

# NORTHWOOD

## I N V E S T O R S



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FORM ADV, PART 2A  
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This brochure provides information about the qualifications and business practices of Northwood Investors LLC (“Northwood” or “the Company”). If you have any questions about the contents of this brochure, please contact us at 303-293-7140 or [info@northwoodinvestors.com](mailto:info@northwoodinvestors.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Northwood is also available at the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Northwood is registered with the SEC as an investment adviser. Northwood’s registration as an investment adviser does not imply any level of skill or training.

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**Item 2: Material Changes**

This brochure contains no material changes from Part 2A of Northwood's last annual update to the Form ADV dated March 2023, other than to expand upon the description of certain risk factors and potential conflicts of interest.

Northwood recommends that all clients and investors review this brochure in its entirety.

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## **Item 4: Advisory Business**

### **A. Description of Firm and Principal Owners**

Northwood is a privately-owned, employee-held SEC-registered investment advisor, founded in 2006 by its President and Chief Executive Officer, John Z. Kukral. Since inception, ownership and control of Northwood has been retained, directly and/or indirectly, by Mr. Kukral.

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

Northwood specializes in real-estate related investments and provides discretionary investment services to its privately-offered, investment vehicles (collectively, the “Funds”) and single investor funds investing in commercial mortgage-backed securities (the “CMBS Funds” and, together with the Funds, the “Northwood Accounts”). The Funds include, amongst others, Northwood Real Estate Partners LP and its parallel funds (the “NREP Funds”) and Northwood Real Estate Partners Europe LP (“Northwood Europe”). Northwood also provides non-discretionary investment advisory services to a separately managed account mandate (the “Separate Account”).

Northwood invests client assets into individual real estate assets, multi-property portfolios, joint ventures, operating companies, debt and public securities related to real estate or real estate-related companies. Investments may be made in various parts of the capital structure, including equity, preferred equity, debt, participating debt, commercial mortgage-backed securities (“CMBS”) and other financial structures which are consistent with clients’ investment objectives. Northwood is responsible for identifying, underwriting, and effecting investments for its clients. Northwood develops a comprehensive investment thesis and management plan for each prospective investment and seeks to generate value for investors by improving the management, operations, financing, and characteristics of the assets it purchases on behalf of its clients.

In most cases, Northwood uses affiliated property management teams (the “Property Management Affiliates”) to manage the investments Northwood has made on behalf of its clients. Property management services include supervising, directing and controlling the day-to-day management and operations of properties, hiring and supervising employees at the property, and such other services as necessary to manage the property.

Property Management Affiliates provide these services for a fee, pursuant to a contractual agreement. Each Property Management Affiliate focuses on a specific real estate sector and employs personnel with meaningful experience in that sector. Northwood’s Property Management Affiliates include:

- Northwood Hospitality LLC,
- Northwood Retail LLC,
- Northwood Office LLC,
- Northwood Residential LLC,
- Northwood Development LLC, and
- Glidefern Property Management Limited (which manages Northwood Urban Logistics assets).

Northwood recognizes conflicts of interest exist when using an affiliated service provider. The applicable Funds’ limited partnership agreements dictate that the terms of any engagement with an affiliate can be no

less favorable to a Fund than it would be using a comparable, unaffiliated third party. Northwood believes the benefits of using these affiliates outweigh the conflicts and has taken steps to mitigate concerns. Northwood believes the use of affiliates results in better alignment of interests, efficiencies in communication, focused number of properties under management, and economic reporting efficiencies.

On occasion, Northwood provides opportunities to co-invest in portfolio investments of the Funds. Northwood does not offer co-investment opportunities with respect to all portfolio investments of the Funds and, when co-investment opportunities exist, Northwood may allocate any such opportunities in its sole discretion. Northwood has a standing co-investment vehicle into which existing limited partners have been offered an opportunity to participate. To date, investment opportunities for which there are co-investment opportunities have principally been allocated to that standing co-investment vehicle.

In the event a prospective investment exceeds the investment capacity for the Funds and the standing co-investment vehicle, additional co-investors could be sought. In allocating such co-investment opportunities, Northwood would consider many factors when identifying co-investment partners; including: the size or timing of investor commitments to the Funds, other potential investments under consideration by the Funds, investment concentration with respect to the Funds, the liquidity needs and obligations of the Funds, nature of the transaction, speed of execution required, tax considerations, the strategic value of a particular investor co-investing in the opportunity in question and other similar items. In all cases, Northwood, in its sole discretion, would determine the most reasonable co-investors to work with and would always attempt to allocate opportunities in the most fair and equitable manner.

### **C. Tailoring Advisory Services to Individual Needs**

Northwood tailors the Northwood Accounts' advisory services to comply with the requirements set forth in the relevant governing and offering documents. Investment advice is provided directly to each vehicle and not to the vehicles' individual investors. As such, investors generally cannot negotiate Northwood's investment activities to meet their individual needs. However, limited partners may request non-participation in types of investments that could conflict with regulatory/statutory or ideological restrictions of the investor. Such requests are approved or denied at the sole discretion of the general partner of the applicable Northwood Account (the "General Partner") and will be memorialized in side-letter agreements negotiated at the time of subscription.

Owners of the Separate Account have tailored the specific services provided by Northwood.

### **D. Wrap Fee Programs**

Northwood does not participate in wrap fee programs.

### **E. Assets under Management**

As of December 31, 2023, Northwood managed approximately \$8,294,111,927 on a discretionary basis. This amount represents the fair market value of the Northwood Accounts' assets and the uncalled capital commitments of the Northwood Accounts' investors.

Northwood manages approximately \$555,656,175 on a non-discretionary basis for the Separate Account.

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## **Item 5: Fees and Compensation**

### **A. Compensation for Advisory Services**

As of December 31, 2023, Northwood provides investment advisory services to its clients pursuant to separate investment advisory agreements, which, along with the relevant offering and governing documents, where applicable, explain the details regarding fees.<sup>1</sup>

Northwood and/or an affiliate thereof typically receives compensation from management fees, carried interest allocations, performance-based fees and certain other fees or expenses related to transactions. Prospective investors should review the Northwood Accounts' offering and governing documents to fully understand the total amount of fees and expenses to be paid by the Northwood Accounts and, indirectly, by their limited partners. The Separate Account agreed to Northwood's fees at the outset of the advisory relationship.

#### **1. Management Fees**

##### **The NREP Funds and Northwood Europe**

Northwood's management fee is paid quarterly, in advance. Management fees for each of the NREP Funds and Northwood Europe are based on an annualized percentage which typically ranges from 0.875% to 2% of one or more of the following: (i) with respect to each limited partner that has not elected to become a fully reduced limited partner, (A) capital commitments or (B) invested capital plus unfunded capital commitments and (ii) with respect to each limited partner that has elected to become a fully reduced limited partner, (A) invested capital plus unfunded capital commitments or (B) invested capital. Management fees for each of the standing NREP co-investment vehicles are based on an annualized percentage which typically ranges from 0.875% to 2% of invested capital. The management fee payable may be reduced in certain circumstances, as described below.

Management fees are reduced by 100% of any amount contributed by the investors for Fund investments on behalf of the General Partners and their affiliates. Northwood is entitled to the amount of distributions otherwise distributable in respect of such contributions but solely out of profits from investments of the Funds. Such contributions also reduce the amount the General Partners are otherwise required to contribute for an investment of the Funds.

The management fee is also reduced by 100% of the Funds' share of any transaction fees, financing fees and other similar fees received by Northwood or its affiliates in connection with actual or potential investment of the Funds. Property Management Affiliates receive property management fees, leasing fees, construction fees, and other similar fees from the Funds' investments in return for providing property management and related services (see *Item 4: Advisory Business*). The Funds' share of property management fees and other fees earned by the Property Management Affiliates ("Offsetable Property Management Fees"), net of out-of-pocket expenses incurred to operate such Property Management Affiliates, in connection with the investments of such Funds, is applied as a reduction of the management fees payable by the fee-paying limited partners of such Funds. Such expenses include, among other things, shared overhead expenses with Northwood (e.g., rent and personnel), costs for services provided by affiliates of the General Partners, and, as more fully described below, compensation and salary of employees of Property Management Affiliates. For the avoidance of doubt, any property management fees

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<sup>1</sup> As all of the unaffiliated limited partners invested in the Northwood Accounts are qualified purchasers, as defined in section 2(a)(51)(A) of the Investment Company Act of 1940, the specific details of each Northwood Account's fee schedule are not required to be provided in this brochure.

received by Property Management Affiliates with respect to assets owned solely by third parties (including the assets owned by the Separate Account) (“Third Party Fees”) shall not be applied as a reduction of the management fees payable by limited partners of the Funds. In the event any Third Party Fees are received, for purposes of calculating the reduction of the management fees payable by limited partners of the Funds, Northwood reduces the out-of-pocket operating expenses of the Property Management Affiliates by a proportional amount based on the relationship between the Third Party Fees and Offsetable Property Management Fees received in the applicable period.

In connection with a portfolio investment, property management contracts may from time to time be assumed with one or more third parties in respect of assets outside of the portfolio investment. Unless the Funds’ Advisory Committee determines otherwise, it is generally expected that any revenue received by a Property Management Affiliate from a third party pursuant to such contracts will be treated as Offsetable Property Management Fees.

Furthermore, from time to time, in connection with the making of a portfolio investment, certain personnel related to the portfolio company that were involved in property management services prior to the portfolio investment join a Property Management Affiliate. Generally, such personnel continue to provide services relating to the applicable portfolio investment and the fees received by the Property Management Affiliate accrue to the benefit of the limited partners to the extent described above. However, subject to the preceding paragraph, to the extent any Property Management Affiliate or such personnel ultimately become involved in the provision of property management or other services for third parties (e.g., entities other than portfolio companies, including entities that cease to be portfolio companies), neither the Funds nor the limited partners will participate in any resulting profits notwithstanding whether the opportunity to provide such property management or other services may not have been available absent a portfolio investment.

Lastly, employees of Property Management Affiliates may in certain instances spend a minority of their time identifying potential portfolio investments and assisting in the due diligence and evaluation of new portfolio investments. Such employees may also be entitled to a portion of the profit distributions that are generated in connection with portfolio investments (which profit distributions may be calculated on an investment-by-investment basis). Such profit distributions will generally be borne by the Funds (and will not be taken into account in calculating any offset to the management fee) notwithstanding that the employees may be employed by a Property Management Affiliate. Senior employees of Property Management Affiliates may also co-invest with Northwood in one or more portfolio investments that are within such Property Management Affiliate’s respective sector, which could reduce the share of investment opportunities available to the Funds.

Investments made by Northwood or its affiliates (e.g., General Partners, employees, etc.) do not pay management fees.

### **CMBS Funds**

Limited partners in the CMBS Funds pay a management fee based on actively invested capital. Such fee is paid quarterly, in arrears.

### **Separate Accounts**

The Separate Account pays a management fee based on the gross asset value of the Separate Account’s portfolio. Such fee is paid quarterly, in arrears.

## **2. Carried Interest Allocations and Performance-Based Fees**

### **The NREP Funds and Northwood Europe**

The General Partners of the Funds are entitled to receive a portion of the distribution of investment proceeds as incentive compensation (generally known as “carried interest”). The carried interest is calculated as 25% of the investment proceeds otherwise allocable to the limited partners of a Fund for a particular investment after the limited partners have received the capital contributed for the investment, capital contributed for all other realized investments, a pro rata portion of capital contributed for Fund expenses and a 6% annualized preferred return on these amounts. Thereafter, investment proceeds otherwise allocable to a limited partner are distributed 75% to the limited partner and 25% to the General Partner of such Fund.

In addition, the General Partner of each Fund is subject to clawback provisions and is obligated to return to the limited partners any carried interest received by the General Partner of each Fund if such compensation is greater than 25% of the profits (subject to the return of invested capital, pro-rata return of expenses and 6% annualized preferred return on these amounts) over the course of certain time periods.

The governing fund documents for each Fund contain the details of how the incentive allocations are calculated and details the foregoing provisions as they apply to each Fund.

Investments made by Northwood or its affiliates (e.g., General Partners, employees, etc.) do not pay carried interest.

### **CMBS Funds**

The General Partners of the CMBS Funds are entitled to receive a carried interest with respect to each of the limited partners. The carried interest percentage applicable to each limited partner was agreed upon at the outset of the advisory relationship. The governing fund documents for each CMBS Fund contain the details of how the carried interest is calculated.

### **Separate Account**

The Separate Account is a qualified purchaser, as defined in section 2(a)(51) of the Investment Advisers Act of 1940 (“Advisers Act”). Accordingly, Northwood negotiated to receive a performance-based fee from the Separate Account to the extent that Northwood outperforms relative to specified hurdles. The performance fee rate and the performance hurdles were agreed upon at the outset of the advisory relationship.

## **3. Acquisition Fees**

Northwood negotiated to receive acquisition fees from the Separate Account on the purchase price of assets (excluding closing costs). The acquisition fee rates and the valuation practices used for such fee calculations were agreed upon at the outset of the advisory relationship.

## **B. Collection of Fees**

### **The Funds**

Management fees are charged paid from amounts contributed to the Funds by investors or withheld from investment proceeds.



Carried interest is deducted and paid from distribution proceeds.

### **CMBS Funds**

Management fees are charged from amounts contributed to the CMBS Funds by investors or withheld from investment proceeds.

Carried interest is deducted and paid from distribution proceeds.

### **Separate Account**

The Separate Account generally makes check or wire fee payments on a quarterly basis. Northwood generally invoices the Separate Account for the payment of fees.

## **C. Other Fees and Expenses**

### **The Northwood Accounts**

The Northwood Accounts' limited partners are required to pay their pro rata portion of organizational and offering expenses in connection with offering of interests in the Northwood Accounts. Fees paid to placement agents, to the extent borne by limited partners in a Northwood Account, are applied as a 100% offset to the management fees payable by such Northwood Account to Northwood.

Investments made by Northwood or its affiliates (e.g., General Partners, employees, etc.) do not pay placement agent fees.

Each Northwood Account, except as noted above, pays all expenses related to its own operations, including, but not limited to, organizational expenses, fees, costs and expenses directly related to purchasing, disposing of, financing, refinancing, hedging, holding, monitoring, developing, negotiating, and structuring Northwood Account investments and transactions that are not consummated (i.e. broken deal costs) and costs of related information management and trading systems (whether maintained by the General Partner, Northwood or their affiliates or otherwise), and other costs and fees in connection with duplicating, postage, delivery, communications, appraisal, engineering and environmental services, property and asset management fees in connection therewith and lodging, travel, meals and other travel related costs in connection therewith (to the extent not subject to any reimbursement of such costs and expenses by entities in which such Northwood Account invests or other third parties); costs and expenses of rating agencies, costs and expenses arising from any foreign exchange or other currency transactions, and any insurance, reimbursement, indemnity, or litigation expenses; all fees, costs and expenses of advisers, travel expenses, accountants, administrators, appraisers, tax advisers, consultants, custodians, depositaries, lenders, investment banks and other financing sources, and legal counsel, brokers, deal finders, agents, valuation experts, data providers (including related systems and services from such data providers and data management software), and other advisers and professionals (including audit and certification fees and the costs of preparing, printing and distributing reports to the Northwood Account's partners); sales, leasing and brokerage commissions, prime brokerage fees, agent bank and other bank service fees, development fees, loan servicing fees, custodial expenses and other investment costs incurred in connection with Northwood Account investments; principal, interest on and fees and expenses arising out of all borrowings made by such Northwood Account, including the arranging thereof; the costs of any fidelity bond or similar insurance and the costs of any litigation, D&O liability or other insurance and indemnification or extraordinary expense or liability relating to the affairs of such Northwood Account; expenses of liquidating a Northwood Account; any taxes, fees or other charges levied against the Northwood Account; all expenses incurred in connection with any audit, investigation, settlement or review of a Northwood Account,

expenses associated with the Northwood Account's administrative, reporting, monitoring, research or research-related costs, financial statements and tax returns; expenses associated with portfolio and risk management, including currency hedging; fees, costs and expenses related to the organization or maintenance of any intermediate entity (including, without limitation, a vehicle formed by or in respect of one or more Northwood funds, vehicles and/or accounts through which another Northwood Account participates in an investment) used to acquire, hold or dispose of any investment or otherwise facilitating a Northwood Account's investment activities, including without limitation, any travel and accommodation expenses related to such entity, the salary and benefits of any personnel reasonably necessary for the maintenance of such entity, or other overhead expenses in connection therewith; all fees, costs and expenses of the annual meeting and meetings of the Northwood Accounts' advisory committees under the limited partnership agreement and any meetings or conferences with one or more partners; all fees, costs and expenses, if any, associated with any third-party examinations or audits (including fees, costs and expenses associated with any REIT subsidiary or other similar services) of the Northwood Accounts, the General Partner or Northwood that are attributable to the operation of the Northwood Accounts or requested by the Northwood Accounts' limited partners; all fees, costs and expenses, if any, incurred in connection with the Northwood Accounts' legal, tax, regulatory and statutory compliance with U.S. federal, state, local, non-U.S. or other law or regulation (including, without limitation, regulatory filings of Northwood and its affiliates relating to the Northwood Accounts and their activities, including reporting on and compliance with Form PF, FATCA and any comparable legislation or regulations published by any other relevant jurisdiction, including in each case, reports, disclosures, filings and notifications prepared in connection with compliance by the Northwood Accounts or any parallel vehicle with the European Union Alternative Investment Directive ("AIFMD") by the Northwood Accounts or any parallel vehicle, but excluding any fees, costs and expenses incurred in connection with the organization and maintenance of any entity established to be the "alternative investment fund manager" of the Northwood Accounts or any parallel vehicle within the meaning of the AIFMD); expenses incurred in connection with complying with provisions in side letter agreements, including "most favored nations" provisions; any unreimbursed out-of-pocket expenses incurred in connection with any actual or proposed transfer of interests in a Northwood Account; tax preparation expenses (which includes the preparation and filing of any forms, schedules, filings, information or other documents necessary to avoid the imposition of withholding or other taxes pursuant to "FATCA" and Report of Foreign Bank and Financial Accounts); and all expenses and fees charged or specifically attributed or allocated by Northwood or its affiliates to provide in-house legal, tax, accounting, reporting and portfolio monitoring services to the Northwood Accounts and/or portfolio companies, and expenses, charges and/or related costs incurred by the Northwood Accounts, Northwood or its affiliates in connection with such provision of in-house legal, tax, accounting, reporting and portfolio monitoring services to the Northwood Accounts and/or portfolio companies including, without limitation, compensation and other overhead allocable to such services; provided, that the General Partner determines in good faith that any such expenses, charges or related costs are not greater than what would be paid to an unaffiliated third party for substantially similar services.

The Northwood Accounts are responsible for reimbursing the cost of meal and travel expenses related to Northwood Account business. Such travel expenses include Northwood and its affiliated persons' airfare, which may be coach, business or first class. Travel expenses for Northwood and its affiliated persons may include expenses for private transportation, including chartered airfare when the use of a chartered plane is deemed appropriate in Northwood's discretion. In addition, to the extent Northwood and its affiliated persons incur travel expenses in connection with any meetings with existing and/or prospective investors in a Northwood Account, a portion of such travel expenses may be allocated to such Northwood Account as organizational expenses. Also, Northwood and its affiliated persons can be expected to receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of the Northwood Accounts which will not be subject to the offset of the management Fee or otherwise shared with the Northwood Accounts, their investors and/or the portfolio companies. For example, airline travel or hotel stays incurred as Northwood Account expenses typically result in "miles" or "points" or credit in

loyalty/status programs, and such benefits and/or amounts will, whether or not de minimis or difficult to value, inure exclusively to Northwood and/or such affiliated persons (and not the Northwood Accounts, their investors and/or the portfolio companies) even though the cost of the underlying service is borne by the Northwood Accounts and/or the portfolio companies. In addition, airline travel incurred as a Northwood Account expense for Northwood affiliated persons traveling for appropriate Northwood Account-related purposes (including, without limitation, travel related to a portfolio investment, a prospective portfolio company or other Northwood Account-related matters) may benefit such affiliated persons to the extent the trip also serves a personal purpose, as occurs from time to time. Northwood has policies and procedures dictating permissible practices as they relate to meal and travel expenses.

Northwood occasionally invests in assets where the investment opportunity is shared with a joint venture partner (“JV Partner”) that provides equity and/or services to the project. JV Partners can receive compensation in the form of management fees or incentive allocations when investments outperform certain hurdles. This compensation is typically paid to the JV Partner by the underlying asset, which is an indirect expense to the Northwood Accounts. As applicable, JV Partner compensation is provided to limited partners in the Investment Committee memos of the relevant investment.

Prospective investors must refer to the detailed information found in each Northwood Account’s governing fund documents for specific information about the fees that may be earned by Northwood and the fees potentially charged to the Northwood Accounts.

#### **Separate Account**

The Separate Account is generally required to bear certain costs, as required by regulations or individual preference. Separate Account owners may bear expenses in the area of audit, due diligence, banking and lending fees and more. Such fees were negotiated and articulated in a written advisory agreement and/or supplementary documents drafted at the outset of the advisory relationship.

#### **D. Payment of Fees In Advance/Arrears**

##### **The Funds**

As noted above, management fees for the NREP Funds and Northwood Europe are paid quarterly in advance. Management fees for the CMBS Funds are paid quarterly in arrears.

In circumstances where additional capital is called for Northwood’s co-investment vehicles, either in the form of new limited partners or additional capital committed by existing limited partners, after the calculation and collection of quarterly advance management fees, Northwood will pro-rate additional management fees the following quarter, pro-rata, based on the number of days capital was under management but for which management fees were not assessed.

#### **Separate Account**

As noted above, management fees for the Separate Account are paid quarterly in arrears.

To the extent a Separate Account’s written advisory agreement and/or supplementary documents are terminated during a relevant period for which management fees are payable, Separate Account owners will be required to bear any management fees with respect to such period that have accrued prior to the date of termination.

## **E. Compensation for Sale of Securities and Other Investment Products**

Neither Northwood nor any of its supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

As described in *Item 5: Fees and Compensation*, Northwood is eligible to receive carried interest or performance-based fees as incentive compensation for managing the Northwood Accounts. The fact that Northwood is generally compensated based on a share of capital gains on or capital appreciation may create an incentive for Northwood to make investments that are riskier or more speculative than would be the case in the absence of such compensation.

Practically speaking, however, this risk is mitigated for the Northwood Accounts due to the substantial investment in the Northwood Accounts by Northwood and its affiliates. The Separate Account is non-discretionary and, therefore, would not be approved by the owners of the account if a proposed transaction were outside the client's risk parameters. Further, the most substantive economic benefit to Northwood is largely dependent upon the success of investments, which drives Northwood's carried interest or performance-based fees. Accordingly, pursuing riskier investments to increase the carried interest or performance-based fees is most likely counterproductive to Northwood's economic interests.

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### **Item 7: Types of Clients**

Northwood provides discretionary investment advice to the Northwood Accounts and non-discretionary investment advice to the Separate Account. Both investors in the Northwood Accounts and the Separate Account can include pension plans, endowments, foundations, corporate and business entities, trusts, and high net worth individuals. Northwood does not have a minimum account size, but clients and investors are required to meet certain suitability qualifications, such as being an "accredited investor" and a "qualified purchaser" within the meaning set forth under the federal securities laws.

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

#### **A. Investment Strategies**

Client assets are invested in a broad range of real estate and real estate-related investment opportunities.

Northwood sources investment opportunities from a variety of industry participants including property owners, other real estate professionals, lawyers, managers, brokers, financial institutions, multinational corporations, and competing funds.

Northwood employs a fundamental, value-driven investment strategy that seeks to maximize long-term value through acquisition or funding of ownership interests in individual real estate assets, multi-property portfolios, joint ventures, operating companies, and securities and debt related to real estate or real estate related companies and will pursue a disciplined investment approach to identify attractive opportunities which offer upside potential and downside risk protection. Northwood will also consider investment opportunities in operating businesses or other assets for which real estate is a material component or asset base.

Northwood's clients may (and the CMBS Funds will) also periodically invest in publicly traded real estate and real estate related securities. Northwood believes dislocations in the real estate debt markets will, on occasion, create the ability to buy listed securities at attractive pricing.

Northwood's investment process in making real estate-related debt and distressed investments initially involves: (i) identifying investment opportunities; (ii) assessing the opportunities to ensure that they meet preliminary screening criteria, i.e., suitability of the potential investment in light of the Northwood Account's offering documents; and (iii) reviewing the opportunities to determine whether to incur costs associated with more in-depth diligence. In assessing the suitability of a particular investment for the Northwood Accounts' portfolio, Northwood will evaluate the expected risk-adjusted return relative to the expected returns available from comparable investments. With respect to each investment opportunity, Northwood will also consider its in-house asset management team's ability to extract excess value from the investment through active post-acquisition asset management. Based on the foregoing criteria, among others, Northwood will make investment decisions utilizing proprietary modeling systems to establish an appropriate price for such assets.

Northwood's investment process generally involves an initial review of each investment opportunity by one or more investment professionals under the supervision and direction of Northwood's investment committee (the "Investment Committee"). Northwood's investment personnel generally meet weekly to discuss existing investments, pending investment opportunities, discuss ideas, and strategies for uncovering new investments. Investments which merit further consideration undergo a formal due diligence process after which the investment professionals prepare a formal Investment Committee Memorandum, which details their analysis, conclusions, and recommendations.

Northwood's Investment Committee is comprised of two voting members, Messrs. Kukral and Profenius, as well as contributing members, including Northwood's CFO and all of its Managing Directors and Senior Managing Directors. The Investment Committee is responsible for reviewing all investment decisions, including acquisitions, dispositions, and potential structures for deals. The investment process requires the insight and input from Northwood's entire investment team, but the voting members of the Investment Committee make all investment decisions. All investment decisions must be unanimous among the Investment Committee's voting members.

Northwood's investment strategy usually includes retaining Property Management Affiliates to be responsible for the day-to-day operations of real estate assets. Northwood uses its Property Management Affiliates due to its belief that such arrangements represent strong operational efficiencies and better alignment of interests to drive value creation. The Property Management Affiliates are responsible for implementing business plans and are held accountable for creating value. The execution of the business plans generally involves creating and/or monitoring budgets, leasing, marketing, capital expenditures, repositioning, and identifying and hiring appropriate personnel at the investment properties.

Northwood seeks to establish multiple exit options for each investment, including refinancing, partial or strategic sales, exchanges, and direct sales. Northwood believes that positioning an investment for multiple exit options enhances downside protection against inevitable shifts in demand or market fluctuations and reinforces its objective of long-term value creation.

While Northwood may consider sustainability ("Sustainability") factors when making an investment decision, the Funds do not pursue a sustainability-based investment strategy or limit their investments to those that meet specific sustainability criteria or standards.

## **B. Material Risks of Investment Strategy**

Investments in real estate involve multiple risks. Below, Northwood has summarized risks it believes primary to the type of investments it makes on behalf of its clients. The risks identified below, however, do not represent the entirety of risks a prospective investor or client should evaluate before retaining Northwood to provide its advisory services. Prospective investors in the Funds should carefully review and consider all of the risks related to investing that are set forth in the applicable private placement memorandum or other offering documents.

### **1. Private Investment Vehicles**

An investment in any privately-offered investment vehicle involves inherent risks. Such investments are suitable only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of investment. There can be no assurance that any investment vehicle will meet its investment objectives or that an investor will receive a return of its capital. Additionally, there can be no assurance that any investment will be able to generate returns for investors or that returns will be commensurate with the risks of the investment. Investment in a privately-offered investment vehicle should only be made by those that can afford a loss of their entire investment.

### **2. No Assurance of Investment Return**

Northwood cannot provide any assurance whatsoever that it will be able to choose, make, or realize investments in any particular investment or will otherwise successfully implement a Fund's investment strategy. There can be no assurance that a Fund will be able to generate returns for its limited partners or that any limited partner will receive any distribution from such Fund. All investments involve the risk of loss of capital. Accordingly, an investment in a Fund should only be considered by persons who can afford a loss of their entire investment. Past performance of a Fund and any other investment entities associated with Northwood is not necessarily indicative of future results and there can be no assurance that a Fund will achieve (or continue to achieve) comparable results. There can be no assurance that projected returns for a Fund or any of its existing or future investments will be achieved or that such Fund will achieve comparable results.

### **3. Real Estate Risks Generally**

The Funds' portfolio investments will be subject to the risks inherent in the ownership and operation of real estate and real estate-related businesses and assets. Deterioration of real estate fundamentals in the jurisdictions in which the Funds hold portfolio investments may negatively impact the amount of income generated by the Funds' portfolio investments and therefore performance of the Funds. These risks include, but are not limited to, those associated with the burdens of ownership of real property, general and local economic conditions, overbuilding and increased competition, increases in property taxes and operating expenses, changes in building, environmental, zoning and other laws, casualty or condemnation losses, regulatory limitations on rents, decreases in property values, changes in the appeal of neighborhoods as well as particular properties to tenants or potential purchasers of such properties, natural disasters, increase in interest rates, changes in supply of and demand for competing properties in an area (as a result, for instance, of overbuilding), energy and supply shortages, fluctuations in real estate fundamentals (including the average occupancy, operating income and room rates for hotel properties), the financial resources of tenants, energy and supply shortages, various uninsured or uninsurable risks, the availability of debt financing and/or mortgage funds, which may render the sale or refinancing of properties difficult or impracticable, increased mortgage defaults, increases in borrowing rates, negative developments in the economy or political climate that depress travel and other forms of activity, environmental liabilities, contingent liabilities on disposition of assets, political events, changes in building, environmental and other

laws and/or government regulations (such as rent control), political events, zoning laws, changes in real property tax rates and operating expenses, terrorist attacks, war, acts of God and other factors that are beyond the control of Northwood. The value of securities of companies which service the real estate business sector may also be affected by such risks. In addition, in acquiring a property or stock, the Funds may agree to lock-out provisions that materially restrict it from selling that property or stock for a period of time or that impose other restrictions, such as a limitation on the amount of debt that can be placed on that property. There can be no assurance that there will be a ready market for the resale of portfolio investments because the portfolio investments (other than portfolio investments made by the CMBS Funds) generally will not be liquid. Illiquidity may result from the absence of an established market for the portfolio investments, as well as legal or contractual restrictions on their resale by the Funds.

#### **4. General Economic and Financial Market Conditions**

Turmoil such as that recently experienced by the U.S. and global financial markets as a result of the COVID-19 pandemic, and such as that which markets endured during the global financial crisis of 2008, illustrates the risk that the financial markets can experience uncertainty, volatility and instability, potentially for protracted periods of time. The global credit markets continue to experience substantial volatility, disruption, liquidity shortages and to some extent financial instability. Global financial markets have experienced considerable and prolonged declines in the valuations of equity and debt securities and periodic acute contraction in the availability of credit. There can be no assurances that conditions in the global financial markets will not worsen and/or adversely affect one or more of a Fund's investments (including with respect to performing under or refinancing their existing obligations), its access to capital or leverage, its ability to effectively deploy its capital or realize investments on favorable terms or its overall performance.

The success of a Fund's activities will be affected by the continued economic volatility as well as general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in applicable laws and regulations (including laws relating to taxation of such Fund's investments), trade barriers, consumer spending patterns, currency exchange controls, continued technology disruption, tax reform or other significant policy changes as well as national and international political, environmental and socioeconomic circumstances (including wars, terrorist acts, security operations or public health considerations). Commercial, market or other considerations may result in changes to the Funds' staffing levels, investment operations or investment process. In addition, the slowdown in the global economy and changes in the prices of oil and gas, raw materials and agricultural commodities may affect inflation rates and currency exchange rates, which may in turn have a negative impact on a Fund's investments.

These factors may affect the level and volatility of real estate prices, securities prices and the liquidity of a Fund's investments, which could impair such Fund's profitability or result in losses. In addition, general fluctuations in the market prices of assets, securities and interest rates may affect a Fund's investment opportunities and the value of such Fund's investments. Northwood's financial condition may be adversely affected by a significant general economic downturn and it may be subject to legal, regulatory, reputational and other unforeseen risks that could have a material adverse effect on Northwood's businesses and operations (including those of a Fund). Any of the foregoing events could result in substantial or total losses to the Funds in respect of certain investments, which losses will likely be exacerbated by the presence of leverage in an investment's capital structure.

Each Fund's investment strategy and the availability of opportunities that fit within such Fund's mandate relies in part on the continuation of certain trends and conditions observed in the financial markets and in some cases the improvement of such conditions. Trends and historical events do not imply, forecast or predict future events and, in any event, past performance is not necessarily indicative of future results.



There can be no assurance that the assumptions made or the beliefs and expectations currently held by the applicable General Partner will prove correct and actual events and circumstances may vary significantly.

Recent volatility in the global financial markets and political systems of certain countries may have adverse spill-over effects into the global financial markets generally. Moreover, a recession, slowdown and/or sustained downturn in the global economies (or any particular segment thereof) or weakening of credit markets will adversely affect a Fund's profitability, impede the ability of such Fund's portfolio companies to perform under or refinance their existing obligations, and impair such Fund's ability to effectively exit investments on favorable terms. Any of the foregoing events could result in substantial or total losses to the Funds in respect of certain investments, which losses will likely be exacerbated by the presence of leverage in a particular portfolio company's capital structure. Northwood itself could also be affected by difficult conditions in the capital markets and any overall weakening of the financial services industry in particular or of the U.S. and/or global economies generally.

Actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity problems. For example, recent events in the U.S. and European banking sectors have caused uncertainty regarding the financial condition of various financial services companies, and fear of instability in the global financial system generally. In March of 2023, Silicon Valley Bank ("SVB") was closed by the California Department of Financial Protection and Innovation, Signature Bank ("Signature") was closed by the New York State Department of Financial Services and the Federal Deposit Insurance Corporation ("FDIC") was appointed as receiver of each. In that same month, the Swiss Financial Market Supervisory Authority intervened in the collapse of Credit Suisse Group AG ("Credit Suisse"), one of the global systemically important banks, brokering its partial sale to UBS Group AG. Further, in May of 2023, First Republic Bank ("First Republic") was closed, and the FDIC was appointed as receiver by California regulators. Depositors and other customers of smaller and/or regional banks have experienced, and may continue to experience, significant challenges and uncertainty regarding access to banking products and services, including with respect to the availability of such customers' deposits, lines of credit and other accounts and banking relationships. In addition, certain financial institutions – in particular smaller and/or regional banks or other financial institutions – have experienced volatile stock prices and significant losses in their equity value, and there is concern that depositors at these institutions have withdrawn, or will withdraw in the future, significant sums from their deposit accounts.

Should similar extraordinary events continue to occur, there is risk that more of these smaller and/or regional banks, or other financial institutions, may become in danger of default and/or face a risk of closure, receivership or other government intervention. Should additional banks be closed by governmental authorities, placed into receivership or conservatorship, or otherwise require government intervention, there is no assurance that the FDIC will guarantee uninsured depositors at any other financial institution. Even without additional bank closures, uncertainty caused by recent bank failures – and general concern regarding the financial health and outlook for other financial institutions – could have an overall negative effect on banking systems and financial markets generally. The recent developments may also have other implications for broader economic and monetary policy, including interest rate policy, and may impact the financial condition of banks and other financial institutions outside of the United States. For the foregoing reasons, there can be no assurances that conditions in the banking sector and in global financial markets will not worsen and/or adversely affect a Fund, its investments or their respective financial performance.

Any future failure of other banks or financial institutions would be expected to result in significant uncertainty as to whether the failed bank (under FDIC receivership or conservatorship), or any successor institution (such as a bridge bank or other acquirer) will be able or willing to honor new draw requests under



their existing credit facilities in which they are the sole lender or a syndicate lender. If any of the financial institutions that hold a Fund's deposits were to be placed in receivership by the FDIC or otherwise fail, such Fund may be unable to access such funds. To the extent that any troubled financial institutions default on their obligation to fund their loan commitments, in the short term the business operations of their borrowers may be limited or suspended due to the lack of liquidity. And in the longer term, such borrowers may look to refinance away from defaulting lenders, which may introduce additional or new risks to these institutions. Given the magnitude of such banks' and other financial institutions' loan portfolios, there can be no guarantee that other financial institutions have the capacity to provide replacement financing in a timely manner, if at all. Further, there can be no assurances that the Funds or their investments will establish banking relationships with multiple financial institutions, and the Funds and their investments are expected to be subject to contractual obligations to maintain all or a portion of their respective assets (including deposits) with a particular bank (including, without limitation, in connection with a credit facility or other financing transaction). Further, a significant amount of commercial real estate financings is provided by smaller and/or regional banks or other financial institutions and it is not currently known whether, and to what extent, such banks and financial institutions will continue to provide comparable banking services.

In addition, some of the Funds' limited partners, investments and/or transaction counterparties may bank with, or otherwise have exposure to, SVB, Signature, First Republic, Credit Suisse or other smaller and/or regional banks or similar financial institutions.

## **5. Coronavirus and Public Health Emergencies**

The World Health Organization previously declared an outbreak of a novel and highly contagious form of coronavirus ("COVID-19") to constitute a public health emergency of international concern ("PHEIC"). The outbreak of COVID-19 has resulted in numerous deaths, adversely impacted global commercial activity, and contributed to significant volatility in certain equity, debt, derivatives and commodities markets. The global ramifications of the outbreak rapidly evolved over the course of the pandemic, and many countries reacted by instituting (or strongly encouraging) quarantines, prohibitions on travel, the closure of offices, businesses, factories, schools, retail stores, restaurants, hotels, courts and other public venues, vaccine mandates (e.g., for certain public sector employees) and other restrictive measures designed to help slow the spread of COVID-19. Certain countries and regions at times implemented a "dynamic COVID zero" or strict containment policy, and imposed and lifted lockdown measures with limited notice and with uncertain durations. Businesses at different times and to different degrees also implemented similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, created significant disruption in the global public and private markets, supply chains and economic activity and were especially impactful on transportation, hospitality, tourism, entertainment, healthcare, consumer and other industries, and it remains to be seen to the extent that certain market or societal adjustments associated with COVID-19 (for example, "work-from-home" trends and shifts to online consumer platforms) will continue. As a result, and due to the potential for future outbreaks of COVID-19, the potential impacts including global, regional or other economic recession or adverse market impacts that have already occurred, the likelihood of an ongoing and/or exacerbated impact is uncertain and difficult to assess.

Any future PHEIC or other public health emergency, including any new or variant outbreaks of COVID-19, SARS, H1N1/09 flu, avian flu, respiratory syncytial virus or RSV, other coronaviruses, Ebola or other existing or new epidemic diseases, or the threat thereof, could negatively impact the Funds and their portfolio companies and could meaningfully affect a Fund's ability to fulfill its investment objectives.

The extent of the impact of any public health emergency on the Funds' and their portfolio companies' operational and financial performance will depend on many factors, including but not limited to the duration and scope of such public health emergency (as well as the availability of effective treatment and/or

vaccination), the extent of any related travel advisories and voluntary or mandatory government or private restrictions implemented, the impact of such public health emergency on overall supply and demand, goods (including component parts and raw materials) and services, investor liquidity, consumer confidence and spending levels, the extent of government support and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. For example, the shortage of workers and lack of key components and raw materials that resulted from the COVID-19 pandemic has contributed, and may continue to contribute, to manufacturers and distributors being unable to produce or supply enough goods to meet increasing demands.

The impact of these global supply chain constraints may not fully be reflected until future periods and may have an adverse impact on the Funds and their portfolio companies at a future point when COVID-19 may not be as prevalent in the public. For this reason, valuations in this environment are subject to heightened uncertainty and subject to numerous subjective judgments even beyond what is traditionally the case, any or all of which could turn out to be incorrect with the benefit of hindsight. Furthermore, traditional valuation approaches that have been used historically may need to be modified in order to effectively capture fair value in the midst of significant volatility or market dislocation. The effects of a public health emergency may negatively impact the value and performance of the portfolio companies, a Fund's ability to source, manage and divest investments (including but not limited to circumstances where potential transactions are already signed but not closed) and a Fund's ability to achieve its investment objectives, all of which could result in significant losses to such Fund. In particular, a public health emergency like COVID-19 PHEIC may have a greater impact on leveraged assets.

Any such disruptions may continue for an extended and uncertain period of time. In this regard, views and other forward-looking statements expressed herein are based upon assumptions that may not be valid during or following a public health emergency, such as COVID-19 PHEIC.

The operations of the Funds, the portfolio companies, and Northwood may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel or meetings (including office attendance), forwarding of and otherwise delayed receipt of mail, and other factors related to a public health emergency, including its potential adverse impact on the health of the personnel of any such entity or the personnel of any such entity's key service providers and the volatility in the labor, transport, energy and other markets resulting from or otherwise linked to the relaxation of related quarantine measures, meeting and travel restrictions. Additionally, restrictions on immigration and processing of visas and other work permits may affect the work force of the Funds' portfolio companies, some of which may rely on foreign talent as an important part of its work force and which could have a material adverse impact on their ability to implement their business plans. The impact to businesses in such circumstances has been and is expected to continue to be substantial. In addition, multiple jurisdictions have adopted, or are considering to adopt, vaccine mandate legislation or regulations that require certain public sector employees and/or private sector employees to obtain vaccines (subject to certain exceptions, which vary per jurisdiction). Employee attrition and turnover resulting from such mandates could adversely affect, both directly and indirectly, the business operations of issuers that operate within those jurisdictions (e.g., by requiring them to discontinue their employment of critical personnel who are not vaccinated). In connection with the impacts of the COVID-19 PHEIC and any future such public health crisis, the Funds are expected to incur heightened legal expenses which could similarly have an adverse impact to the Funds' returns. For example, but not by limitation, the Funds or their portfolio companies may be subject to heightened litigation and its resulting costs, which costs may be significant and are expected to be borne by the Funds or their portfolio companies. There is also a heightened risk of cyber and other security vulnerabilities during the current public health emergency and any future one, which could result in adverse effects to the Funds or their portfolio companies in the form of economic harm, data loss or other negative outcomes.

## **6. Social Unrest**

Recent events concerning discrimination, race relations, religion and inequality have led to protests, demonstrations, marches and other forms of political and social activism on a local, regional, national and international level as well as rioting in some instances. Such activism, which has ranged from peaceful to in some instances, violent, has resulted in curfews, the deployment of the national guard and other local and national interference, and could lead to increased political and social volatility and uncertainty, which was already heightened in wake of the COVID-19 pandemic. While the overall effect of such activism remains unknown, investors should note that this type of volatility and uncertainty, in particular to the extent such activity occurs within close proximity to any Funds' investments, could materially and adversely impact the securities and other assets in which Northwood invests, as well as the real estate space more generally.

## **7. Russian Invasion of Ukraine**

On February 21, 2022, Russian President Vladimir Putin ordered the Russian military to invade two regions in eastern Ukraine (the Donetsk People's Republic and Luhansk People's Republic regions). On February 22, 2022, the United States, United Kingdom ("UK") and European Union ("EU") announced sanctions against Russia.

On February 24, 2022, President Putin commenced a full-scale invasion of Russia's pre-positioned forces into Ukraine, including Russia's forces pre-positioned in Belarus. In response, the United States, UK, EU, and several other nations announced a broad array of new or expanded sanctions, export controls, and other measures against Russia, Russia-backed separatist regions in Ukraine, and certain banks, companies, government officials, and other individuals in Russia and Belarus, as well as a number of Russian Oligarchs. Additional sanctions, export controls, and other measures continue to be adopted as the conflict continues. For example, in September and October of 2022, following the purported annexation by Russia of four territories of Ukraine, several nations imposed additional sanctions, export controls, and other measures against Russia and those outside of Russia that provided political or economic support for the purported annexation. Russia's invasion of Ukraine, the resulting displacement of persons both within Ukraine and to neighboring countries and the increasing international sanctions could have a negative impact on the economy and business activity globally (including in the countries in which a Fund invests), and therefore could adversely affect the performance of the Funds' investments. Furthermore, given the ongoing nature of the conflict between the two nations and its ongoing escalation (such as Russia's decision to place its nuclear forces on high alert and the possibility of significant cyberwarfare against military and civilian targets globally), it is difficult to predict the conflict's ultimate impact on global economic and market conditions, and, as a result, the situation presents material uncertainty and risk with respect to the Funds and the performance of their respective investments or operations, and the ability of the Funds to achieve their investment objectives.

## **8. Sustainability Matters**

While sustainability is only one of the many factors Northwood will consider in making an investment, there is no guarantee that Northwood will successfully implement and make investments in real estate and real-estate related assets, properties, companies and securities that create positive sustainability impact while enhancing long-term shareholder value and achieving financial returns. To the extent that Northwood engages with companies on sustainability-related practices and potential enhancements thereto, such engagements may not achieve the desired financial and social results, or the market or society may not view any such changes as desirable. Successful engagement efforts on the part of Northwood will depend on Northwood's skill in properly identifying and analyzing material sustainability and other factors and their impact-related value, and there can be no assurance that the strategy or techniques employed will be

successful. Considering sustainability qualities when evaluating an investment may result in the selection or exclusion of certain investments based on Northwood's view of certain sustainability-related and other factors, which view could ultimately prove to be incorrect, and there is risk that the Funds may underperform other funds that do not take sustainability-related factors into account or conversely, could underperform specialized funds that are largely or exclusively focused on sustainable investing principles.

Consideration of sustainability factors may affect Northwood's exposure to certain companies, sectors, assets, properties, regions, countries or types of investments, which could negatively impact the Funds' performance to the extent there is underperformance in the area of such exposure. Applying sustainability goals to investment decisions is qualitative and subjective by nature, and there is no guarantee that the criteria utilized by Northwood or any judgment exercised by Northwood will reflect the beliefs or values of any particular investor or group of investors. Progress towards certain sustainability factors could come at the expense of other sustainability factors. In evaluating a company, Northwood is dependent upon information and data obtained through voluntary or third-party reporting that may be incomplete, inaccurate or unavailable, which could cause Northwood to incorrectly assess a company's sustainability practices and/or related risks and opportunities. In addition, Northwood makes investment decisions based on circumstances as they exist at the time the investment is made, and developments that take place subsequent to the investment, where such developments are outside Northwood's control, may not conform to Northwood's expectations around sustainability (for example, but not by limitation, concerning a portfolio company's pivot in its use of technology or its changes to business plan). Sustainability-related practices differ by region, asset, sector and issue and are evolving accordingly, and a company's sustainability-related practices or Northwood's assessment of such practices is likely to change over time. Moreover, the implementation of and compliance with sustainability-related programs and policies and the increasing levels of disclosure and reporting requested or required in respect of sustainability matters, is expected to have a significant compliance burden on the General Partners, the Funds and/or Northwood and is expected to result in expenses that are borne by the Funds and the limited partners.

The legal and regulatory landscape relating to sustainability is evolving quickly and there is expected to be a heightened focus on sustainability practices and disclosures at the Fund level as well as at the property or investment level, which is expected to include new regulations. Such increased scrutiny and new regulations in conjunction with an evolving regulatory landscape are likely to impose additional expenses related to compliance and a number of risks such as the difficulty of compliance or reputational harm as to any of these relevant constituents, which may be borne by the Funds.

## **9. Israel-Hamas War**

On October 7th, 2023, Hamas (an organization which governs Gaza, and which has been designated as a terrorist organization by the United States, the UK, the EU, Australia and other nations) committed a terrorist attack within Israel (the "October 7th Attacks"). To date, Israel and Hamas remain in active armed conflict. The ongoing conflict and rapidly evolving measures in response could have a negative impact on the economy and business activity globally (including in countries in which the Funds invest), and therefore could adversely affect the performance of the portfolio investments of the Funds. The severity and duration of the conflict and its future impact on global economic and market conditions (including, for example, oil prices) are impossible to predict, and as a result, present material uncertainty and risk with respect to the Funds and the performance of their portfolio investments and operations, and the ability of the Funds to achieve their investment objectives. The United States has announced sanctions and other measures against Hamas-related persons and organizations in response to the October 7th Attacks, and the United States (and/or other countries) may announce further sanctions related to the ongoing conflict in the future.

## **10. Highly Competitive Market for Investment Opportunities**

The activity of identifying, managing, monitoring, completing and realizing attractive real estate investments that fall within a Fund's investment objective is highly competitive, and involves a high degree of uncertainty. The availability of investment opportunities generally will be subject to market conditions. In particular, in light of changes in such conditions, including changes in long-term interest rates, certain types of investments may not be available to the Fund on terms that are as attractive as the terms on which opportunities were previously available to a Fund or were available to previous investment programs with which Northwood's professionals were involved. Each Fund will be competing for investments with many other real estate investment vehicles, as well as individuals, private and publicly traded real estate investment trusts as defined in the Code ("REITs"), financial institutions (such as investment and mortgage banks, pension funds and real estate operating companies), hedge funds, sovereign wealth funds, and other institutional investors. Further, over the past several years, many real estate investment funds and publicly-traded REITs have been formed and others have been consolidated (and many such existing funds have grown in size) for the purpose of investing in real estate assets. Additional real estate funds, vehicles and REITs with similar investment objectives may be formed in the future by other unrelated parties and further consolidation may occur (resulting in larger funds and vehicles). Some of these competitors may have more relevant experience, greater financial and other resources, and more personnel than the General Partners, Northwood, and the Funds.

## **11. Diversification**

Although the Funds are subject to certain diversification limitations, to the extent the General Partners concentrate the Funds' portfolio investments in a particular market, the Funds' portfolios may become more susceptible to fluctuations in value resulting from adverse economic or business conditions affecting that particular market. Certain geographic regions may be more adversely affected from economic pressures when compared to other geographic regions.

## **12. United Kingdom Withdrawal from the European Union**

As part of the process of the UK leaving the EU, the EU and the UK agreed to the EU-UK Trade and Cooperation Agreement ("FTA") that governs the trading relationship between the UK and the member states of the EU and came into effect on January 1, 2021. Broadly, the FTA provides for zero tariffs and zero quotas on all goods that comply with the appropriate rules of origin, but is subject to both parties maintaining a level playing field in areas such as environmental protection, social and labor rights, investment, competition, state aid, and tax transparency.

FTA did not provide for continued access by UK firms to the EU single market. Similarly, notwithstanding zero tariffs and zero quotas on goods, market access for those firms that conduct cross-border trade in goods will fall below what the single market previously allowed. Non-tariff barriers, customs declarations, customs checks, restrictions on movements of employees, withdrawal of recognition of previously recognized professional qualifications, changes in the status of the UK vis-à-vis the EU for tax and VAT purposes, and other sources of friction could continue to affect certain businesses and require them to adapt and increase their operational and compliance burdens. The effects of the UK leaving the single market and customs union could adversely affect the Funds, particularly if their investments are or are connected to affected UK and EEA businesses that have historically relied on the single market or from sourcing goods, materials or labor from the single market, or are otherwise exposed to the economies of the UK and/or the EEA.

Generally, the withdrawal of the UK from the EU may increase the compliance and regulatory burden of the Funds. The UK legal and regulatory framework may, with time, increasingly differ from EU laws and regulations and the General Partner will need to consider both systems to ensure compliance with applicable laws and regulations.

### **13. Illiquid and Long-term Investments**

Certain client investments will include debt and equity investments in real estate properties and real estate businesses for which, often, no public market exists. Although clients' investments may generate some current income, the return of capital and the realization of gains, if any, from investments will generally occur only upon the partial or complete disposition or refinancing of such investment.

Generally, there will be no public market for the investments at the time of its acquisition. To the extent investments are not publicly traded, clients may be unable to liquidate the investment for a significant period and may be unable to do so at a profit.

### **14. Commercial Mortgage-Backed Securities**

The value of CMBS is subject to risk from possible geographic and/or industry concentration. Unlike residential mortgage loans, most commercial mortgage loans are not amortized over the loan term. Instead, with most commercial mortgage loans the bulk of the loan balance is payable at maturity with a one-time payment, commonly known as a "balloon payment." Full satisfaction of the balloon payment by a commercial borrower is heavily dependent on the availability of subsequent financing. Usually, a commercial borrower will seek out another loan to satisfy the balloon payment on a commercial mortgage loan. Therefore, full satisfaction of a commercial mortgage loan will be affected by a commercial borrower's access to credit. In certain situations, and during periods of credit distress, the unavailability of real estate financing may lead to default by a commercial borrower.

Commercial mortgage loans are usually non-recourse in nature. Therefore, if a commercial borrower defaults on the commercial mortgage loan underlying CMBS, then the options for financial recovery are limited in nature.

Investments in CMBS are also subject to various risks and uncertainties, including credit, market, interest rate, structural and legal risks. These risks may be magnified by the continued volatility in the credit and commercial real estate markets. The investment characteristics of CMBS differ from traditional debt securities in a number of respects, and are similar to the characteristics of structured credit products in which investors participate through a trust or other similar conduit arrangement.

### **15. Non-Payment of Mortgages Underlying CMBS**

The collateral underlying CMBS generally consists of commercial mortgages or real property that have a multifamily or commercial use, such as retail space, office buildings, warehouse property and hotels. With most commercial mortgage loans the bulk of the loan balance is payable at maturity with a one-time payment, commonly known as a "balloon payment" and is usually non-recourse in nature. The prospect of full repayment of the commercial mortgage loans underlying CMBS depends on the ability of the commercial borrower to generate current income from its commercial property. Also, the likelihood of the commercial borrower repaying the commercial mortgage loan at maturity is heavily influenced by the commercial borrower's ability to secure subsequent financing. If a commercial borrower defaults on the commercial mortgage loan underlying a CMBS, then the options for financial recovery are limited in nature. In the event of default, the lender will have no right to assets beyond collateral attached to the commercial mortgage loan. In certain instances, a negotiated settlement or an amendment to the terms of the commercial mortgage loan are the only options before an ultimate foreclosure on the commercial property. Foreclosures can be lengthy and expensive and borrowers often assert claims, counterclaims and defenses to delay or prevent foreclosure actions. At any time during the proceedings, the borrower may file for bankruptcy, which would have the effect of staying the foreclosure action and further delaying the process, and materially increasing the expense thereof, which expenses may not be recoverable. The ultimate disposition



of a foreclosed property may also yield a price insufficient to cover the cost of the foreclosure process and the balance attached to the defaulted commercial mortgage loan, which would result in substantial investment losses, and ultimately a decline in the value of CMBS.

## **16. Investments in Publicly Traded Securities**

The Funds invest in publicly-traded debt and/or equity securities, including REITs, master limited partnerships and tranches of commercial mortgage-backed securities. Such publicly-traded securities may comprise a material portion of the portfolio investments in which a limited partner participates. These activities are subject to the risks present in investing in publicly-traded securities, including economic, political, interest rate and other risks, fluctuations in public market values, increased obligations to disclose information regarding the applicable publicly-held company, the risk of loss from counterparty defaults, increased likelihood of shareholder litigation against such company's board members and the company itself, and increased costs associated with each of the aforementioned risks. The Funds may choose to directly or indirectly hedge against certain of these risks, but there can be no guarantee such transactions will protect the Funds from loss. Additionally, these activities may be subject to liquidity risk, counterparty credit risk, legal risk and operations risk, company specific and industry specific factors and may involve significant economic leverage and, in some cases, be subject to significant risks of loss. When investing in publicly-traded securities, the Funds may be unable to obtain financial covenants or other contractual rights, including management rights that it might otherwise be able to obtain in making privately negotiated portfolio investments. Moreover, the Funds may not have the same access to information in connection with portfolio investments in publicly-traded securities, either when investigating a potential portfolio investment or after making a portfolio investment, as compared to privately negotiated investments. Furthermore, the Funds may be limited in their ability to make portfolio investments, and to sell existing portfolio investments, in publicly-traded securities because Northwood may be deemed to have material, non-public information regarding the issuers of those securities or as a result of other internal policies. The inability to sell publicly-traded securities in these circumstances could materially adversely affect the portfolio investment results of the Funds. In addition, a portfolio investment may be sold by the Funds to a public company where the consideration received is a combination of cash and stock of the public company, which may, depending on the securities laws of the relevant jurisdiction, be subject to lock up periods.

## **17. Nature of Debt Securities**

The Funds have the ability to invest in debt securities, including fixed income securities. The debt securities in which the Funds and portfolio companies may invest may include secured or unsecured debt, which could be subordinated to senior indebtedness, all or a significant portion of which may be secured. Senior creditors will have significant influence, which may exceed the influence of the Funds or portfolio companies in certain scenarios. In addition, the debt securities in which the Funds invest may not be protected by financial covenants or limitations upon additional indebtedness, may have limited liquidity, and may not be rated by a credit rating agency. Debt securities are also subject to other creditor risks, including (i) the possible invalidation of an investment transaction as a "fraudulent conveyance" under relevant creditors' rights laws, (ii) so-called lender liability claims by the issuer of the obligations, and (iii) environmental liabilities that may arise with respect to collateral securing the obligations. In the United States, at least one bankruptcy case has held that a secondary loan market participant can be denied recovery from the debtor in a bankruptcy if a prior holder of the loans either received and did not return a preference or fraudulent conveyance or engaged in conduct that would qualify for equitable subordination. The Funds' portfolio investments may be subject to early withdrawal features, refinancing options, pre-payment options, or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by the Funds earlier than expected, resulting in a lower return to the Funds than projected. In many cases, a Fund's management of its investment and its remedies with respect thereto, including the

ability to foreclose on any collateral securing such investments, will be subject to the rights of the senior lenders and contractual inter-creditor provisions.

## **18. Debt-Oriented Real Estate Investment Risks Generally**

The Funds will invest in CMBS and other real estate-related debt investments. Any deterioration of real estate fundamentals generally, and in the U.S. in particular, could negatively impact the performance of the Funds by making it more difficult for portfolio companies or issuers to satisfy their debt payment obligations, increasing the default risk and making it more difficult for the Funds to generate attractive risk-adjusted returns. Changes in general economic conditions will affect the creditworthiness of portfolio companies and the value of the underlying real estate collateral relating to a Fund's investments.

## **19. Discounts to Par Value**

A Fund's investment strategy with respect to certain investments may be based upon the premise that real estate loans, debt instruments or participation interests related thereto that are otherwise performing may from time to time be available for purchase by such Fund at "discounted" rates or at "undervalued" prices. Purchasing debt instruments and other interests at what may appear to be "undervalued" or "discounted" levels is no guarantee that these investments will generate attractive risk-adjusted returns to such Fund or will not be subject to further reductions in value. No assurance can be given that real estate loans or participation interests can be acquired at favorable prices, that such loans or participation interests will not default or that the market for such interests will continue to improve. In addition, there can be no assurance that the market conditions for investing in real estate-related debt instruments may not deteriorate further, which could have an adverse effect on the performance of a Fund's investments. While each Fund performs due diligence in connection with each of its investments, there may be an increased risk that the documentation relating to an investment in real estate loans may contain a material misstatement, omission or misrepresentation, which may be relied upon by such Fund and adversely affect the performance of such investment.

## **20. Use of Leverage**

Northwood expects to utilize significant leverage in connection with the Funds' investments. Although investments in leveraged companies offer the opportunity for capital appreciation and Northwood will seek to use leverage in a manner it believes appropriate, the use of such leverage involves a high degree of financial risk and will increase the exposure of investments to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the investment. If a portfolio company cannot generate adequate cash flow to meet its debt obligations, the Funds may suffer a partial or total loss of capital invested in such portfolio company. Borrowings have the potential to enhance a Fund's returns, however, they will further diminish returns (or increase losses on capital) to the extent overall returns are less than the Funds' cost of funds. As a general matter, the presence of leverage can accelerate losses.

The extent to which clients use leverage may, among others, have the following consequences, including but not limited to: (i) greater fluctuations in the net asset value of assets; (ii) use of cash flow (including capital contributions) for debt service, distributions, or other purposes; (iii) to the extent that revenues are required to meet principal payments, clients may be allocated income (and therefore tax liability) in excess of cash distributed; and (iv) in certain circumstances, clients may be required to dispose of investments at a loss or otherwise on unattractive terms in order to service its debt obligations or meet its debt covenants. There can be no assurance that clients will have sufficient cash flow to meet debt service obligations. As a result, exposure to foreclosure and other losses may be increased due to the illiquidity of its investments.



In addition, the batching of capital calls may amplify the magnitude of potential defaults by a Fund's limited partners as a result of there being fewer but larger capital calls. To the extent a subscription facility is due upon demand by a lender, such a demand may be issued at an inopportune time at which liquidity is generally constrained, potentially resulting in greater defaults as a result of liquidity constraints on a Fund's limited partners and/or limited partners facing similar capital calls in multiple funds and being unable to satisfy all such demands simultaneously. Finally, the existence of a subscription facility may impair a limited partner's ability to transfer its interest in the Fund as a result of restrictions imposed on such transfers by the lender.

## **21. Recycling & Reinvestment**

For limited partners in the Funds with a remaining investable commitment allocation, proceeds distributable (or previously distributed) to such limited partner may be retained and reinvested (or recalled for reinvestment) by the General Partner or used (or recalled for use) by such General Partner for any purpose permitted under the applicable limited partnership agreement. Accordingly, a limited partner may be required to fund an aggregate amount more than its capital commitment during the term of its investment in a Fund, and to the extent such recalled or retained amounts are reinvested in portfolio investments, such partner will remain subject to investment and other risks associated with such portfolio investments.

In addition to the opportunities already provided by the limited partnership agreement, limited partners may, with the General Partner's approval, have the opportunity to manage their investable commitment allocations to appropriately address the impact of recycling.

## **22. Risks of Non-U.S. Investments**

The Funds will make certain investments outside of the United States, subject to certain diversification limitations articulated in the Funds' governing fund documents. Investments in real estate and real estate-related businesses outside the United States involve risk factors not typically associated with investing in real estate-related investments in the United States, including currency fluctuations, possible imposition of withholding or other taxes on income or gains from the investments, economic risks and political risks. While Northwood intends to minimize exposure to these risks, there can be no assurance such risks will not adversely affect the Funds' investments.

## **23. Legal, Tax and Regulatory Risks**

Clients must comply with various legal requirements, including those imposed by securities, tax and pension laws. Any changes in such laws could materially impact investment returns.

## **24. Regulatory Proposals with Respect to Private Funds and Investment Advisers**

In recent years, the SEC staff's stated examination priorities and published observations from examinations have included, among other things, private equity firms' collection of fees and allocation of expenses, their marketing and valuation practices, custody practices, allocation of investment opportunities, terms agreed to in side letters and similar arrangements with investors, consistency of firms' practices with disclosures, handling of material non-public information and insider trading, purported waivers or limitations of fiduciary duties and the existence of, and adherence to, policies and procedures with respect to conflicts of interest.

In August 2023, the SEC voted to adopt previously proposed rules and amendments to existing rules under the Advisers Act (collectively, the "Private Funds Rules") specifically related to investment advisers and their activities with respect to the private funds they advise. In particular, the Private Funds Rules will,

among other changes, (i) impose quarterly reporting by private funds to investors that is required to contain detailed information on performance, investments, adviser-compensation, fees and expenses, capital inflows and capital outflows; (ii) require registered investment advisers to obtain an annual audit for all private funds that meets the requirements of the existing Advisers Act custody rule; (iii) require registered investment advisers to obtain a fairness or valuation opinion and make certain disclosures, in connection with adviser-led secondary transactions (also known as GP-led secondaries); (iv) restrict advisers from engaging in certain practices unless they satisfy certain disclosure requirements and, in some cases, consent requirements, including, without limitation, (a) charging regulatory or compliance fees or expenses, or fees or expenses associated with an examination, of Northwood or its related persons to private fund clients, (b) seeking reimbursement for certain investigation-related expenses, (c) reducing the amount of the General Partner's clawback by actual, potential or hypothetical taxes applicable to the General Partner or its employees, (d) borrowing from a private fund, or (e) making non-pro rata fee or expense allocations; (v) restrict advisers from engaging in certain forms of preferential treatment to private fund investors related to liquidity and information rights if they would be reasonably expected to have a material negative effect on other investors and otherwise require advisers to make certain disclosures regarding preferential treatment of investors; and (vi) prohibit an adviser from having a private fund bear the costs of any fees or expenses related to an investigation resulting in a court or governmental authority imposing a sanction for violating the Advisers Act. The Private Funds Rules also impose additional requirements on advisers to document their annual compliance reviews in writing and retain additional required books and records relating to private funds they advise. Although the legality of the Private Funds Rules is currently being challenged in federal court, it is uncertain whether this legal challenge will succeed.

While the full impact of the Private Funds Rules cannot yet be determined, it is generally anticipated that these rules will have a significant effect on private fund advisers and their operations, including by increasing regulatory and compliance costs and burdens and heightening the risk of regulatory inquiries and actions (including public regulatory sanctions) and limiting Northwood's ability or willingness to negotiate certain types of individualized terms with investors in a Fund or similar pools of assets that invest alongside a Fund, which may cause certain investors to not subscribe to a Fund who otherwise might have. The Funds are expected to bear (either directly or indirectly through their portfolio investments) certain regulatory and compliance costs relating to the Private Funds Rules, which could include (without limitation) fees, costs and expenses incurred in connection with preparing and distributing to investors the quarterly statements required by the rules, soliciting and obtaining from investors any consents required by the rules, providing investors with any notices or disclosures required by the rules and obtaining and distributing to investors fairness or valuation opinions in connection with adviser-led secondary transaction (including fees paid to third parties engaged by Northwood or the Funds to perform or assist with such actions or processes), which fees, costs and expenses could be expected to be material.

In May 2022, the SEC proposed amendments to rules and reporting forms to promote consistent, comparable, and reliable information for investors concerning investment advisers' incorporation of environmental, social, and governance (ESG) factors (the "ESG Proposed Rule"). The ESG Proposed Rule seeks to categorize certain types of ESG strategies broadly and require advisers to both provide census type data in Form ADV Part 1A and provide more specific disclosures in adviser brochures based on the ESG strategies they pursue.

The SEC has also recently proposed, and can be expected to propose, additional new rules and rule amendments under the Advisers Act in respect of additional Form PF reporting obligations (in addition to those recently adopted), cybersecurity risk governance, the outsourcing of certain functions to service providers and changes to Regulation S-P.

The Private Funds Rules, ESG Proposed Rule and other proposed rules, to the extent adopted, are expected to result in material alterations to how Northwood operates its business and/or the Funds, as well as

Northwood's implementation of a Fund's investment strategy, to significantly increase compliance burdens and associated costs (which, to the extent permitted under the governing documents of the applicable Fund and consistent with applicable law, including the Private Funds Rules (once they become effective), will be treated as partnership expenses) and to possibly restrict the ability of Northwood to receive certain expense reimbursements or allocate certain expenses in certain circumstances. This regulatory complexity, in turn, may increase the need for broader insurance coverage by fund managers and increase such costs and expenses charged to the Funds and their investors, if permitted. Certain of the proposed rules may also increase the cost of entering into and maintaining relationships with service providers to Northwood and the Funds and may limit the number of service providers and/or costs of engaging with service providers, in a manner detrimental to Northwood or the Funds. In addition, these amendments could increase the risk of exposure of the Funds, the General Partners, and Northwood to additional regulatory scrutiny, litigation, censure and penalties for noncompliance or perceived noncompliance, which in turn would be expected to adversely (potentially materially) affect Northwood and the Funds' reputation and to negatively impact the Funds in conducting their businesses. There can be no assurance that the Private Funds Rules and any other new SEC rules and amendments will not have a material adverse effect on Northwood, the General Partners, the Funds, their investments and/or the limited partners or that such rules or amendments will not materially reduce returns to Fund investors.

## **25. Artificial Intelligence**

In the current period of rapid technological and commercial innovation, new businesses and technological developments in artificial intelligence, including machine learning technology such as ChatGPT (collectively, "AI Technologies"), may adversely affect Northwood, the General Partners, the Funds, and their investments, by altering the market practices that they have been designed to function within and by posing compliance and operational risks.

AI Technologies could pose conflicts of interest, including if particular technology favors (even subconsciously or inadvertently) Northwood's interests over the interests of the Funds or Northwood has an economic incentive to use AI Technologies to reduce its expenses despite limitations on their reliability. AI Technologies could also be misused by employees of Northwood, in contravention of its policies and guidelines, or by third parties. For example, a user may input confidential information of Northwood, the Funds, or the portfolio companies into AI Technology applications, resulting in such information becoming part of a widely accessible dataset. AI Technology's reliance on large amounts of data and algorithms also increases cybersecurity risks for Northwood, the Funds, and their portfolio companies.

AI Technologies and their current and future applications in the investment and financial sectors, as well as the legal and regulatory frameworks within which they operate, continue to rapidly evolve. Governments and regulatory authorities in multiple jurisdictions are implementing or considering laws or rules that regulate or restrict certain uses of AI Technologies. The costs of monitoring and responding to such laws and regulations, as well as the consequences of non-compliance, such as legal and regulatory investigations and enforcement actions, could have an adverse effect on Northwood, the Funds, and the portfolio companies. Such regulations could also reduce or delay societal use of AI Technologies, which could negatively impact the performance of certain of the Funds or their portfolio companies.

## **26. Role of the General Partners, Northwood and their Professionals**

Investors in the Funds place their entire commitments in the discretion of, and are dependent upon the skill and experience of, Northwood under the leadership of Mr. Kukral, Mr. Profenius and certain other Northwood key executives. The success of the Funds will depend in part upon the skill and expertise of Northwood's investment professionals and the management of portfolio companies. The interests of these professionals in Northwood and the carried interest should tend to discourage them from withdrawing from

participation in the Funds' investment activities. However, there can be no assurance that such professionals will continue to be associated with Northwood throughout the life of the Funds and a loss of the services of key personnel could impair Northwood's ability to provide services to the Funds.

## **27. Cybersecurity Risk**

Cybersecurity incidents, cyber-attacks, denial of service attacks, ransomware attacks and social engineering attempts (including business email compromise attacks) have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future (including as a consequence of the COVID pandemic and the increased frequency of virtual working arrangements). There have been a number of recent highly publicized cases involving the dissemination, theft and destruction of corporate information or other assets, as a result of a failure to follow procedures by employees or contractors or as a result of actions by a variety of third parties, including nation state actors and terrorist or criminal organizations. Northwood, the Funds, their portfolio companies, their service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions, and their operations rely on the secure access to, and processing, storage and transmission of confidential and other information in their systems and those of their respective third-party service providers. These information, technology and communications systems are subject to a number of different threats or risks that could adversely affect Northwood, the Funds, the limited partners and the portfolio companies. As part of its business, Northwood processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the Funds and personally identifiable information of their limited partners. Similarly, service providers of Northwood or the Funds, especially an administrator, may process, store and transmit such information. Northwood's and its portfolio companies' information and technology systems may be vulnerable to damage or interruption from computer viruses or other malicious code, ransomware attacks, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes, typhoons, earthquakes, wars, terrorist attacks and other similar events. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of Northwood's, the Funds', their portfolio companies', or their respective service providers' systems to disclose sensitive information in order to gain access to Northwood's, the Funds' or the portfolio companies' data or that of the limited partners. There also have been several publicized cases where hackers have requested ransom payments in exchange for not disclosing client or customer information or restoring access to information technology or communications systems. Measures designed to manage risks relating to these types of events cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for longer periods of time. If these systems are compromised, become inoperable for extended periods of time or cease to function properly, a Fund and/or portfolio company may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Northwood's, a Fund's and/or a portfolio company's operations 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). A cybersecurity incident could have numerous material adverse effects, including on the operations, liquidity and financial condition of a Fund. Cybersecurity incidents and cyber-attacks could cause financial costs from the theft of Fund assets (including proprietary information and intellectual property) as well as numerous unforeseen costs including, but not limited to, litigation costs, costs of responding to regulatory inquiries, settlement costs, compliance costs, preventative and protective costs, remediation costs and costs associated with reputational damage, any one of which, could be materially adverse to a Fund. Such a failure could harm Northwood's, a Fund's and/or a portfolio company's reputation, subject any such entity and its respective affiliates to legal claims and otherwise affect its business and financial performance. The service providers of Northwood and the Funds are subject to the same electronic information security threats as Northwood.

If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of a Fund and personally identifiable information of its limited partners may be lost or improperly accessed, used or disclosed.

## **28. Material, Non-Public or Price Sensitive Information**

By reason of their responsibilities in connection with their permitted other activities, Northwood and its affiliates may acquire confidential or material non-public or price sensitive information and therefore be restricted from initiating transactions in certain securities on behalf of a Fund and / or on behalf of other funds or accounts. It should also be noted that if a portfolio company of a Fund (or a portfolio company of any Other Fund (as defined below)) acquires confidential or material non-public or price sensitive information and is therefore restricted from initiating transactions in certain securities, then such Fund also may become restricted. Disclosure of such information to Northwood's personnel responsible for the affairs of a Fund may occur, and such Fund may not be free to act upon any such information. Due to these restrictions, a Fund may not be able to initiate a transaction that it otherwise might have initiated and may not be able to arrange for the sale and liquidation of all or any portion of a portfolio investment that it otherwise might have sold. Conversely, a Fund may not have access to material non-public information in the possession of Northwood which might be relevant to an investment decision to be made by such Fund, and such Fund may initiate a transaction or sell a portfolio investment which, if such information had been known to the relevant person, may not have been undertaken.

## **29. Potential Conflicts of Interest**

Investors and clients should be aware that there will be occasions when Northwood and its affiliates encounter potential conflicts of interest in connection with its advisory business. On any issue involving conflicts of interest, Northwood will be guided by its good faith judgment as to clients' best interests. If any matter arises that Northwood determines, in its good faith judgment, constitutes an actual conflict of interest, it will take such actions as may be necessary or appropriate to mitigate the conflict in a manner consistent with its fiduciary duty.

## **30. Capital Calls and Use of Subscription Lines**

The use of a subscription facility (or other long-term leverage) may present conflicts of interest as a result of certain factors, including that typically interest will accrue on any such outstanding borrowings at a rate lower than the rate of the preferred return, that the preferred return does not begin to accrue upon the incurrence of such borrowings, and that, except for borrowings that remain outstanding for an extended period of time (generally 90 days), the preferred return only begins to accrue on the date of capital contribution by limited partners to a Fund (i.e., the due date for the drawdown notice). As a result, the use of a subscription facility (or other long-term leverage) with respect to investments and ongoing capital needs of the Funds may reduce or eliminate the preferred return received by the limited partners and accelerate or increase distributions of carried interest to the applicable General Partners, providing such General Partners with an economic incentive to fund investments and ongoing capital needs of the Funds through subscription facilities (or other long-term borrowings) in lieu of capital contributions and to make distributions prior to repayment of such outstanding borrowings. Subject to the limitations in the Funds' limited partnership agreements, the use of a subscription facility (or other long-term leverage) by a Fund is within the applicable General Partner's discretion.

## **31. Valuation Matters**

There is no established market for private investment partnership interests, and there may not be any comparable companies for which public market valuations exist. Because there is significant uncertainty as

to the valuation of illiquid investments, the values of such investments may not necessarily reflect the values that could actually be realized by the Funds, and the difference could be material. Under certain conditions the Funds may be forced to sell investments at lower prices than they had expected to realize or defer – potentially for a considerable period – sales that they had planned to make. In addition, under limited circumstances, Northwood may not have access to all material information relevant to a valuation analysis with respect to an investment. As a result, the valuation of the Funds’ investments, and as a result the valuation of the interests themselves, may be based on imperfect information and is subject to inherent uncertainties.

The fair value of all investments or of property received in exchange for any investments will be determined by Northwood in accordance with the governing documents of the applicable Fund. The valuation of such investments will involve various determinations that entail judgment on the part of Northwood, the third-party sources from which Northwood obtains valuation information and third-party firms engaged to perform valuations with respect to investments. This will be the case in relation to the valuation of more liquid assets (if any) for which a market may exist, and also for less liquid and hard-to-value investments. It is expected to be necessary in certain circumstances to rely on models and/or make assumptions regarding various facts and circumstances that cannot be predicted or verified with certainty, particularly when valuing less liquid and hard-to-value investments. Methodologies used to value any investment will involve subjective judgments and projections and the resulting valuations may not be accurate. Valuation methodologies will also involve assumptions and opinions about future events, which may or may not turn out to be correct. Ultimate realization of the value of an asset depends to a great extent on economic, market and other conditions beyond Northwood’s control, including the type of market volatility characterizing the current economic environment. Accordingly, the carrying value of an investment may not reflect the price at which the investment could be sold in the market (or in a market with less volatility), and the difference between the carrying value and the ultimate sales price could be material. Generally, there will be no retroactive adjustment in the valuation of investment or the carried interest paid to the General Partner or management fees paid to Northwood to the extent any valuation proves to not accurately reflect the realizable value of an asset in the Fund, even if that retroactive adjustment would benefit the Fund and the limited partners.

Valuations are subject to determinations, judgments, and opinions of Northwood and other third parties or investors may disagree with such valuations. The valuation of investments by a Fund could, in certain circumstances, affect the decision of potential limited partners to subscribe for interests in another Fund. Similarly, the valuation of investments may also affect the ability of Northwood to form and attract capital to the Funds and/or to raise a successor fund to the Funds. As a result, there may be circumstances where Northwood is incentivized to determine valuations that may be higher than the actual fair value of investments. The valuation of investments of the Funds, which generally remains in the sole discretion of Northwood, involves conflicts.

The valuation of investments will affect the amount and timing of the General Partners’ carried interest and, under certain circumstances, the amount of management fees payable to Northwood. The valuation of partially realized or unrealized investments where the Funds have a residual interest in such investment may be zero or close to zero. Nevertheless, to the extent such investments are unrealized following the management fee “step-down” date, the management fees payable to Northwood will be based on capital contributions with respect to such investment. Furthermore, Northwood’s valuation methodologies may change over time and have subjective elements, including as to interpreting whether a write-off represents a complete write-off in value, or whether a security has become worthless. Although Northwood will make valuation determinations in accordance with the applicable partnership agreement and its valuation policies and procedures, the impact of such determination on carried interest and management fees payable to the General Partners or Northwood, as applicable, creates incentives on the part of the General Partners or Northwood to refrain from or delay in determining that an investment has been completely written off or is



worthless and to select and/or apply valuation methodologies in a manner that maximizes the amount of management fees and the carried interest the General Partners or Northwood receives. In addition, the management fee and/or carried interest terms of the Funds could incentivize Northwood to hold on to investments that are valued below cost and that have poor prospects for improvement, which determination generally remains in the sole discretion of Northwood. As a result, there are conflicts inherent in the valuation of investments that may not be resolved in favor of investors in the Funds. Although the General Partners and their affiliates intend to operate in accordance with the applicable Fund's limited partnership agreements, as well as valuation and other policies, practices and procedures, in order to mitigate the potential for subjectivity in making valuation determinations, there can be no assurance that such policies, practices and procedures will address all of the necessary factors to do so, or completely eliminate all potential conflicts of interest in such determinations, or that any such conflicts will be resolved in favor of a Fund or the limited partners thereof.

### **32. Effect of Carried Interest**

The existence of carried interest may create an incentive for Northwood to make investments that are riskier and more speculative than would be the case in the absence of such performance-based compensation although the significant financial commitment to the Funds by Northwood and its affiliates should tend to reduce this incentive.

### **33. Other Fees**

Except as set forth in *Item 5: Fees and Compensation*, the limited partners will not receive the benefit of certain fees received by Northwood and their affiliates from investments in connection with the purchase, monitoring or disposition of such investments or in connection with unconsummated transactions (e.g., transaction, directors', consulting, management, investment banking, closing, topping, break-up and other similar fees). Investors should note that the Funds' share of both fees paid to or received by Northwood or its affiliates in connection with investments or unconsummated transactions and property management fees is calculated after giving effect to the expenses of Northwood and such affiliates in connection with the transactions out of which such fees arose. Such expenses include, among other things, incentive compensation and profit participation paid to or received by employees of such affiliates in connection with such transactions, which amounts may be material. For purposes of determining any management fee offsets, any other fees that otherwise result in an offset will, before being allocated among the applicable General Partners and the limited partners, first be allocated among the Funds, any vehicle through which Northwood or its affiliates participate with respect to its co-investment rights, and any co-investment vehicle invested in such investment (in each case regardless of whether any such fund or vehicle pays a different or no management fee to Northwood).

### **34. Allocation of Expenses**

In the ordinary course of business, Northwood, the Funds and/or any co-investment vehicles or portfolio companies receive products or services from third parties (including those related to consummated or unconsummated investments and those related to sourcing of investments), the costs and expenses of which are allocable (in whole or in part) between or among Northwood and/or such funds, vehicles and/or portfolio companies.

In addition, fees, costs, and expenses related to expenses and fees charged or specifically attributed or allocated by Northwood or its affiliates to provide in-house legal, tax, accounting, reporting and portfolio monitoring services to the Funds and/or portfolio companies will, as with other expenses, be allocated to the Funds and/or other entities. Northwood generally will seek to allocate such expenses among those parties in the manner prescribed by the applicable governing agreements for the Funds and such other

vehicles and/or portfolio companies, and in cases where costs and expenses are properly allocable between or among multiple parties, the allocation would be done in a manner that Northwood considers to be fair and reasonable, taking into account factors such as the actual or estimated relative benefits to each applicable party of the expense-generating item (which may include consideration of the relative positions sizes in an expense-generating investment).

A conflict of interest could arise in Northwood's determination whether certain costs or expenses that are incurred in connection with the operation of the Funds meets the definition of partnership expenses for which the Funds are responsible, or whether such expenses should be borne by Northwood. The Funds will be reliant on the determinations of Northwood in respect of this analytical process, part of which is likely to involve making subjective determinations, and Northwood is conflicted in making such determinations. From time to time, it is possible that subsequent review of allocations could result in an identification of expenses that should have been allocated in a different manner, in which case measures would, as a general matter, be undertaken to correct such circumstance, which might include a reversal of the original expense allocations, if possible, or such other equitable adjustment determined by Northwood, in its discretion, to be the most appropriate corrective measure. There can be no assurance that allocation errors will not arise or that corrective measures will be possible in all circumstances.

### **35. Allocation of Investment Opportunities**

Northwood expects, from time to time, to be presented with other investment opportunities that fall within the investment objectives of the NREP Funds, Northwood Europe and any other fund, vehicle or account sponsored or managed by Northwood (an "Other Fund"), and, in such circumstances, Northwood will allocate such opportunities among the NREP Funds, Northwood Europe and such Other Fund on a basis that it reasonably determines in good faith to be fair and reasonable taking into account all factors Northwood deems relevant, including the sourcing of the transaction, the nature of the investment focus of each such other investment fund, the relative amounts of capital available for investment, the nature and extent of involvement in the transaction on the part of the respective teams of investment professionals, any requirements contained in the governing documents of such other funds and other considerations deemed relevant by Northwood in good faith.

Investors should note that Northwood may establish other funds with investment objectives, mandates and policies that are substantially similar to those of the NREP Funds. As the NREP Funds have reached "full investment" (as defined in the limited partnership agreements of the NREP Funds), the limitations set forth in the NREP Funds' limited partnership agreements in respect of competing funds no longer apply, and any Other Fund will not be treated as a competing fund.

In April 2017, Northwood entered into a definitive agreement with an institutional investor for a core/core-plus Separate Account mandate to advise on U.S. retail and office investments. The Separate Account mandate is non-discretionary and will target investments with a significantly lower cost of capital and longer hold periods than those of the Funds (thereby making them inappropriate for the Funds). Northwood may allocate investment opportunities to the Separate Account mandate based on the anticipated targeted returns or projected hold periods based solely on Northwood's expectations at the time such investments are made. However, there can be no assurance that the actual returns from such investments will be in line with such targets or that the investments will be held for the projected hold period, and such investments may as a result prove to have been suitable for the Funds. Furthermore, although not expected, in the event that Northwood identifies investment opportunities that fall within the common objectives and guidelines of the Funds and the Separate Account mandate, such investment opportunities will generally be allocated among the Funds and the Separate Account mandate in accordance with the foregoing paragraphs.

### **36. Allocation of Personnel**



Northwood and its affiliates will devote as much of their time to the activities of the Funds as shall be reasonably necessary to conduct the business affairs of the Funds in an appropriate manner. In addition, Northwood personnel routinely work on other projects, including Other Funds. Such personnel also may serve as members of the boards of directors of various entities other than portfolio companies. These activities could be viewed as creating a conflict of interest in that the time and effort of the members of Northwood and its affiliates and their officers and employees will not be devoted exclusively to the business of the Funds but will be allocated between the business of the Funds and the management of the Other Funds.

### **37. Hedging Policies / Risks**

In connection with the acquisition, holding, financing, refinancing or disposition of certain portfolio investments, the Funds may employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices, and currency exchange rates. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks. Thus, while the Funds may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices, or currency exchange rates may result in a poorer overall performance for the Funds than if it had not entered into such hedging transactions. The General Partner may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because it does not foresee the occurrence of the risk. The successful utilization of hedging and risk management transactions requires skills that are separate from the skills used in selecting and monitoring investments.

### **38. Derivatives**

The Funds may invest in certain kinds of derivative instruments (e.g., Commercial Mortgage-Backed Securities Indexes, options contracts, futures contracts, options on futures contracts, forward contracts, interest rate swaps, total return swaps, credit default swaps and other swap agreements). Investing in derivative instruments presents various risks, including lack of liquidity and risks of purchasing outside of an exchange. Derivative instruments, especially when purchased in large amounts, may not be liquid in all circumstances, so that in volatile markets the Funds may not be able to close out a position without incurring a loss. The use of derivative instruments involves investment risks and transaction costs to which the Funds would not be subject absent the use of these instruments. The prices of derivative instruments, including swaps, futures, forwards and options, are highly volatile and such instruments may subject the Funds to significant losses. The value of such derivatives also depends upon the price of the underlying instrument or commodity. Such derivatives and other customized instruments are also subject to the risk of non-performance by the relevant counterparty. In addition, actual or implied daily limits on price fluctuations and speculative position limits on the exchanges or over-the-counter markets in which a Fund may conduct its transactions in derivative instruments may prevent prompt liquidation of positions, subjecting such Fund to the potential of greater losses. Derivative instruments that may be purchased or sold by a Fund may include instruments not traded over-the-counter or on an exchange. The risk of nonperformance by the obligor on such an instrument may be greater and the ease with which a Fund can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange-traded instrument. In addition, significant disparities may exist between “bid” and “asked” prices for derivative instruments that are traded over-the-counter and not on an exchange. Such over-the-counter derivatives are also subject to types and levels of investor protections or governmental regulation that may differ from exchange traded instruments.

### **39. Investing in Different Parts of the Capital Structure of the Same Issuer**

In the event that a Fund invests in a portfolio company in which an Other Fund, or a portfolio company thereof, has made or is concurrently making a different principal investment (e.g., in different parts of the

capital structure), such funds and/or portfolio company will likely have conflicting interests (e.g., over the terms of their respective investments and with respect to the timing of dispositions). In such cases, actions may be taken for the benefit of a Fund that may be adverse to the Other Fund, and vice versa. In connection with such shared investments, Northwood will generally seek to implement certain procedures to mitigate such conflicts of interest, including, when appropriate, causing the relevant fund to recuse itself from participating in any decisions related to equity or debt securities and/or other obligations held by the other fund, including in each case with respect to actions and/or decisions with respect to defaults, foreclosures, workouts, restructurings and/or exit opportunities.

**C. Material Risks of Investing in a Particular Type of Securities**

See Item 8.B. above.

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**Item 9: Disciplinary Information**

Since its inception, neither Northwood nor any supervised person has been involved in any legal or disciplinary event that would be material to a client or investor's evaluation of Northwood or its services.

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**Item 10: Other Financial Industry Activities and Affiliations**

**A. Broker-dealer Registration**

Neither Northwood nor any of its management persons is registered or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

**B. Registration as a Futures Commission Merchant, Commodity Pool Operator or a Commodity Trading Advisor**

Neither Northwood nor any of its management persons is registered or has an application pending to register as a futures commission merchant, commodity pool operator or a commodity trading advisor.

**C. Material Relationships**

Northwood's material relationships with the following types of related persons are described below:

- 1. Broker-dealer, municipal securities dealer or government securities dealer or broker.**  
None.
- 2. Investment companies or pooled investment vehicles**  
None.
- 3. Other investment advisor or financial planner**  
None.
- 4. Futures commission merchant, commodity pool operator, or commodity trading advisor**

None.

**5. Banking or thrift institution**

None.

**6. Accounting or accounting firm**

None.

**7. Lawyer or law firm**

None.

**8. Insurance company or agency**

None.

**9. Pension consultant**

None.

**10. Real estate broker or dealer**

None.

**11. Sponsor or syndicator of limited partnership**

Northwood organizes and sponsors the Funds, which are private investment companies. These pooled investment vehicles managed by Northwood are controlled by affiliated General Partner entities (“GP Entities”). Northwood or the GP Entities will be responsible for all decisions regarding portfolio transactions of the Funds and have full discretion over the management of the Funds’ investment activities. Northwood and the GP Entities generally share common owners, officers, partners, employees, or persons occupying similar positions.

**D. Other Investment Advisors**

Northwood does not recommend or select other investment advisors for its clients.

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

**A. Code of Ethics**

Northwood has adopted a written Code of Ethics (the “Code”) designed to identify and mitigate potential conflicts of interest, as required under Rule 204A-1 of the Advisers Act.

This rule requires Northwood to adopt a code of ethics that sets forth a standard of business conduct reflecting the fiduciary obligations of Northwood and its supervised persons.

Northwood's Code requires, among other things, that employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, investors, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession and the interests of clients above their own personal interests;
- Adhere to the fundamental standard that employees should not take inappropriate advantage of their position;
- To the extent practicable, avoid or disclose any conflicts of interest that are material to investors and clients;
- Conduct all personal securities transactions in a manner consistent with the Code;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect favorably on employees and the profession; and
- Abide by the requirements contained in the Advisers Act, as amended, and rules thereunder, as well as applicable provisions of the securities laws.

Northwood's Code prohibits employees who have access to non-public information and who are involved in making investment recommendations from trading in certain securities and also requires employees to: (1) pre-clear certain personal securities transactions; (2) report personal securities transactions on at least a quarterly basis; and (3) provide Northwood with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest.

#### **B. Securities in Which Northwood or a Related Person has a Material Financial Interest**

Due to its relationship with the Funds' and CMBS Funds' General Partners and underlying financial interests, Northwood effectively recommends to clients, or buys or sells for client accounts, securities in which it has a material financial interest.

#### **C. Investments by Northwood and Related Persons in the Same Securities Recommended to Clients**

Northwood and its affiliated General Partners have material investments in the Funds and CMBS Funds. Therefore, Northwood is considered to participate in transactions effected for the Funds and CMBS Funds. Northwood does not believe this arrangement presents any material conflict of interest since Northwood's interests and its employees' interests are aligned with those of Northwood's investors.

**D. Simultaneous Purchases and Sales of Securities by Clients and Northwood or a Related Person.**

See Item 11.C. above.

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**Item 12: Brokerage Practices**

**A. Selecting or Recommending Broker-Dealers for Client Transactions**

Northwood primarily invests in privately negotiated real estate transactions, with the brokerage terms of such transactions largely influenced by the counterparty and the availability of brokers capable of successfully executing such transactions. Northwood seeks to execute transactions in the best interest of the participating Funds and CMBS Funds, considering various factors such as the size, competence, and availability of brokers in addition to cost.

The Funds and client accounts do not typically engage in securities trading, with the limited exception of CMBS Funds, but have done so in the past and may do so again in the future. To the extent Northwood selects a broker or dealer with respect to securities transactions, each executing broker or dealer will be selected on the basis of best execution of transactions. Northwood may use unaffiliated brokers, which are selected on the basis of: (i) the reasonableness of such brokers' commissions relative to others offering similar services; and (ii) the ability of such brokers to obtain best execution. Not all portfolio transactions require or involve a broker-dealer. When it is deemed necessary or appropriate to involve a broker-dealer in portfolio transactions for the Funds, such transactions will be allocated to brokers and dealers on the basis of Northwood's best execution policies. The factors considered in selecting and approving brokers-dealers that will be used to execute trades for a Funds accounts include, but are not limited to: (i) the reasonableness of the broker-dealer's commissions relative to others offering similar services; (ii) the ability of such broker-dealer to execute a transaction efficiently and appropriately; (iii) the broker-dealer's general expertise and background; (iv) the type and size of the transaction involved; (v) the stability or solvency of the service provider or counterparty; (vi) settlement capabilities; (vii) time required to complete the role sought; and (viii) research services or any arrangements relating to overall performance in the best interest of the client.

**1. Research and Other Soft Dollar Benefits**

Northwood accepts only proprietary research from the brokers and does not enter into any formal soft dollar arrangements whereby it receives research or any other benefit from third parties. Research services received from brokers and dealers are supplemental to Northwood's own research effort. To the best of Northwood's knowledge, these services are generally made available to all institutional investors doing business with such broker-dealers. Northwood does not separately compensate such broker-dealers for the research and does not believe that it "pays-up" for such broker-dealers' services due to the difficulty associated with the broker-dealers not breaking out the costs for such services.

**2. Brokerage for Client Referrals**

Northwood does not currently receive referrals of prospective investors from brokers or other third parties.

**3. Directed Brokerage**

Northwood does not direct brokerage in exchange for referrals from broker-dealers.

## **B. Aggregating Purchase and Sale of Securities for Various Client Accounts.**

There are limited circumstances under which Northwood would engage in transactions for publicly traded securities on a public exchange. In such instances, orders for the same security entered on behalf of more than one client would generally be aggregated (i.e., blocked or bunched) subject to the best interests of any participating clients. Each client participating in aggregated order would receive the average price and pay a pro-rata portion of commissions and any other expenses associated with the transaction.

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## **Item 13: Review of Accounts**

### **A. Periodic Review of Accounts**

Northwood's investment professionals source, manage, and dispose of the Funds' real estate investments. Northwood's Investment Committee generally meets weekly to review and approve potential investment opportunities, as well as disposition strategies for existing investments. The Property Management Affiliates are responsible for overseeing the day-to-day operations and management of investments with respect to which they have been engaged and are in regular contact with Northwood investment professionals and members of the Investment Committee regarding the business plans for the investments.

### **B. Review Triggers**

Northwood investment professionals and the Property Management Affiliates review investments on a continuous basis.

### **C. Reports to Clients**

#### **The Funds**

The investors in the Funds receive unaudited financial statements quarterly, audited financial statements annually, and such other information as is necessary for the preparation of tax returns.

The Funds hold a combined annual meeting of investors to review the status of the Funds and their investments.

Northwood also distributes special information to investors upon request. The content and format of these special requests varies based on the request. Certain investors have the right to obtain, or may request, information relating to a Fund or CMBS Fund and, to the extent such information is readily available or may be obtained without unreasonable effort or expense, Northwood generally will provide such investors with the requested information. Northwood accommodates such requests as long as it does not provide the requesting investor with an actionable information advantage over other limited partners.

#### **Separate Account**

Northwood and the owners of the Separate Account have agreed to the form and frequency with which reporting is provided. This is agreed to in a written advisory agreement and/or supplementary documents drafted at the outset of the advisory relationship.

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

### **A. Economic Benefits for Providing Investment Advice or Other Advisory Services**

#### **1. Discounted Rates**

Under certain circumstances, Northwood, its employees, and affiliates may receive discounts on the use of assets owned by the Funds. For example, a Northwood employee may be able to stay at a Fund-owned hotel property at a discounted rate. Discounted rates are similar to those that would be available to employees of the property. Further, discounts are only offered opportunistically, based on room availability after meeting the demand of full fee-paying guests.

#### **2. Occupancy of Fund-Owned Assets**

There are instances where Northwood, or a Northwood affiliate, may occupy office space within a Fund-owned office building. While this arrangement could be viewed as a conflict, Northwood does not believe it is as any space occupied by Northwood or an affiliate is paid for by Northwood, not the Funds, and is billed at a rate consistent with those charged to unaffiliated occupants.

### **B. Compensation for Client Referrals**

Northwood occasionally compensates third parties for the referral of clients and uses one or more placement agents for introductions to new Fund investors. Fees paid to placement agents, to the extent borne by limited partners in a Fund, are applied as a 100% offset to the management fees payable by such Fund to Northwood. From time to time, Northwood also compensates such third parties and/or placement agents, as applicable, for the referral of clients to the Separate Account. Fees paid to such third parties and/or placement agents do not offset the management fee payable by the owners of the Separate Account to Northwood.

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## **Item 15: Custody**

As Northwood sponsors the Funds and its affiliates serve as the General Partners to the Funds, Northwood is deemed to have custody of client assets.

Northwood's investments are primarily physical assets in the form of buildings or land. The ownership of such assets is typically perfected through legal documents filed with government agencies in the relevant jurisdictions where the structures are located. Such legal documents are not required to be held by a qualified custodian. Northwood is deemed to have custody of cash and securities, both of which are held by an independent, qualified custodian.

To comply with the reporting requirements of Rule 206(4)-2 and to provide meaningful protection to investors, each Fund is subject to an annual audit by an independent, Public Company Accounting Oversight Board ("PCAOB")-registered public accountant. Northwood distributes Generally Accepted Accounting Principles-compliant audited financial statements to its investors within 120 days of the end of its fiscal year. To date, Northwood has never had a qualified opinion to its audits or had a restatement of its financial statements.

Northwood does not have custody over the Separate Account and the entities associated with that relationship are subject to an annual audit by an independent, PCAOB-registered public accountant.

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**Item 16: Investment Discretion**

Northwood provides investment advice to the Funds on a discretionary basis. An affiliate of Northwood, usually the General Partner, accepts discretionary investment authority for each Fund. Generally, this discretion is subject only to the investment guidelines set forth in the governing fund documents.

Northwood provides investment advice to the Separate Account on a non-discretionary basis.

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**Item 17: Voting Client Securities**

To the extent clients hold any voting securities, Northwood has the sole authority to direct the voting of such securities. In every instance, Northwood would vote such interests in the best economic interests of the client beneficially owning the voteable securities. When voting securities, Northwood considers relevant facts, which include, among many others, the impact on the value of the securities, the anticipated economic and non-economic costs and benefits associated with a proposal, the effect on liquidity, and customary industry and business practices. Northwood may decline to vote proxies if it determines that the cost of voting the proxy exceeds the expected benefit to clients. Clients and investors will be provided a copy of Northwood's proxy voting policies and procedures upon request.

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**Item 18: Financial Information**

Northwood does not require or solicit prepayment of fees six months or more in advance and is not subject to any financial condition that is reasonably likely to impair its ability to meet contractual commitments to provide on-going advisory services to clients.