportunity relates; perceived ability to quickly execute on transactions; tax, regulatory, securities laws and/or other legal considerations (*e.g.*, qualified purchaser or qualified institutional buyer status); confidentiality concerns that arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity; perceived ease of process in coordinating or completing the investment with the prospective co-investor or co-investors similar thereto; SCGM's perception of whether the investment opportunity may subject the prospective co-investor to legal, regulatory, reporting or other burdens that make it less likely that the prospective co-investor would act upon the investment opportunity if offered or would impair SCGM's ability to execute the relevant transaction in the desired time or on desired terms; size of the investment allocation and practicality of dividing it up among multiple co-investors; lender requirements; perceived public relations and reputational benefits or costs; existence of a formal or informal strategic relationship with the prospective co-investor; the size and/or timing of a commitment to a fund; and whether SCGM believes that allocating investment opportunities to an investor or person will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant portfolio investment, other portfolio investments, the funds or SCGM. Although SCGM reserves the right to consider a prospective co-investor's willingness to invest in future funds, such willingness generally will not be the sole determining factor considered by SCGM in identifying co-investors. SCGM reserves the right to grant certain third-party investors the opportunity to evaluate specified amounts of prospective co-investments in fund portfolio investments or otherwise to have priority in co-investment opportunities. Furthermore, SCGM or its related persons expect to make decisions regarding whether and to whom to offer co-investment opportunities in consultation with other participants in the relevant transactions, such as a lender or co-sponsor. Co-investment opportunities typically will be offered to some and not to other fund investors, and the consideration of the factors set forth above likely will result in certain investors receiving multiple opportunities to co-invest while others expressing interest in co-investments

have the potential to receive none. Allowing any co-investment generally reduces the amount of the relevant investment opportunity that theoretically could have been taken by the relevant fund, and SCGM expects to be subject to potential conflicts of interest in determining the amount of investment opportunity that should be allocated to the relevant fund because (i) co-invest opportunities generally appeal to fund investors and third parties, (ii) to the extent co-investments made by fund investors are not subjected to management fees and/or performance-based compensation, co-investments blend the effective rates of compensation paid by such persons in a manner not subject to the “most-favored nation” provisions of a fund’s governing documents and (iii) co-investors’ proportionate share of a particular investment typically is not subject to the management fee offset provisions of a fund’s governing documents. In determining co-investors, SCGM is permitted to grant a preferential co-investment right to certain investors in accordance with the investment fund’s governing documents and on terms set forth in such investors’ side letters, which may include rights based on designated commitments to the investment fund. SCGM is also authorized to permit third party partners, such as joint venture parties or others, to co-invest in the same investments as an investment fund. Such co-investments typically involve investment and disposal of interests in the applicable portfolio investment at the same time and on the same terms as the investment fund making the investment. However, for strategic and other reasons, a co-investor or co-invest vehicle (including a co-investing fund) purchases a portion of an investment from one or more investment funds after such funds have consummated their investment in the portfolio investment (also known as a post-closing sell-down or transfer), which generally will have been funded through fund investor capital contributions and/or use of a fund credit facility. Any such purchase from a fund by a co-investor or co-invest vehicle generally occurs shortly after the fund’s completion of the investment to avoid any changes in valuation of the investment but in certain instances could be well after the fund’s initial purchase. In such event, the relevant fund will bear the risk that any or all of the excess portion of such investment may not be sold or may only be sold on unattractive terms, including for example the risk that a portion of the investment will be syndicated at reduced cost, at cost, or at a lower amount at a time when the general partner believes the value of such investment has appreciated or should be higher than that paid (or willing to be paid) by a co-investor. To the extent such a syndication is made, the general partner’s interest in limiting the fund’s exposure to a given investment while providing a potential benefit to co-investors investing at such lower values will give rise to a potential conflict of interest. As a consequence of a failed co-investment syndication process or a co-investment syndication on unattractive terms, the relevant fund would be required to (i) bear the entire portion of any break-up, topping or other fees, costs and expenses related to such investment (including the proportionate share of such amounts that were expected to have been borne by co-investors), (ii) hold a larger-than-expected investment in such portfolio investment, (iii) receive less-than-fair-market value for the syndicated portion of the investment and/or (iv) be diluted or realize lower than expected returns from such investment. Where appropriate, as required for in an investment fund’s governing documents and/or otherwise in SCGM’s sole discretion, SCGM reserves the right to charge interest on the purchase to the co-investor or co-invest vehicle (or otherwise equitably to adjust the purchase price under certain conditions), and to seek reimbursement to the relevant investment fund for related costs. However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the relevant investment fund. See “Fees and Compensation” above for a description of Broken Deal Expenses.

As a general matter, fund expenses typically will be allocated among all relevant funds or co-invest vehicles receiving the benefit of such expenses (in the relevant Starwood affiliate’s sole discretion)

and eligible to reimburse expenses of that kind. In all such cases, subject to applicable law and legal, contractual or similar restrictions, expense allocation decisions generally will be made by SCGM or its affiliates using their reasonable judgment, considering such factors as they deem relevant, but in their sole discretion to be fair and equitable across these vehicles. The allocations of such expenses may not be proportional and may be difficult to ascertain for certain aggregated or de minimis invoices, and any such determinations involve inherent matters of discretion, *e.g.*, in determining which funds or co-invest vehicles benefit (or the extent to which they benefit) from the relevant service relating to the expense, or whether to allocate pro rata based on number of funds or co-invest vehicles receiving related benefits or proportionately in accordance with asset size, or in certain circumstances determining whether a particular expense has greater benefit to a fund or SCGM. The funds generally have different expense reimbursement terms, including with respect to management fee offsets, which is expected in certain cases to result in the funds bearing different levels of expenses with respect to the same investment.

The governing documents provide the Starwood affiliates with wide-ranging authority to make determinations, including those related to investment purchases and dispositions (and their timing), valuation and other matters that in each case have the potential to affect the Starwood affiliates' compensation. In making such determinations, the Starwood affiliates are subject to potential conflicts of interest. For example, the potential to earn additional compensation creates an incentive for the Starwood affiliates to make investments and to hold investments longer than otherwise would be the case in the absence of the relevant fund's management fee and carried interest compensation arrangements. The Starwood affiliates expect to be incentivized to cause a fund to make, hold, value and/or dispose of investments (and to delay or forego a determination that the investments are written off in the manner described in the governing documents (such investments, "Impaired Value Investments")) in order to receive greater ongoing management fees and, potentially, earlier and/or larger carried interest distributions than would otherwise be the case.

Where the management fee is calculated taking into account the valuation of an investment, SCGM will have incentives to make determinations that result in the continued payment of, or a higher, management fee. Where the governing documents do not require management fees to be reduced in connection with investment reorganizations, restructurings, roll-over investments, extraordinary dividends or similar transactions, the Starwood affiliates are incentivized to pursue such transactions. Additionally, the amount of carried interest owed to the relevant Starwood affiliate is dependent in part on the amount and timing of investment dispositions, as well as in certain instances determinations that investments are Impaired Value Investments, and the relevant Starwood affiliate expects to be subject to related potential conflicts of interest in determining whether and when to dispose of investments, make distributions, and/or determine that an investment is an Impaired Value Investment, within the requirements of the relevant governing documents.

The Starwood affiliates' wide-ranging authority on the determination of Impaired Value Investments, and the criteria used by the relevant Starwood affiliate in valuing an investment, or determining whether an investment is an Impaired Value Investment, have the potential to be subjective, to be influenced by market information and other factors and to vary over time. There can be no assurance that a third party or investor would agree with the substance or timing of the relevant Starwood affiliate's determination that an investment is an Impaired Value Investment,

and except as set forth in the governing documents, Starwood affiliates are not obligated to follow any third-party methodology in making its determination on whether an investment meets the relevant standards or whether value can be recovered or retained during the fund's holding period. The Starwood affiliate is entitled to make its own determination taking into account all facts and circumstances it deems relevant, subject to the provisions of the governing documents. As a general matter, the standards for determining Impaired Value Investments are intended to be high, and are not intended to apply to investments experiencing partial or temporary declines in value. Because the amount of the Starwood affiliates' compensation is dependent in part on an investment's status as an Impaired Value Investment, the relevant Starwood affiliate faces potential conflicts of interest in determining whether an investment meets, or continues to meet, the relevant criteria. Although the Starwood affiliates intend to operate in accordance with the governing documents, as well as its valuation policy, in order to mitigate the potential for subjectivity in making such determinations, there can be no assurance that such policy will address all of the necessary factors to do so, or completely eliminate all potential conflicts of interest in such determinations.

## **9. Brokerage Practices**

SCGM has the authority, without obtaining specific client consent, to buy or sell securities, to determine the amount of securities to be bought or sold, and to determine which broker or dealer is to be used to execute any securities transaction. The brokers utilized by investment funds will be selected by SCGM. SCGM does not need to solicit competitive bids, and has no obligation to seek the lowest available commission or other transaction cost. In selecting brokers, dealers and counterparties for an investment fund, SCGM will consider such factors as price, speed, anonymity, and the ability of the broker-dealer to find financial intermediaries with significant trading capabilities.

Consistent with SCGM's duty to seek to obtain best execution on behalf of investment funds, particularly public securities investment funds, brokerage commissions on client transactions (including transactions entered into on behalf of the fund) are permitted to be directed to brokers in recognition of research furnished by them. Section 28(e) of the Exchange Act provides a safe harbor that permits the use of commissions or "soft dollars" to obtain research and brokerage services. To the extent the general partner uses "soft dollars" on behalf of the fund, it intends to enter into commission arrangements that are within the parameters of Section 28(e).

As a general matter, research services provided by such brokers are permitted to be used to service Entities throughout Starwood's various platforms. However, not each and every research service may be used for the benefit of each and every such client, and brokerage commissions paid by one client may apply towards payment for research services that may not be used in the service of that client. Research services are permitted to be shared throughout the entities within SCGM's platforms. There is no agreement or formula for the allocation of brokerage business on the basis of research services. SCGM reserves the right to, in its sole discretion, cause its client funds or accounts to pay brokers a commission for effecting portfolio transactions in excess of the amount of commission another broker adequately qualified to effect such transactions would have charged for effecting such transactions. This can be done where SCGM has determined that such commission is reasonable in relation to the value of brokerage and research services received. In reaching such a determination, SCGM would not be required to place or attempt to place a



specified value on the brokerage or research services provided by such broker. SCGM periodically will determine which brokers have provided research that has been helpful in the management of client accounts. Broker-dealers typically provide a bundle of services, including both research and brokerage (e.g., research ideas, investment strategies, block positioning capabilities, clearance, settlement, and custodial services). The research provided can be either proprietary or third party. Broker-dealers do not generally charge separate fees for proprietary research and brokerage services. SCGM expects to direct brokerage transactions to acquire either type of research and execution services. In determining whether a service or product qualifies as research or brokerage, SCGM evaluates, among other things, whether the service or product provides lawful and appropriate assistance to SCGM in carrying out its investment decision-making responsibilities. SCGM and its affiliates use soft dollars to pay for a portion of “mixed use” items (products or services that include both safe harbor eligible research/brokerage elements and non-safe harbor eligible research/brokerage elements that would otherwise be borne by SCGM). In such cases, SCGM and such affiliates have a conflict of interest in allocating the costs of such services between those that primarily benefit themselves and those that primarily benefit the investment funds. In these cases, SCGM pays directly for such portion of those services. SCGM benefits from the research and services that it receives because it does not need to pay for or generate the research internally, and this benefit could incentivize SCGM to select a counterparty based on its interest in receiving research rather than investor’s interests in receiving the most favorable execution available.

SCGM reserves the right (but is not obligated) to aggregate (or bunch) the orders of an investment fund, particularly a public securities investment fund, with more than one other entity or investment fund or Starwood Capital affiliate for the purchase or sale of the same publicly traded security. Portfolio managers often employ this practice because larger transactions may enable them to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. SCGM and its affiliates may combine orders on behalf of an investment fund with orders for other clients or accounts for which SCGM or its affiliates have trading authority, or in which SCGM or its affiliates have an economic interest. In such cases, SCGM and its affiliates generally intend to aggregate trade orders for publicly traded securities so that each participating client or account will receive the average price for each execution of a transaction.

SCGM plays an advisory role in connection with the selection of investment banks, broker-dealers, banks, and markets for fund portfolio transactions.

As noted above, SCGM does not use its affiliated broker-dealer, SC, to execute portfolio trades or cash management investments of any investment fund or REIT. SC often acts as placement agent to the private real estate investment funds in connection with the private offer of interests pursuant to a private offering exemption of the Securities Act. As discussed in Item 7 above, SC is paid its allocable costs and expenses by SCGM for its services. The source of these payments is derived from the portion of the management fee the Starwood affiliates pay SCGM in respect of SCGM’s costs.

## **10. Review of Accounts**

SCGM actively monitors and manages the assets and the performance of the investment funds that it advises, as well as potential exit strategies and other means of adding value to the investors with

respect to fund assets. Asset managers monitor properties on an ongoing basis for purposes of reporting to the firm's Managing Directors and senior professionals and making recommendations as to particular properties. Reviews are incorporated into quarterly reports to investment fund limited partners. These reports contain fund financial information and summaries, performance, current investments, recent acquisitions, fund portfolio activity and detailed investment activity.

On a quarterly basis, SCGM issues an interim written report to investors. These reports typically include a reasonably detailed report of revenues and expenses for the quarter, market developments that might impact the value of the investment fund's underlying investments, the status of other investors whose capital might compete with the investor's capital, and trends in the debt and equity capital markets that might cause new exit strategies to become available or that might enable investors to reduce their equity investment through debt refinancing.

Following the end of each fund's fiscal year, SCGM delivers an audited, written annual report, which typically includes financial statements prepared in accordance with GAAP, a report of the activities of the fund during the year, a schedule and description of the investments owned, a description of investments acquired or disposed of during the year. The annual report is prepared and the delivery of it are intended to comply with the SEC's custody rule, as described in more detail in Item 12 below.

Starwood also generally holds annual limited partnership meetings to review with investors the investments made on their behalf.

SCGM, together with SPT Management, follows a similar review and monitoring process for Starwood Property Trust, as well as a robust reporting process in order for Starwood Property Trust to satisfy its reporting obligations as a public company, and Starwood REIT Advisors and Starwood Credit Advisors follow a similar review and monitoring process for SREIT and SCREDIT, as well as a robust reporting process in order for SREIT and SCREDIT to satisfy their reporting obligations as public reporting companies.

## **11. Client Referrals and Other Compensation**

SCGM does not compensate any third party for client referrals directly to it for advisory services and does not receive any economic benefit from a third party for providing investment advice or other services to its clients.

Starwood does enlist the services of placement agents in respect of the offering of interests in an investment fund. These placement agents include unaffiliated placement agents. Additionally, SC also often acts as placement agent of the interests in a Starwood sponsored investment fund. The fees paid to SC in this respect have been described in Item 7 above.

## **12. Custody**

SCGM itself does not have custody of client funds or securities, but the Starwood affiliates do have custody. Because of the affiliation of SCGM with the affiliated general partners, member managers and other managers, all of which have custody, the SEC's custody rule - Rule 206(4)-2 under the Advisers Act - applies to the custody over client funds and securities.

The Starwood affiliates maintain cash at “qualified custodians” (e.g., banks and/or broker-dealers) but rely on an exception available to “pooled investment vehicles” from various reporting and surprise audit obligations imposed by the SEC’s custody rule. This exception requires the firm to engage an independent public accounting firm that is a member of, and examined by, the Public Company Accounting Oversight Board (“PCAOB”) and to distribute audited annual financial statements, prepared in accordance with GAAP or other substantially similar accounting standards, to fund investors within a prescribed period.

The firm has engaged PricewaterhouseCoopers LLP (“PWC”), Deloitte and Touche LLP (“Deloitte”) and KPMG International Cooperative (“KPMG”) as its independent public accounting firm for these purposes. PWC, Deloitte and KPMG have confirmed to SCGM that they are members of the PCAOB and are routinely examined by it. PWC, Deloitte and KPMG also have confirmed that annual audited financial statements are prepared in accordance with GAAP or other substantially similar accounting standards. Neither SCGM nor the Starwood affiliates self-custody client funds or securities.

### **13. Investment Discretion**

SCGM accepts discretionary authority to manage the assets of the investment funds and REITs that are its clients. The firm’s discretion is limited by the investment guidelines and conditions contained either in its investment advisory agreement with each fund or REIT and/or the in the operating agreements of the fund or REIT. The parameters of these guidelines and conditions can vary from client to client (e.g., certain managed assets require investor approval for acquisitions but not dispositions); however, all investors receive disclosure of investment guidelines and client operations prior to their commitment to a fund or are disclosed in public disclosure documents of the REIT.

Grants of discretionary authority typically will be part of the organizing documents of the investment fund or REIT. The authorization permitting discretionary authority is extended to the Starwood affiliates directly and, because of the degree of overlap with the Starwood affiliates, by extension to SCGM indirectly.

### **14. Voting Client Securities**

The Starwood affiliates generally have the authority to manage the Starwood-sponsored investment funds, REITs and related entities. In this regard, they are responsible for all aspects of the management and operation of the client.

The firm’s Compliance Manual contains a section on proxy voting procedures. Very generally, a broad fiduciary principle is extended to the proxy voting process, requiring SCGM to act prudently and consistent with their fiduciary duties. These procedures, among other things, require SCGM to monitor any vote to identify potential conflicts of interest. Clients or investors that would like a copy of SCGM’s complete Proxy Policy or information regarding how SCGM voted proxies for particular portfolio investments may contact Matt Guttin, SCGM’s Chief Compliance Officer, at (203) 422-7700, and it will be provided at no charge.

## **15. Financial Information**

No financial condition is reasonably likely to impair SCGM's ability to meet contractual commitments to clients. SCGM does not assess any fees more than six months in advance.