

Form ADV Part 2A: Firm Brochure

Harbor Group International, LLC

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This brochure provides information about the qualifications and business practices of Harbor Group International, LLC and its affiliates. If you have any questions about the contents of this brochure, please contact Christopher R. Gruszczynski, Chief Compliance Officer at CCO@harborg.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Harbor Group International, LLC and its affiliates is also available on the SEC's website at: www.adviserinfo.sec.gov.

Any reference to Harbor Group International, LLC as a “registered investment adviser” or as being “registered,” does not imply a certain level of skill or training.

Item 2: Material Changes

This brochure has been updated from the last firm brochure dated July 2023 to include updated risk factors, certain routine updates, and other changes seeking to improve and clarify the description of business practices, risk factors, compliance policies and procedures, and respond to evolving industry best practices.

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Item 4: Advisory Business

For purposes of this brochure, “HGI” means Harbor Group International, LLC, a Delaware limited liability company, and its relying advisers, HGGP Capital IX, LLC (“HGGP Capital IX”), HGGP Capital X, LLC (“HGGP Capital X”), HGGP Capital XI, LLC (“HGGP Capital XI”), HGGP Capital XII, LLC (“HGGP Capital XII”), and HGGP Capital XIII, LLC (“HGGP Capital XIII”), each a Virginia limited liability company, HGGP Capital XIV, LP (“HGGP Capital XIV”), HGGP Capital XV, LP (“HGGP Capital XV”), HGGP Capital XVI, LP (“HGGP Capital XVI”), and HGGP Capital XVII, LP (“HGGP Capital XVII”) each a Delaware limited partnership, together (where the context permits) with its affiliated general partners and/or managers of each Client (as defined below) and other affiliates that provide advisory and other services to, and/or receive advisory and other fees from, the Clients and/or the Clients’ investments. Such affiliates are typically under common control with Harbor Group International, LLC, and/or may have substantially identical personnel and/or equity owners as Harbor Group International, LLC. These affiliates may be formed for regulatory, tax, or other purposes in connection with the organization of the Clients or may serve as general partners and/or managers of the Clients (collectively, the “General Partners”).

The HGI real estate management and investment platform launched in the mid-1980s and the name Harbor Group International, LLC was adopted in 1998. Through a series of joint ventures and recapitalizations, the business evolved and is now a Delaware limited liability company which was formed in 2007 and is wholly owned by HGI Holdings, LLC. HGGP Capital IX was formed in 2013, HGGP Capital X was formed in 2015, HGGP Capital XI was formed in 2016, HGGP Capital XII was formed in 2017, HGGP Capital XIII was formed in 2018, HGGP Capital XIV was formed in 2019, HGGP Capital XV was formed in 2021, HGGP Capital XVI was formed in 2022, and HGGP Capital XVII was formed in 2023. Jordan E. Slone has a direct and/or indirect ownership interest of approximately 25% or more of each of HGI Holdings, LLC, HGGP Capital IX, HGGP Capital X, HGGP Capital XI, HGGP Capital XII, HGGP Capital XIII, HGGP Capital XIV, HGGP Capital XV, HGGP Capital XVI, and HGGP Capital XVII.

HGI provides discretionary advisory services to privately offered investment vehicles, typically structured as limited partnerships and limited liability companies, that are exempt from registration as investment companies under U.S. law by virtue of Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act of 1940, as amended (the “1940 Act”) and whose securities are not registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) (such vehicles, the “Funds”). In addition, HGI provides discretionary advisory services to other privately offered investment vehicles that invest in real estate properties and real estate-related financial instruments (including debt and preferred equity investments backed by real estate properties and real estate related structured debt investments) which are not deemed to be investment companies under the 1940 Act (such vehicles, together with the Funds, the “Clients”). Investment advice is provided directly to the Clients and not individually to the limited partners or members of the Clients (the “Investors”). HGI also provides investment advice to privately offered pooled investment vehicles that hold only real estate (the “Real Estate Accounts”). Because the Real Estate Accounts do not hold securities, HGI is not subject to the Investment Advisers Act of 1940, as amended (the “Advisers Act”) with respect to the Real Estate Accounts and only complies with the Advisers Act with respect to the Clients.

In providing services to the Clients, HGI formulates each Client's investment objectives, and directs and manages the investment of each Client's assets. HGI manages the assets of the Clients in accordance with the terms of each Client's applicable confidential offering and/or private placement memorandum, individual limited partnership or operating agreement, and side letter agreements negotiated with Investors, (collectively, a Client's "Governing Documents"). Client terms are generally established at the time of the formation of the Client, subject to amendment, and are only terminable once the applicable Client is dissolved.

HGI is responsible for identifying investment opportunities for the Clients, as well as facilitating the acquisition, monitoring, and disposition of each of the Clients' investments. Certain Clients are organized into a structure comprised of parallel Clients, which may include entities formed for Investors to invest through such parallel Clients (collectively, the "Parallel Funds"). The Parallel Funds include related entities formed and managed by a General Partner or an affiliate thereof to facilitate certain Investors' investments into one or more of such Parallel Funds. Parallel Funds generally invest in assets side-by-side based upon capital commitments. Generally Parallel Funds are established to accommodate specific compliance, legal, regulatory, tax, or other needs of certain Investors and may be organized in a variety of jurisdictions. In addition, HGI may consider the formation of Clients or other structures including, but not limited to, separate accounts and management agreements that have investment objectives that may differ from the Governing Documents of other Clients.

HGI's objective is to generate income and capital appreciation through the selective acquisition of income-producing real estate properties and financial investments supported by real estate properties subject to certain limitations described in the Governing Documents, and further subject to the availability of sufficient capital and suitable investment opportunities.

As of December 31, 2023, HGI and its affiliates managed on a discretionary and non-discretionary basis approximately \$19 billion in assets consisting of real estate related investments held for investment purposes.¹ Of this amount, HGI had approximately \$3.8 billion (inclusive of HGGP Capital IX, HGGP Capital X, HGGP Capital XI, HGGP Capital XII, HGGP Capital XIII, HGGP Capital XIV, HGGP Capital XV, HGGP Capital XVI, and HGGP Capital XVII) in assets under management on behalf of the Clients, all of which are managed on a discretionary basis.

Item 5: Fees and Compensation

Advisory Fees.

As compensation for investment supervisory services rendered to certain Clients, HGI and/or its affiliates receive(s) from each such Client an advisory fee (each, an "Advisory Fee") typically calculated based on invested capital with respect to such Client. The precise amount of, and the

¹ These assets under management refer to the value of all real estate-related assets with respect to which HGI and its affiliates provides oversight, investment management services and other advice, and which generally consist of investments in real estate; equity in funds; securities portfolios; and operating companies. This assets under management calculation may differ from the calculations of other advisers.

manner and calculation of, the Advisory Fee for each such Client are established by HGI and are set forth in such Client's Governing Documents. The Advisory Fees and other fees and distributions described herein are generally subject to modification, waiver, or reduction by HGI in its sole discretion, both voluntarily and on a negotiated basis with selected Investors via side letters and other arrangements, which, to the extent permitted by applicable law, may not be disclosed to other Investors in the same Client. The fee structures described herein may be modified from time to time. Fees may differ from one Client to another, as well as among Investors in the same Client.

Manager's Interest; Carried Interest.

Certain affiliates of HGI serve as the manager of HGI-controlled Clients and/or affiliated holding companies and receive a membership interest in each such Client or holding company without making any cash equity contribution in such entity, thereby diluting the ownership interest of those Investors that do make the cash equity contributions required in connection with the related property investment. With respect to such Clients, HGI affiliates typically receive distributions from such equity interests to the extent defined performance thresholds are achieved.

In addition, HGI affiliates may be eligible to receive a portion of the profits of certain Clients as incentive compensation from the Clients' investments as "carried interest" (the "Carried Interest") to the extent defined performance thresholds are achieved. Each General Partner of a Client is a related person of HGI. Carried Interest paid by a Client is indirectly borne by the Investors in such Client. Certain Clients and Investors may incur lower or no Carried Interest.

Real Property Related Fees and Expenses.

In connection with investments by the Clients and/or holding companies controlled by HGI, various fees are typically payable to HGI and/or its affiliates when they are retained as a Service Provider (as defined below) to a property in connection with services including the acquisition, management, refinancing and sale of such real estate properties and investments, as described below in further detail:

Asset Management Fee. HGI is paid an annual asset management fee in connection with each HGI controlled real estate property, which is generally up to 1.25% of the annual collection revenues received by such property for the services of developing and implementing the business plans for the property, supervising and directing the property management companies, reviewing the monthly financial statements and annual budgets and making recommendations with respect thereto, monitoring operations via visits to the investments, and making recommendations regarding capital improvements and capital transactions such as sales or refinancings. Asset management fees are collected either monthly or quarterly. Asset management fees are indirectly borne by the Investors. The asset management fee arrangement is detailed in the applicable Governing Documents of each Client received by each Investor prior to an investment in such Client. At the discretion of each Client's General Partner, the asset management fee may be reduced, waived, or modified, both voluntarily and on a negotiated basis with selected Investors via side letters and other arrangements, which, to the extent permitted by applicable law, may not be disclosed to other Investors in the same Client. The fee structures described herein may be modified from time to time. Fees may differ from one Client to another, as well as among Investors

in the same Client. In addition, HGI may enter into economic and/or other fee sharing arrangements with respect to one or more Clients and/or certain Investors thereof, the rights of which will generally not be offered to other Investors.

Acquisition Fees. In connection with the acquisition of each HGI real estate property, HGI will typically be paid, in cash at closing, an acquisition fee up to 1.75% of the purchase price of the property for identifying the property, developing financial models regarding the projected future financial performance of the property, negotiating the related purchase contract, directing due diligence, obtaining and negotiating mortgage financing for the property, and coordinating with legal counsel and other third parties to close the acquisition. HGI determines the amount of an acquisition fee based upon various factors in its sole discretion, including, without limitation, the complexity and size of the transaction.

Refinancing Fees. In connection with any refinancing of the debt securing any HGI controlled real estate property, HGI is typically paid in cash at closing of such refinancing a refinancing fee equal to a percentage up to 1.0% of the amount of the gross loan proceeds for identifying the mortgage lender, negotiating financing terms, negotiating loan documents, and coordinating with legal counsel and other third parties to close the refinancing. HGI determines the amount of a refinancing fee based upon various factors in its sole discretion, including, without limitation, the complexity and size of the transaction and the overall financial performance of the applicable property.

Disposition Fees. In connection with any sale of an HGI controlled real estate property, HGI is typically paid in cash at closing a disposition fee, generally equal to a percentage up to 1.0% of the aggregate sales price of the property for its services in connection with such disposition, including selecting a broker to market the property, working with the broker on the preparation of investment sales materials, working with onsite staff at the property during due diligence by potential buyers, reviewing purchase offers, negotiating purchase contracts and coordinating with legal counsel and other third parties to close the disposition. HGI determines the amount of a disposition fee based upon various factors in its sole discretion, including, without limitation, the complexity and size of the transaction and the overall financial performance of the applicable property.

Property Management Fees and Expenses. An HGI affiliate or a third-party non-affiliated property management firm is typically engaged to provide property management services, including the management, operation, and maintenance of the property. On a monthly basis, property managers are typically paid a property management fee equal to a percentage of the gross revenues received by the property (the "Property Management Fee").

Property managers are also paid fees for providing a centralized call and processing center with respect to property-level activities. An HGI affiliate provides centralized periodic training opportunities for property management employees and charges a fee for those trainings for each property, per training. Additionally, the property manager will be reimbursed for certain property-related expenses and costs, including the payroll costs associated with property personnel (including all salary, bonus, benefit costs (including vacation time and sick leave), travel, meals and other overhead costs associated with such personnel).

The property manager is also typically paid a wind down fee (a “Wind Down Fee”) upon disposition of the property, which is generally equal to a multiple of the average amount of the Property Management Fees paid for the trailing three-month period ending immediately prior to the closing of the disposition.

For the avoidance of doubt, an HGI affiliate may charge Property Management Fees with respect to properties acquired via foreclosure.

Also, during the due diligence process of acquiring a property, travel for certain property management personnel may be reimbursed by the property.

Subject to the requirements set forth under “*Market Rate Check*” below, HGI periodically determines the percentage of a Property Management Fee and the amount of the Wind Down Fee based upon various factors in its sole discretion, including, without limitation, the complexity and size of the applicable property.

Construction Management Fees. An HGI affiliate or a third party non-affiliated professional construction management firm is typically engaged to provide construction management services, including the development of capital budgets and a capital improvement timeline with respect to a property, negotiating and executing contracts with design professionals and other third-party vendors, and engaging in project and risk management. In exchange for such construction services, the construction manager will typically be paid a fee equal to a percentage of the total capital expenditures deployed and will be reimbursed for certain construction services-related expenses and costs, including the travel expenses of construction management personnel, as well as meals and other overhead costs associated with such personnel (the “Construction Management Fee”). Subject to the requirements set forth under “*Market Rate Check*” below, HGI periodically determines the percentage of a Construction Management Fee based upon various factors in its sole discretion, including, without limitation, the complexity and size of the capital improvement plan of the applicable property.

Leasing Commissions. An HGI affiliate or an unaffiliated third party may be engaged to provide certain leasing services with respect to certain commercial properties. In exchange for such leasing services, HGI and/or its affiliates are typically paid a commission equal to a percentage of the value of the lease (the “Leasing Commissions”). Subject to the requirements set forth under “*Market Rate Check*” below, HGI periodically determines the percentage of the Leasing Commission based upon various factors in its sole discretion.

Shared Services Fees. In addition to Property Management Fees and Construction Management Fees, an HGI affiliate may also enter into a management services agreement for certain properties for purposes of providing services which HGI determines could otherwise be outsourced for that particular property and for which HGI believes that an HGI affiliate can provide the service on a more efficient and/or customized basis (“Shared Services”). Shared Services encompass a wide variety of services and typically include, among other things, help desk support, payroll management/processing, human resource administration and rental and amenity rate pricing management and analysis. For the avoidance of doubt, the foregoing is not an exhaustive list of Shared Services and HGI evaluates the needs of each property on a property-by-property basis. In

exchange for the delivery of such Shared Services, an HGI affiliate is typically paid a monthly fee (the “Shared Services Fee”). Subject to the requirements set forth under “*Market Rate Check*” below, HGI periodically determines the Shared Services Fees considering the types of services provided by an HGI affiliate, the type of property, the number of units and other various factors in its sole discretion.

Ancillary Property Services Fees. In addition to Property Management Fees, Leasing Commissions, Construction Management Fees, Shared Services Fees, and any other fees described herein, an HGI affiliate may provide certain other services for properties, which services HGI determines could otherwise be outsourced for that particular property and for which HGI believes that the HGI affiliate can provide the service on a more efficient and/or customized basis (“Ancillary Property Services”). Ancillary Property Services typically include the provision of laundry and cable services, although (for the avoidance of doubt) the foregoing is not an exhaustive list of Ancillary Property Services and HGI will evaluate the needs of each property on a property-by-property basis. In exchange for the delivery of such Ancillary Property Services, the HGI affiliate is typically paid fees on a monthly or other basis (the “Ancillary Property Services Fees”). Subject to the requirements set forth under “*Market Rate Check*” below, HGI periodically determines the Ancillary Property Services Fees taking into account the type of service provided by the HGI affiliate, the type of property, the number of units and other various factors in its sole discretion.

In-House Professional Fees. An HGI affiliate is also entitled to fees and/or reimbursements of payroll expenses from an investment property or a Client in exchange for certain services which would otherwise be outsourced for a property and/or with respect to certain other investments (principally, legal, tax, accounting and highly specialized maintenance services) which the HGI affiliate’s professionals and personnel can provide on a more efficient, timely and/or customized basis (“In-House Professional Fees”). The amount of In-House Professional Fees or fee rates paid by a property or a Client for such services is based upon a methodology periodically determined by HGI in its good faith but sole discretion, which will generally be based on an hourly fee or fee rate charged with respect to the particular in-house professional. Any fees charged by a Service Provider will not specifically reflect the cost incurred by the applicable Service Provider and therefore result in a profit to the HGI affiliate. In addition, certain Service Providers will be reimbursed for expenses incurred by such Service Provider.

Legal services include in-house litigation management of landlord-tenant disputes, vendor issues, code violations, personal injury matters, employee disputes, and similar matters, as well as supervision of defense counsel, discovery, depositions, and legal research as needed.

With respect to certain Clients, an affiliate of HGI is also entitled to receive fees for certain tax and financial reporting services to the Clients. Tax and financial reporting services include performing annual tax estimates for Investors, managing and responding to tax notices, tax structuring of deals, preparing GAAP and IFRS financial statements, evaluating technical accounting issues related to the investment vehicles, and coordinating with independent accounting firms to prepare income tax filings, and to audit, review, or compile annual financial statements.

Technical services include strategic and senior management oversight for the maintenance, repair, and capital systems improvements for the properties, along with direct support and hands-on inspection, analysis, and repair expertise to the commercial property operations where building

engineering is handled in-house, as well as technical services relating to the formation and ongoing operations of investment vehicles. Subject to the requirements set forth under “*Market Rate Check*” below, HGI periodically determines the hourly rate for In-House Professional Fees based upon various factors in its sole discretion.

“Tenancy in Common” Structuring Fees. In connection with the preparation of a “tenancy in common” investment structure relating to an investor’s purchases of direct real estate interests in HGI-sponsored investments through a tenancy in common, the investment property is typically paid both a one-time fee and an annual fee to offset certain organization and accounting costs as well as to defer certain costs of ongoing tax reporting requirements (together, the “TIC Fee”) directly by the tenant in common investor. At the outset of each investment, the one-time TIC Fee is paid to the investment property. An ongoing fee is charged to the tenant in common investor annually by the investment property. This TIC Fee is intended only as an approximation for the costs incurred with respect to such services and may result in a profit to the investment property. In certain situations, the investment property may bear some or all of the “tenancy in common” expenses instead of the tenant in common investor.

Title Insurance Fees. HGI holds a minority interest in Waterside Title Agency, LP which is frequently engaged by HGI affiliated property owners to provide title insurance services. The financial benefit HGI receives from such engagement (in connection with the acquisition of a property, but not in connection with a refinancing or disposition thereof) is typically shared with each property owner on a 50%/50% basis.

Mezzanine / Preferred Equity / Structured Debt Investments Related Fees.

HGI receives investment fees at closing related to certain credit investments (the “Investment Fee”). Depending on the type of investment, the Investment Fee charged is typically up to 5% of the par value of the investment or the purchase price. Investment Fees are payable for HGI’s services in connection with sourcing the investment and negotiating investment terms, performing due diligence, negotiating legal documents, and working with legal counsel and other third parties to close the investment. A portion of the Investment Fee may be deferred and paid to HGI in the form of an “exit fee” at the time of the repayment of the investments.

HGI receives an annual asset management fee generally in the range of 0.75% - 1.5% of the then principal amount or outstanding principal value of the investment. With respect to loans, the annual asset management fee is calculated on the par balance of the loan or loan pool, less associated financing outstanding. Asset management fees are payable in connection with HGI’s performance of certain ongoing services after making the investment, including, as applicable:

- monitoring the investment and underlying properties;
- communicating with loan servicers, loan syndicate investors, trustees, and other creditors/investors;
- performing property visits and communicating with property owners as needed;
- in the event of a contractual obligation or other default relating to an investment (for example, the default of a loan in a structured debt investment), exercising the rights of

Clients and investors to pursue appropriate remedies and to take such other actions as HGI deems prudent under the circumstances.

HGI periodically determines the amount and types of fees based upon various factors in its sole discretion. HGI also may, in its discretion, reduce or waive the asset management fee for certain investors.

Servicing Fees.

In respect of preferred equity and mezzanine loan investments, it is expected that HGI and/or a third-party provider will be entitled to receive a servicing fee payable by the applicable borrower or certain related entities (the “Servicing Fee”). To the extent such services are provided by HGI, Servicing Fees will reflect market rates, as determined by HGI in its sole discretion. HGI will not generally gather quotes from other third-party Service Providers (including competitors and similar Service Providers) to determine market rates but instead intends to rely primarily on information from third-party sources to determine market rates for these fees which may include, without limitation, published information related to publicly traded real estate investment trusts (“REITs”) and information available to HGI resulting from certain bonds held by Clients. HGI also intends to rely on its own experience as a property manager and real estate investor (for both HGI sponsored investments and unaffiliated third-party properties) in determining market rates. With respect to certain preferred equity and mezzanine loan investments, the Servicing Fee will be negotiated with a third party pursuant to a forward flow agreement; HGI will not otherwise determine that such Servicing Fee reflects market rates, and HGI may receive different or additional Servicing Fees (both in respect of these and other investments) during the Clients’ life.

Multifamily Credit Fund and Credit Fund Fees and Expenses.

Certain Clients, as a result of their investment in HGI Multifamily Credit Fund, LP (the “Multifamily Credit Fund”), will bear the Multifamily Credit Fund’s Carried Interest and management fees, the Servicing Fees and Property Management Fees described above and the expenses of the Multifamily Credit Fund, which amounts will not offset or otherwise reduce fees or other amounts payable to HGI or its affiliates. With respect to certain preferred equity and mezzanine loan investments, the Servicing Fee will be negotiated with a third party pursuant to a forward flow agreement; HGI will not otherwise determine that such Servicing Fee reflects market rates, and HGI may receive different or additional Servicing Fees (both in respect of these and other investments) during the Multifamily Credit Fund’s life.

Certain Clients, as a result of their investment in HGI Credit Fund I Holdings, LP (the “Credit Fund”), will bear the fees and expenses of the Credit Fund, which amounts will not offset or otherwise reduce fees or other amounts payable to HGI or its affiliates.

Additional Fees.

There may be additional fees paid in connection with a Client’s investments (both to third parties and to HGI and its affiliates), particularly in development or passive investment projects in which third parties may assess their own fees and charges. In particular, certain Clients will be subject to

all fees charged by other HGI products in which it invests or otherwise participates (including management fees and Carried Interest or similar incentive compensation), which would be paid to HGI and/or its affiliates, and will bear all expenses of such other HGI products; such amounts will not offset or otherwise reduce fees or other amounts payable to HGI or its affiliates in respect of a Client. Such fees and expenses would, in the case of other HGI products involving additional third-party investors, typically be negotiated with such investors.

Other Fees and Expenses.

The Clients and, indirectly, Investors, to the extent permitted by applicable law, will bear the costs of prosecuting or defending any legal action for or against any Client, the Clients' General Partner, the Clients' subsidiary investment vehicles, HGI and/or their respective affiliates in connection with the offering of the Client's securities to Investors as well as the Clients' investments and operations. In addition, the Clients will indemnify and hold harmless certain parties in connection with certain acts or omissions, as further described in the applicable Governing Documents.

Partners of HGI in joint venture arrangements may, in certain instances, be paid a promote or similar portion of the profits of the underlying portfolio investments and/or properties. Such amounts are typically negotiated in advance between HGI and the joint venture partner and are set forth in the documents governing the joint venture.

Additionally, Investors, by virtue of passive investment in HGI and/or its affiliates, may be entitled to receive a portion of some or all of the various fees received by HGI.

Investors must refer to the detailed information found in each Client's Governing Documents for specific information about the fees that may be earned by HGI and the fees potentially charged to the Clients.

The Clients generally will also be required to bear all or a portion of any costs and expenses of investments made by the Clients, including organizational and legal costs associated with the formation of property owner entities and closing costs for such investments, including, without limitation, the fees, costs and expenses of lawyers, accountants, and other professionals incurred in connection with audits or other accounting related consulting, data processing, tax return preparation and other tax-related consulting, investment-level management and servicing, debt-related services, hedging, environmental, entitlement and zoning legal, regulatory and compliance, structuring, financial reporting services, legal opinions and other services, other legal and accounting expenses, technical and safety services, filing fees and expenses, and printing and mailing costs, travel, meals, as well as expenses associated with the distribution of reports and notices to the Investors and/or the expenses of any Investor portals.

Client Expenses. Each Client will pay all of the costs and expenses of the Client and its General Partner, in connection with its offering, including the initial organizational expenses (including legal, marketing, advertising, printing, wholesaling and other fundraising expenses associated with the admission of an Investor and Investor-related services) of the Client and the Client's General Partner, all or a portion of the costs, fees and expenses associated with any credit facility entered into by the Clients, the General Partner's normal day-to-day operating expenses associated with its

day-to-day oversight of the Client, and the preparation of regular accounting and Investor reports. In addition, each Client will bear all of the day-to-day operating expenses of the Client and General Partner, including but not limited to all legal, custodial, depository, transfer, audit and accounting costs incurred in the ordinary course of the Client's investments, expenses related to meeting or conferences with one or more Investors and/or prospective investors, administration costs associated with the Client, the General Partner, and any subsidiary investment vehicles through which the Client makes an investment (including maintaining the books and records of the Client, the General Partner, such subsidiary investment vehicles, or any external costs for a third-party administrator to maintain and oversee the books and records of the Client, the General Partner, or such subsidiary investment vehicles, (even if there is some overlap in services performed by any third-party administrator and HGI personnel)), bridge financing or similar costs, costs incurred in connection with complying with the provision of side letter arrangements, costs incurred in connection with the preparation of the Client's and/or General Partner's, tax returns and the preparation and distribution of K-1s to the Client's limited partner Investors, the ongoing expenses of complying with any tax and regulatory obligations to which the Client or General Partner, is subject (including all fees, costs and expenses associated with the appointment and utilization of a representative to grant consents on behalf of a Client or any Client entity under the Advisers Act or any other applicable law or regulation) and maintaining each entity's limited partnership or limited liability company status, as the case may be, including the preparation and filing of all periodic reports required under applicable law. To the extent any operating expenses of the Client or General Partner are paid by HGI, the General Partner or any of their respective affiliates on behalf of the Client or General Partner, such operating expenses shall be promptly reimbursed by the Client. To the extent that any of the expenses described herein are incurred by or on behalf of multiple Clients, such expenses shall be allocated among each such Client. The allocation methodology may differ depending on the particular expense.

Property and Investment Expenses. HGI and its affiliates (including the General Partners of the Clients and managers of investment vehicles and property owners) will have the authority to engage qualified Service Providers, which frequently include the foregoing parties and personnel of such parties (collectively, "HGI Providers"), to provide certain services described below which are appropriate to a Client, a property or property owner, investment vehicle, or in connection with a direct investment (collectively, the "Service Providers") to provide certain services, including Shared Services and In-House Professional Fees relating to both real property investments and other investments. Each of the fees and expenses described above as well as the expenses described below shall be payable by, or promptly reimbursed by a Client, a property owner and/or an investment vehicle, as applicable, shall be prorated or allocated among the parties, including the Clients, receiving the benefit of such services, and shall in any event be, in addition to any other fee otherwise payable or expense otherwise reimbursable to Service Providers, including the HGI Providers, and will not reduce any fees paid by or otherwise borne by such Client. Without limiting the generality of the foregoing, and in addition to the fees and expenses set forth above, the following fees, costs and expenses are routinely incurred and are charged at the property and/or investment level or are payable in whole or in part by the Clients, property owners, subsidiary investment vehicles, or investments²:

² For the avoidance of doubt, references to a Client bearing any expense in this section shall include expenses borne by property owners, subsidiary investment vehicles, or investments.

- All fees, costs, and expenses related to organization, operation and administration of any Client, property owner or investment vehicle, or any general partner thereof, including fees, costs, and expenses of lawyers, accountants, and other professionals incurred in connection with audits or other accounting related consulting, data processing, tax return preparation, filing and appeal services and other tax related services, investment-level management and servicing, debt-related services, hedging, currency conversions, marketing, business development, training, start-up, environmental, entitlement and zoning, structuring (including, without limitation, structuring a tenancy in common structure for a transaction that includes a 1031 tax deferred exchange), other property-related matters (including licensing, qualification, reporting, auditing and filing), operation standard services (including support for audits of property operations for conformance to procedures), financial, consulting, legal, regulatory compliance, structuring, financial reporting services, legal opinions and other services, other legal and accounting expenses, financial and other reporting, accounting, administrative services including those fees paid to another registered investment adviser for administrative, advisory or other similar services, technical and safety services, filing fees and expenses, printing and mailing costs, travel, meals, as well as expenses associated with the distribution of reports and notices to Investors and/or the expenses of any Investor portals, and any other services provided by Service Providers.
- all fees, costs and expenses related to the evaluation, acquisition, negotiating, structuring, monitoring, financing (including the costs and expenses incurred in obtaining, negotiating, entering into, effecting, maintaining, varying, refinancing or terminating such borrowings and commitments and interest arising therefrom), operating, maintaining, repairing, refinancing, due diligence regarding, wind-down, sale of (including, without limitation, a proposed sale or other disposition), or appraisal or valuation of, a real estate property or other real estate related financial investments, including, without limitation, any expenses relating to a proposed but not consummated transaction, financing, asset servicing, interest rate hedges, legal, due diligence, investment banking, valuation, risk management assessments, accounting, advisory, utility deposits, surveys, custodial and depository services, financial and other reporting, filing and appeal services, leasing and lease brokerage (including reimbursement of administrative / processing costs for new leases and renewals and for set up of lease information in accounting systems), other administrative services, title and related insurance services, security, engineering, maintenance (including, without limitation, tenant relations, technology installation, vendor administration and site inspections) sustainability, utility and similar costs (including, without limitation, telephone, electricity, and heat), consulting, meals, training, and other business and related fees, bank fees, mailing expenses, licensing, marketing, the costs of attending association meetings, conferences or other similar meetings in connection with a property, and other expenses and out-of-pocket costs and expenses in connection therewith (in each case to the extent not subject to any reimbursement of such costs and expenses by tenants or other third parties);
- principal, interest on and fees and expenses arising out of all borrowing arrangements (including repurchase agreements) made by Clients from a third-party lender or from an affiliate of HGI, including borrowings made prior to an investment in a real estate property or security to facilitate acquisition-related costs (including the funding of deposits) and borrowings to bridge equity;

- technology-related fees and expenses (including, without limitation, technology installation costs for reporting systems and online leasing and renewal capabilities, lead management systems, data management and third-party diligence software, human resources management systems, costs related to cybersecurity, technology infrastructure improvements, IT strategic costs, and other IT related projects);
- expenses of winding up and liquidating any Clients;
- any taxes, fees or other governmental charges levied against the portfolio investments, and all costs and expenses incurred in connection with any tax audit, investigation, settlement, or review of the portfolio investments (including, without limitation, fees and expenses of auditors, counsel, and other advisors of the portfolio investments);
- costs and expenses associated with meetings of property managers and other property personnel (including travel and meals for such persons) for training and team building purposes;
- premiums of any director and officer liability or other applicable insurance and extraordinary administrative or operating fees or expenses (including, without limitation, all litigation (including discovery requests), arbitration and settlement related, and indemnification expenses), including insurance of which any portfolio investments and/or their affiliates are beneficiaries;
- lease and tenant related matters, including Leasing Commissions, tenant improvements, tenant concessions, tenant retention expenses, and other maintenance matters (including, without limitation, tenant relations technology installation, vendor administration and on-site inspections);
- with respect to the business or operations of a property owner and a real estate property, business development and marketing activities including operation standard services (including support for audits of property operations for conformance to procedures);
- any other costs or expenses incurred in connection with other services provided by Service Providers;
- all fees, costs and expenses associated with research and due diligence (including subscription and similar services in respect thereof), including in respect of actual or potential investments, as well as general industry and/or market information; and
- amounts to be contributed or advanced to a real estate property or other real estate related financial investment for the purpose of paying any cost or expense of the type described in this “*Property and Investment Expenses*.”

From time to time, the General Partner of a Client may create certain “special purpose vehicles” or similar structuring vehicles for purposes of accommodating certain tax, legal and regulatory considerations of Investors (“SPVs”). In the event an SPV is created, consistent with the Governing Documents of the applicable Client, the expenses related to its organization and formation and other expenses incurred solely for the benefit of the SPV will typically be borne by the SPV, and indirectly, the Investors thereof. In addition, expenses of the type borne by a Client, but associated with any feeder fund or similar vehicle organized to facilitate the participation of certain Investors

in such Client (including, without limitation, expenses of accounting and tax services), may be borne by such Client, and indirectly, the Investors thereof (even if such Investors do not participate in any such feeder fund or similar vehicle).

Market Rate Check.

Any Property Management Fees (including Wind Down Fees), Construction Management Fees, Shared Services Fees, and In-House Professional Fees paid to HGI or an HGI affiliate (collectively, the “Market Rate Fees”) will reflect market rates, as determined by HGI in its sole discretion (which may, for the avoidance of doubt, be at the top of the range HGI determines to be reflective of rates in the applicable market and certain similar markets). HGI will not gather quotes from other third-party Service Providers (including competitors and similar Service Providers) to determine market rates. HGI typically uses information from other third-party sources for guidance to determine market rates for the Market Rate Fees (including, without limitation, published information related to publicly traded REITs and information available to HGI resulting from certain bonds held by Clients), HGI also intends to rely on its own experience as a real estate investor in determining market rates. With respect to certain preferred equity and mezzanine loan investments, the Servicing Fee will be negotiated with a third party pursuant to a forward flow agreement; HGI will not otherwise determine that such Servicing Fee reflects market rates, and HGI may receive different or additional Servicing Fees (both in respect of these and other investments) during the Clients’ life. Certain third-party special servicers who charge fees to the Clients may give a portion of the fees to HGI and/or its affiliates. Any such fees received by HGI and/or its affiliates will not offset Advisory Fees or Carried Interest paid by the Clients or be considered by HGI when making Market Rate Check determinations.

For the avoidance of doubt, the fee and fee rate ranges provided with respect to Market Rate Fees are those presently expected to be charged by HGI and/or its affiliates. HGI may from time to time adjust its methodologies or utilize different information in determining market rates for the same fee or service. The particular methodology used to allocate such amounts where services are provided is expected to vary depending on the types of services provided and could, in certain circumstances, change from one period to another. For the avoidance of doubt, any fee and fee rate ranges provided herein with respect to Market Rate Fees are those presently expected to be charged by HGI and/or an HGI affiliate and may not be reflective of the fees or fee rates charged in the future with respect to Market Rate Fees. HGI and its affiliates may utilize higher fees and fee rates than those disclosed herein so long as such higher fees and fee rates reflect market terms.

Any fees paid, or expenses reimbursed to HGI or its affiliates (including, for example, any expenses paid to providers listed above under “*Property and Investment Expenses*”) other than the Market Rate Fees are not subject to any market rate check. HGI will determine the amount of such fees based on various factors in its sole discretion and they will not generally be negotiated with third parties. As a result, there can be no assurance that unaffiliated third parties would not charge lower fees or fee rates for similar services. Expenses to obtain market rates data will be borne by the Client and/or the investment, as applicable and will not reduce any other fees. No amounts paid in connection with these services will reduce any other fees or otherwise be shared with Investors.

Allocation of Expenses.

From time-to-time HGI will be required to decide whether certain fees, costs and expenses should be borne by a Client, on the one hand, or HGI and/or its affiliates on the other hand, and/or whether certain fees, costs and expenses should be allocated between or among Clients and/or other parties (including specific Investors) (together with HGI and its affiliates, each, an “Allocable Party”). Certain fees, costs and expenses may be the obligation of one particular Allocable Party and may be borne by such Allocable Party or, fees costs and expenses may be allocated among multiple Allocable Parties. Typically, where fees, costs and expenses are incurred for the benefit of one Allocable Party, (for instance, with respect to a feeder fund created for the benefit of certain Client Investors), HGI will allocate such fees, costs, and expenses to such Allocable Party, subject to the terms of the Governing Documents and the discretion of HGI. Similarly, to the extent fees, costs and expenses are incurred in connection with regulatory, tax, accounting, or similar requirements applicable to a particular Allocable Party, HGI will typically allocate such fees, costs, and expenses to such Allocable Party subject to any requirements in the Governing Documents and the discretion of HGI. In exercising its discretion to allocate investment opportunities and fees and expenses among Clients with differing fee, expense, and compensation structures, HGI has an incentive to allocate investment opportunities to the Clients from which HGI or its Related Persons (as defined below) may derive, directly or indirectly, a higher fee, compensation, or other benefit. Such allocation determinations are inherently subjective and give rise to conflicts of interest due to inherent biases in the process.

To the extent not allocated to an investment, HGI will allocate fees and expenses incurred in the course of evaluating and making investments that are consummated between Clients in accordance with each Client’s Governing Documents or, to the extent not addressed in such Client’s Governing Documents, generally, pro rata based on the respective total capital commitments of such Clients. HGI will make any corrective allocations and take any mitigating steps if it determines in its sole discretion that such corrections are necessary or advisable. Notwithstanding the foregoing, the portion of an expense allocated to a Client for a particular service will not always reflect the relative benefit derived by such Client from that service in any particular instance, and HGI may determine an allocation of expenses to be fair and equitable even where a Client is required to bear more than its proportional share of such fees or expenses relative to other Allocable Parties receiving the same service or participating in the same transaction. In addition, a Client will bear more or less of a particular expense based on the methodology used, and a Client will bear more or less of a particular expense based on the number of Allocable Parties HGI selects to bear the expense in its initial allocation determination. When making expense allocation determinations, HGI generally will allocate an expense to one or more Allocable Parties that are in existence and identified as such at the time the expense allocation determination is made. Accordingly, it can be expected that in certain cases Allocable Parties that were not in existence or otherwise identified as Allocable Parties at the time an expense is allocated will ultimately benefit from a particular expense, without having borne any portion of such expense, and in such cases HGI will not re-allocate the expense to each such future Allocable Party, and such future Allocable Part(ies) will benefit at the expense of other Allocable Parties, including the Clients.

HGI will also be incentivized to allocate expenses to the Clients as opposed to HGI, and to decrease the level or quality of third-party services provided to the Clients to the extent such services are paid for by HGI.

For administrative and other reasons, HGI may (i) cause one or more Clients to be invoiced for, advance, or otherwise bear on a temporary basis all or a portion of an expense ultimately intended to be borne in whole or in part by another Client and/or (ii) make corrective allocations of expenses among such vehicles to reflect their appropriate share of such expenses. Such measures generally will not include the imposition of an interest charge or other payments designed to compensate (whether for time value, opportunity cost or otherwise) a particular Client for temporarily bearing a disproportionate share of expenses. If a Client uses in connection with its investments (whether or not such investments are ultimately consummated), or otherwise benefits from, the documentation, structuring or other technology used by other Clients (including in transactions in which the Client does not participate), the Client may bear a portion of the expenses and fees associated with such documentation, structuring or other technology, as determined by HGI in its sole discretion. Similarly, a Client may bear a portion of the organizational or other expenses incurred by such other Clients, if HGI determines in its sole discretion that the Client utilized or otherwise benefitted from the documentation, structuring or other technology used by such other Clients.

Brokerage Fees.

Although HGI currently does not use the services of broker-dealers to effect portfolio transactions for the Clients, in the event that it chooses to use a broker-dealer for limited purposes relating to a particular Client, such Client will incur brokerage and other transaction costs. For additional information regarding brokerage practices, please see *Item 12 (Brokerage Practices)* below.

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

As described above in Item 5, HGI affiliates are eligible to receive a membership interest or Carried Interest as incentive compensation with respect to certain Client investments. The fact that HGI affiliates are compensated based on a share of capital gains on or capital appreciation of the assets held by the Clients may create an incentive for HGI to make investments on behalf of the Clients that are riskier or more speculative than would be the case in the absence of such compensation. Additionally, the payment by some, but not all, Clients of incentive compensation at varying rates (including varying effective rates based on the past performance of a Client) creates an incentive for HGI to disproportionately allocate time, services or functions to Clients paying Carried Interest, or Clients paying Carried Interest at a higher rate, or allocate investment opportunities to such Clients. Generally, and except as may be otherwise set forth in the Client Governing Documents, this conflict is mitigated, at least in part, by (i) certain limitations on the ability of HGI to establish new investment funds, (ii) contractual provisions requiring certain Clients to purchase and sell investments contemporaneously and/or (iii) contractual provisions and procedures setting forth investment allocation requirements.

Please also see *Item 11 (Code of Ethics, Participation or Interest in Client Transactions and Personal Trading)* below regarding allocation for additional information relating to how conflicts of interests are generally addressed by HGI.

Item 7: Types of Clients

HGI currently provides investment advisory services solely to the Clients. With respect to the Clients, investment advice is provided directly to the Clients and not individually to the Investors in a Client. Investors in the Clients may include, but are not limited to, high net worth individuals, sovereign investors, family offices, fund of funds, hedge funds, endowments, foundations, trusts, charitable organizations, pension plans, and corporate or business entities.

Interests in the Funds are offered pursuant to applicable exemptions from registration under the Securities Act and the 1940 Act. All Investors in a Fund must represent in writing that they are “accredited investors” (as defined in Rule 501 of Regulation D, adopted under the Securities Act), and in certain Funds “qualified purchasers” (as defined in the 1940 Act) and “qualified clients” (within the meaning of Rule 205-3(d)(1) under the Advisers Act).

Minimum investment commitments may be established for Investors in a Client as outlined in each Client’s Governing Documents. However, HGI maintains sole discretion to accept less than the minimum investment threshold.

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

Methods of Analysis and Investment Strategy Generally

HGI’s objective is to identify investments for its Clients which will generate income and capital appreciation through the selective acquisition of income-producing real estate properties and financial investments supported by real estate properties. Investments may include any type of real estate project, property, or related financial investment (such as a loan to a property owner). Investment assets may include existing income producing multi-family apartment complexes, office buildings, urban retail properties, hotels, business and industrial parks, and warehouse and distribution facilities, as well as development projects (involving any of the foregoing property types). While each Client has its investment objectives outlined in the applicable Governing Documents, generally, in selecting real estate properties, HGI’s investment objectives are:

- To maximize net cash from operations to be distributed to the Clients;
- To preserve, protect, and return capital contributions; and
- To realize capital appreciation upon the ultimate sale of properties.

HGI seeks to invest in properties and financial instruments that will satisfy the primary objective of providing distributions of current cash flow to the Clients. However, because a significant factor in evaluation of income-producing real estate properties is their potential for capital appreciation, HGI anticipates that a significant portion of Client investments will have the potential for capital appreciation in addition to distributions of current cash flow, particularly with respect to owned properties. In addition, investments in certain projects may not generate current cash returns for several years. Certain real estate-related financial investments (such as investments in real estate

related loans) and preferred equity investments in real estate projects will likely emphasize the income-producing aspect of the investment and may not have the potential for capital appreciation.

Summary of Material Risks

The following is not a complete list of all relevant risks associated with the Clients' investment strategies. Prospective Investors should carefully review the risks included in the Governing Documents and should consult with their legal, tax and investment advisors before determining whether to make any investment in any Client.

Risks Inherent in Real Estate. The success of the Clients will be dependent on HGI's ability to invest in financially successful real estate properties and other real estate related financial investments. Thus, an investment in the Clients will be subject to all the risks inherent to real estate investments, including, but not limited to:

- The risk that properties may not perform in accordance with expectations, including projected occupancy and rental rates;
- The risk that the Clients may have overpaid for properties or real estate related investments;
- The risk that HGI or the sponsors of a project in which HGI is making a passive investment may have underestimated the cost of improvements required to bring an acquired property up to the standards established for its intended use or its intended market position; and
- The risk that properties have unforeseen environmental or other hazards resulting in unexpected costs.

If the investments do not generate revenues sufficient to meet operating expenses, including debt service, tenant improvements, Leasing Commissions and other capital expenditures, the Clients may be required to borrow additional amounts to cover fixed costs, and the cash flow of the Client, and its ability to make distributions to its Investors will be adversely affected. Although the Clients will be investing in a range of investments, all real estate investments are speculative in nature, and the possibility of partial or total loss of capital exists. Investors should not subscribe to or invest in any Client unless they can readily bear the consequences of such loss.

Additionally, the economic performance and value of the Clients' investments will be affected by many factors, including the following:

- Changes in general economic or local conditions;
- Changes in supply of or demand for similar or competing properties in an area;
- Volatility in the capital markets, including changes in interest rates and availability of capital (including permanent mortgage) which may render the sale of a property difficult or unattractive;
- Changes in tax, real estate, environmental or zoning laws;
- Political or social instability or uncertainty;

- Perceptions of prospective tenants of the safety, convenience, location, and attractiveness of the properties;
- The financial condition of tenants, buyers, and sellers of property;
- Tenant turnover and the ability to collect rent from all tenants on a timely basis;
- The expense of periodically renovating, repairing, and reletting spaces;
- Management's ability to provide adequate maintenance and insurance;
- Uninsured losses or delays from casualties and condemnation;
- Structural or property-level latent defects;
- Increased operating costs (including real estate taxes and utilities) that may not be passed through to tenants;
- Compliance with applicable laws, including local law improvements, and laws regarding zoning and usage, and rent control/rent stabilization;
- General overbuilding or excess supply in the market area;
- Natural disasters, acts of war or terrorism, acts of God, and similar events or other factors beyond the control of the property owners, the Clients, or HGI.

Certain significant expenditures associated with investments in real estate (such as mortgage payments, real estate taxes, insurance, and maintenance costs) are generally not reduced when circumstances cause a reduction in rental revenues from the property. Also, the amount of available rentable square feet of commercial property is often affected by market conditions and may, therefore, fluctuate over time. Investments in existing entities (e.g., buying out a distressed partner or acquiring an interest in an entity that owns a real property) could also create risks of successor liability.

Investments Will be Illiquid. The investments to be made by the Clients are illiquid. Illiquidity may result from the absence of an established market for the investments, adverse changes to market conditions and real estate values as well as legal, contractual, or other restrictions on their resale by the Clients. Dispositions of investments may be subject to legal, contractual, and other limitations on transfer (including pre-payment penalties) or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof. The possibility of partial or total loss of capital will exist and Investors should not subscribe unless they can readily bear the consequences of such loss. Real estate investments are relatively illiquid. The ability of the Clients to vary their portfolio in response to changes in economic and other conditions will be limited. There can be no assurance that a Client will be able to dispose of an investment when it finds disposition advantageous or necessary, or that the sale price of any disposition will recoup or exceed the amount of an investment by the Client.

Valuation. The Clients' investments are likely to be illiquid, and no readily ascertainable market price will be available. The process of valuing investments for which no market price is available is difficult and subject to numerous uncertainties, and HGI does not expect (and shall be under no obligation) to provide valuations or valuation related information to Investors or otherwise. There

can be no assurance that any valuation determined by HGI for Client investments will be the same as the market value for such investments and may differ from the valuation at which such investments are ultimately liquidated. Appraisals are (i) inherently subjective in certain respects and rely on a variety of assumptions, including assumptions about projected cash flows for the remaining holding periods and (ii) based, in large part, on information at the time of the appraisal, and other conditions may change materially after that date. Accordingly, appraised values may not accurately reflect actual market values. In addition, any valuation is a subjective analysis of the fair market value of an asset and requires the use of techniques that are costly and time-consuming and ultimately provide no more than an estimate of value.

Limited Control over Client Investments. A Client may acquire only a minority interest in an investment or rely on independent third-party management with respect to the operations of an investment. The Client may also co-invest with other investment vehicles and third parties through partnerships, joint ventures, or other entities, thereby acquiring non-controlling interests in certain investments. Although the Client may not have control over these investments and therefore may have a limited ability to protect its position therein, HGI will seek to negotiate appropriate rights to protect the Client's interests. Nevertheless, such investments may involve risks not present in investments where a third party is not involved, including the possibility that a third-party partner or co-venturer may have financial difficulties resulting in a negative impact on such investment, or may have economic or business interests or goals that are inconsistent with those of the Client, which may necessitate unwinding of the vehicle or triggering the buy-sell provisions of the applicable Client's Governing Documents. The Client also may, in certain circumstances, be liable for the actions of its third-party partners or co-venturers.

Lack of Diversification. A lack of diversity in the Clients' investments or a Parallel Fund's single investment could increase the risks associated with an investment in the Clients.

Highly Competitive Market for Investment Opportunities. The business of the Clients is highly competitive and involves a high degree of uncertainty. The Clients may compete for suitable investments with other real estate investment vehicles and credit vehicles, as well as individuals, publicly traded real estate investment trusts, financial institutions, and other institutional and governmental investors. These competitors may have different investment objectives than the Clients, enabling them to accept more risk, pay higher prices, offer lower interest rates, agree to different or no collateral and other better terms than the General Partners deem reasonable or appropriate for their respective Clients. A Client's operating results will be dependent upon the availability of, as well as its General Partner's ability, to identify, consummate, manage, and realize attractive real estate investment opportunities. There can be no assurance that a Client will be able to locate, complete and exit investments that satisfy the Client's rate of return objectives or that the Client will be able to fully invest its committed capital during its investment period or otherwise.

Leverage. Certain Clients intend to leverage their investments with debt financing in amounts which are significant relative to the costs of the investments. Incurring mortgage debt increases the risk of loss because defaults on indebtedness secured by properties may result in foreclosure actions initiated by lenders, and ultimately a Client loss of properties securing any loans for which it is in default. A foreclosure could also cause a Client to recognize taxable income, even in the absence of any cash proceeds. In certain circumstances, financing may be recourse to the underlying Client,

which may expose the Client to the loss of other assets not directly securing the loan. Although the use of leverage may enhance returns and increase the number of investments that can be made, it may also substantially increase the risk of loss of principal, especially if real estate values decline. Master repurchase agreements (and other indebtedness that the Clients may elect to procure or cause subsidiaries to procure) involve the risk that the market value of the loan assets pledged or sold to the provider of such financing may decline in value, in which case the lender or counterparty may have the ability to require paying margin calls or repaying all or a portion of the funds advanced. A Client may not have the funds available to make such payments, which could result in defaults unless HGI is able to raise such amounts from alternative sources, including the sale of assets at a time HGI might not otherwise elect to dispose of such assets.

To the extent that a Client holds interests, directly or indirectly, in CLOs, or uses CLOs as part of its leverage program, the Client may hold interests primarily in CLO equity (i.e., the most junior tranche of a CLO). CLO equity is contractually subordinated to the other liabilities of the applicable issuer. As a result of such subordination, to the extent that any losses are suffered with respect to the underlying assets for such investment securities, such losses will be borne in the first instance by holders of the equity tranche before any losses would be borne by the holders of the more senior classes of securities or loans issued by the applicable issuer. The Client may also be dependent on the CLO market and commercial lending market for future leverage of the portfolios of common holding or similar vehicles. If the CLO market or commercial lending market were unavailable for an extended period, the Client would experience diminished returns.

The use of a subscription facility may limit the ability of Investors to use their interests in a Client as collateral for other indebtedness and may impose restrictions on Investors' ability to transfer their interests in a Client. In addition, the inability of the Client to repay borrowings under a subscription facility could enable a lender to "step into" the place of the General Partner and require an Investor to fund all or a portion of its then unpaid capital commitment. In addition, in the event that a Client does not have sufficient cash to repay the subscription facility debt, and certain Investors fail to honor their capital commitments, Investors whose capital commitments have been pledged or otherwise collateralized may be called upon to fund their entire capital commitment to repay indebtedness, which may result in a particular Investor's payments exceeding its pro rata share of such indebtedness. The use of a subscription facility will also give rise to Client expenses (e.g., accrued interest) that a Client would not otherwise have borne had HGI not used a subscription facility.

Warehouse Facilities and Master Repurchase Agreements. Warehouse facilities, master repurchase agreements and other indebtedness that the Clients may, directly or indirectly, procure or cause subsidiary investment vehicles to procure involve the risk that the market value of the loan assets pledged or sold to the provider of such financing may decline in value, in which case the lender or counterparty may have the ability to require paying margin calls or repaying all or a portion of the funds advanced. A Client may not have the funds available to make such payments, which could result in defaults unless HGI is able to raise such amounts from alternative sources, including the sale of assets at a time HGI might not otherwise elect to dispose of such assets. HGI endeavors to structure indebtedness, including warehouse facilities and master repurchase agreements, to minimize the difference (if any) between the term of the loan investment and the leverage used to finance those investments and endeavors to minimize variability between the interest rate of the

loan investments and the interest rate of its leverage sources. In the event the leverage is for a shorter term, and HGI is unable to extend or find replacement leverage on behalf of the Clients, that could have an adverse impact on liquidity and returns. Similarly, in the event the interest rate received is stressed by the interest rate being paid, that could have an adverse impact on liquidity and returns.

Restrictive Covenants in Credit Facilities. The Clients and other investment vehicles may enter into one or more credit facilities with one or more lenders to finance the acquisition of its investments and fund expenses of the Clients. It is anticipated that any such credit facility will contain a number of common covenants that, among other things, might restrict the ability of the Clients to: (i) acquire or dispose of assets; (ii) incur additional indebtedness; (iii) make capital expenditures; (iv) make cash distributions; (v) create liens on assets; (vi) enter into leases, investments or acquisitions; (vii) engage in mergers or consolidations; (viii) make capital calls to the Investors; or (ix) engage in certain transactions with affiliates, and otherwise restrict corporate activities of the Clients (including their ability to acquire additional investments or assets, certain changes of control and asset sale transactions) without the consent of the lenders. In addition, such a credit facility would likely require the Clients to maintain specified financial ratios and comply with tests, including minimum interest coverage ratios, maximum leverage ratios, minimum net worth, and minimum equity capitalization requirements. The Clients may incur indebtedness under such credit facilities that bear interest at a variable rate. Economic conditions could result in higher interest rates, which could increase debt service requirements on variable rate debt and could reduce the amount of cash available for various corporate purposes.

General Risks Related to Investments in Real Estate. Real property investments are subject to varying degrees of risk. The yields available from equity investments in real estate, and the ability of the properties directly or indirectly securing, or otherwise relating to debt investments to repay those debt investments, depend in large part on the amount of income generated and expenses incurred. If the investments do not generate revenues sufficient to meet operating expenses, including debt service, tenant improvements, leasing commissions and other capital expenditures, a Client or other investment vehicles may be required to borrow additional amounts to cover fixed costs, and the cash flow of the Client and its ability to make distributions to the Investors will be adversely affected. Although the Clients will be investing in a range of investments, all real estate investments are speculative in nature and the possibility of partial or total loss of capital exists. Investors should not subscribe to or invest in the Clients unless they can readily bear the consequences of such loss. Client revenues and the value of its properties may be adversely affected by a number of factors, including: the national, state and local economic and political climate and real estate conditions (such as oversupply of, or reduced demand for, space and changes in market rental rates); volatility in the capital markets, including changes in interest rates and availability of capital (including permanent mortgage Clients) which may render the sale of a property difficult or unattractive; periods of high interest rates and tight money supply which may make the sale of properties more difficult; changes in tax, real estate, environmental or zoning laws; the perceptions of prospective tenants of the safety, convenience, location and attractiveness of the properties; management's ability to provide adequate maintenance and insurance; the financial condition of tenants, buyers and sellers of property; the ability to collect on a timely basis all rent from tenants; the expense of periodically renovating, repairing and reletting spaces; structural or property-level latent defects; uninsured losses or delays from casualties or condemnation; increasing operating

costs (including real estate taxes and utilities) that may not be passed through to tenants; and natural disasters, acts of war or terrorism, and acts of God and other factors beyond the control of the property owner, the Clients or HGI. Certain significant expenditures associated with investments in real estate (such as mortgage payments, real estate taxes, insurance, and maintenance costs) are generally not reduced when circumstances cause a reduction in rental revenues from the property. In addition, real estate values and income from properties are also affected by such factors as compliance with applicable laws, including regarding zoning and usage and rent control/rent stabilization laws, environmental and tax laws, interest rate levels and the availability of financing. Also, the amount of available rentable square feet of commercial property is often affected by market conditions and may, therefore, fluctuate over time. Investments in existing entities (e.g., buying out a distressed partner or acquiring an interest in an entity that owns real property) could also create risks of successor liability.

Government Regulation. The real estate industry is extensively regulated and subject to frequent regulatory change. The adoption of new legislation or changes in existing laws or new interpretations of existing laws can have a significant impact on methods of doing business, costs of doing business and amounts of reimbursement from governmental and other agencies. Regulations may be promulgated that could restrict or curtail certain usages of existing structures or require that such structures be renovated or altered in some manner. Compliance with, or changes in, these laws could reduce the revenue and profitability of properties. In addition, regulation of the leasing of residential property by many state and local governments includes controls over rents that may be charged to tenants. Such regulations often impose limits on rent increases and may require that properties comply with specified requirements as a precondition for rent increases. The promulgation and enforcement of such regulations could increase expenses, and lower the income or rate of return, as well as adversely affect the value of any of the properties.

Risks Relating to Tenants. The Clients may not be able to attract credit-worthy tenants or replacement tenants for properties at rental rates equal to or greater than the rents paid under previous leases. Increased competition for tenants may require capital improvements to properties which would not have otherwise been planned. Any unbudgeted capital improvements that are undertaken may divert cash from that which would otherwise be available for distribution to the Clients or may require unanticipated borrowings. It is anticipated that the Clients will depend on tenants for the majority of their revenue. Any defaults on lease payment obligations by a tenant will cause a Client to lose the revenue associated with the relevant lease. If such defaults become significant, the Client will be forced to use other funds to make payments on the mortgage indebtedness secured by the impacted property to avoid foreclosure. If a tenant defaults, the Client may experience delays in enforcing its rights as a landlord and may incur substantial costs in protecting its investments. In addition, if a tenant at a single-user facility, which has been designed or built primarily for a particular tenant or a specific type of use, fails to renew its lease or defaults on its lease obligations, the Client may not be able to readily market a single-user facility to a new tenant, if at all, without making substantial capital improvements or incurring other significant re-leasing costs. Further, the Client may enter into leases containing co-tenancy provisions. Co-tenancy provisions may allow a tenant to exercise certain rights if, among other things, another tenant fails to open for business, delays its opening or ceases to operate, or if a percentage of the property's gross leasable space or a particular portion of the property is not leased or subsequently becomes vacant. A tenant exercising co-tenancy rights may be able to abate minimum rent, reduce

its share or the amount of its payments of common area operating expenses and property taxes or cancel its lease. Furthermore, at any time, a tenant may seek the protection of bankruptcy or insolvency laws, which could result in the rejection and termination of such tenant's lease and thereby cause a reduction in the distributable cash flow to the Clients.

The Clients May not Be Able to Pass on Operating Expenses to Tenants. Operating expenses, such as expenses for property managers and other Service Providers, fuel, utilities, labour, building materials, property taxes and insurance are not fixed and may increase in the future. There is no guarantee that a Client will be able to pass these expenses and increases on to its tenants. To the extent these expenses and increases cannot be passed on to the Client's tenants, any expenses and increases would cause the Client's cash flow and operating results to decrease.

Tenant Bankruptcy. HGI cannot provide assurance that any tenant that files for bankruptcy protection will continue to pay rent on the applicable property. A bankruptcy filing by, or relating to, one of a property's tenants or a lease guarantor would bar efforts by such property to collect pre-bankruptcy debts from that tenant or lease guarantor, unless the property receives an order permitting the property to do so from the bankruptcy court. In addition, a property cannot evict a tenant solely because of bankruptcy. The bankruptcy of a tenant or lease guarantor could delay efforts to collect past due balances under the relevant leases and could ultimately preclude collection of these sums. If a lease is assumed by the tenant in bankruptcy, all pre-bankruptcy balances due under the lease must be paid to the property in full. If, however, a lease is rejected by a tenant in bankruptcy, the property would have only a general, unsecured claim for damages. An unsecured claim would only be paid to the extent that funds are available and only in the same percentage as is paid to all other holders of general, unsecured claims. Restrictions under the bankruptcy laws further limit the amount of any other claims that a property can make if a lease is rejected. As a result, it is likely that a property would recover substantially less than the full value of the remaining rent during the term.

Bankruptcy Proceedings May Have an Adverse Effect on Client Investments. There are a number of significant risks when holding loans or debt securities of debtors involved in bankruptcy proceedings. Many events in a bankruptcy are the product of contested matters and adversary proceedings that are beyond the control of the creditors. A bankruptcy filing may have adverse and permanent effects on a debtor. For instance, the debtor may lose its market position and key personnel and otherwise become incapable of restoring itself as a viable entity. Further, if the proceeding is converted to a liquidation, the liquidation value of the debtor may not equal the liquidation value that was believed to exist at the time of the investment. The duration of a bankruptcy proceeding is difficult to predict. A creditor's return on investment can be impacted adversely by delays while the plan of reorganization is being negotiated, approved by the creditors, and confirmed by the bankruptcy court, and until it ultimately becomes effective. Certain claims, such as claims for taxes, wages, employee and worker pensions and certain trade claims, may have priority by law over the claims of certain creditors. The administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor's estate prior to any return to creditors. Creditors can lose their ranking and priority in a variety of circumstances, including if they exercise "domination and control" over a debtor and other creditors can demonstrate that they have been harmed by such actions. A Client may seek representation on creditors' committees and, as a member of a creditors' committee, it may owe certain obligations

generally to all creditors similarly situated that the committee represents, and it may be subject to various trading or confidentiality restrictions. If a General Partner concludes that a Client's membership on a creditors' committee entails obligations or restrictions that cause certain conflicts, or that otherwise outweigh the advantages of such membership, such Client will not seek membership in, or will resign from, that committee. Because a Client will indemnify the General Partner and any other person serving on a committee on behalf of such Client for claims arising from breaches of those obligations, indemnification payments could adversely affect the return on the Client's investment in a reorganized debtor.

Property Taxes. The Clients are responsible for paying some or all real property taxes applicable to properties owned by them. The property taxes may increase or decrease as property tax rates change and as the properties are assessed, or reassessed, by taxing authorities. The Clients, however, may be unable to recoup such increased costs and substantial increases in expenses arising because of any such increased taxes, which could have a material adverse effect on the operations of the Clients.

Potential Uninsured Losses. The Clients generally intend to carry comprehensive property, liability, flood (where appropriate), extended coverage and rental loss insurance with respect to its real properties with policy specifications and insured limits customarily carried for similar properties. There are, however, certain types of losses that may be either uninsurable or not economically insurable (for example, earthquake coverage). In the event of a catastrophic loss or natural disaster or other casualty to a property, a Client's insurance coverage may not be sufficient to cover the full current market value or replacement cost of its lost investment. In addition, inflation, changes in building codes and ordinances, environmental considerations, provisions in loan documents encumbering the portfolio properties pledged as collateral for loans, and other factors also might make it economically impractical to use insurance proceeds to replace improvements on a property if it is damaged or destroyed. Should an uninsured loss or a loss in excess of insured limits occur, the Client could lose both its capital invested in a property, as well as the anticipated future revenue from such property, and would continue to be obligated on any mortgage indebtedness, loan guaranties or indemnitees or other obligations related to the property. Under such conditions, the insurance proceeds the Client receives may be inadequate to restore the Client's economic position on such property.

Contingent Liabilities upon Disposition of Investments. In connection with the disposition of an investment, a Client or Client subsidiary investment vehicle may be required to make representations about such investment. The Client or Client subsidiary investment vehicle also may be required to indemnify the purchaser of such investment to the extent that any such representations are inaccurate. These arrangements will generally result in the incurrence of contingent liabilities for which a General Partner may establish reserves or escrow accounts. Furthermore, under the Delaware Revised Uniform Limited Partnership Act and other applicable laws, each Investor that receives a distribution in violation of such Act may, under certain circumstances, be obligated to recontribute such distribution to the Client.

Potential Environmental Liabilities. Under various laws, ordinances, and regulations of a jurisdiction where a property may be located, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances on,

under, or in such property. Such laws often impose liability whether the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. The cost of any required remediation and the owner's liability therefore as to any property are generally not limited under such laws and could exceed the value of the property and/or the aggregate assets of the owner. Persons who arrange for the disposal or treatment of hazardous or toxic substances may also be liable for the costs of removal or remediation of hazardous substances at the disposal or treatment facility whether such facility is, or ever was, owned or operated by such person. Certain environmental laws and common law principles could be used to impose liability for release of and exposure to hazardous substances, including asbestos-containing materials ("ACMs") and mold, into the air, and third parties may seek recovery from owners or operators of real properties for personal injury or property damage associated with exposure to released hazardous substances, including ACMs and mold. The presence of hazardous or toxic substances may adversely affect the owner's ability to sell the real estate or to borrow funds using such property as collateral, which could have an adverse effect on the return from such investment. As the owner of real properties, the Clients may be potentially liable for any such costs.

Climate Change. The Clients may acquire portfolio investments that are located in, or have operations in, areas that are subject to climate change. Any portfolio investments located in coastal regions may be affected by any future increases in sea levels or in the frequency or severity of hurricanes and tropical storms, whether such increases are caused by global climate changes or other factors. There may be significant physical effects of climate change that have the potential to have a material effect on the Clients' business and operations. Physical impacts of climate change may include increased storm intensity and severity of weather (e.g., floods or hurricanes), sea level rise, fires, and extreme and changing temperatures. As a result of these impacts from climate-related events, the Clients may be vulnerable to the following: risks of property damage to the Clients' portfolio investments; uninsured or under-insured damage to the Clients' portfolio investments; indirect financial and operational impacts from disruptions to the operations of the Clients' portfolio investments from severe weather; increased insurance premiums and deductibles or a decrease in the availability of coverage for investments in areas subject to severe weather; decreased net migration to areas in which portfolio investments are located, resulting in lower than expected demand for both investments and the products and services of the Clients' portfolio investments; increased insurance claims and liabilities; increase in energy costs impacting operational returns; changes in the availability or quality of water, food or other natural resources on which the Clients' business depends; decreased consumer demand for consumer products or services resulting from physical changes associated with climate change (e.g., warmer temperature or decreasing shoreline could reduce demand for residential and commercial properties previously viewed as desirable); incorrect long-term valuation of an equity investment due to changing conditions not previously anticipated at the time of the investment; and economic distributions arising from the foregoing.

General Litigation Risk. In the ordinary course of its business, the Clients may be subject to litigation from time to time. The outcome of such proceedings may materially adversely affect the value attributable to a Client and may continue without resolution for extended periods of time. Any litigation may consume substantial amounts of time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

Recent Financial Market Fluctuations. Various sectors of the U.S. and global financial markets and the broader current financial environment have been, and continue to be, characterized by uncertainty, volatility, and instability. The financial services industry generally and investment activities are affected by general economic, political, and market conditions, including interest rates, availability of credit, lack of price transparency, inflation rates, economic uncertainty, changes in tax and other applicable laws and regulations, trade barriers, national and international and environmental and socioeconomic circumstances. While the U.S. economy has experienced growth since “the Great Recession,” such growth has slowed relatively in the most recent period and could continue to slow in the near future. These financial market fluctuations have the tendency to reduce the availability of attractive investment opportunities for the Clients and may affect the Clients’ ability to make investments and the value of the investments held by the Clients. Instability in the securities markets and economic conditions generally may also increase the risks inherent in the Clients’ investments. The public securities markets have seen increased volatility, and the ability of companies to obtain financing for ongoing operations or expansions may be severely hampered by the tightening of the credit markets and the ongoing financial turmoil. It is unclear what the repercussions of this market turmoil may be. Moreover, it remains unknown whether governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) will have a positive or negative effect on market conditions. There can be no assurance that the market will, in the future, become more liquid than it is at present, and it may well continue to be volatile in the foreseeable future. The ability to realize investments depends not only on portfolio investments and their historical results and prospects, but also on political, market, and economic conditions at the time of such realizations. In the past, many private equity funds have looked to the public securities markets as a potential exit strategy. There can be no assurance, particularly given the recent volatility in the financial markets and a potential lack of investor appetite for new issues in the public securities markets, that the Clients will be able to exit their portfolio investments. The trading market, if any, for the securities of any investment may not be sufficiently liquid to enable a Client to sell these securities when HGI believes it is most advantageous to do so, or without adversely affecting the market price. Continued or renewed volatility in the financial sector may have an adverse material effect on the ability of the Clients to buy, sell and partially dispose of their portfolio investments. The Clients may be adversely affected to the extent that they seek to dispose of any of their portfolio investments into an illiquid or volatile market, and a Client may find itself unable to dispose of investments at prices that HGI believes reflect the fair value of such investments. The duration and ultimate effect of current market conditions and whether such conditions may worsen cannot be predicted and there can be no assurances that conditions in the financial markets will not worsen or adversely affect one or more of a Client’s investments. Weakness in both the capital markets generally and the fundamental real estate markets could recur and have a negative impact on the performance of the Clients’ investments. Further, credit markets could experience significant contraction, deleveraging and reduced liquidity. These market conditions may impair borrowers’ ability to refinance or sell their properties, which may contribute to higher delinquency and default rates. Borrowers seeking to refinance borrowings due to expire may not be able to find available replacement loans at comparably low interest rates, if at all.

Market Disruption, Health Crisis, Terrorism and Geopolitical Risk. The Clients are subject to the risk that war, terrorism, climate change, social unrest and related and unrelated geopolitical and other new or novel market disrupting events as well as outbreaks of infectious disease, pandemics,

or any other serious public concerns (cumulatively, “Market Disruption Events”) may lead to increased short-term market volatility and have adverse long-term effects on world economies and markets generally, as well as adverse effects on the Clients’ investments. Market Disruption Events as well as other changes in world economic, social, political and health conditions are likely to adversely affect individual issuers or related groups of issuers, securities markets, interest rates, credit ratings, inflation, investor sentiment, and other factors affecting the value of a Client’s investments. At such times, a Client’s exposure to several other risks described elsewhere in this section can increase. HGI’s financial condition is likely to be adversely affected by a significant general economic downturn, and it may be subject to legal, regulatory, reputational, and other unforeseen risks that are likely to have a material adverse effect on HGI’s business and operations and thereby are likely to impact the Clients.

Epidemic or Pandemic Outbreak. An epidemic or pandemic outbreak and reactions to such an outbreak could cause uncertainty in markets and businesses, including HGI’s business, and could adversely affect the performance of the global economy, including causing market volatility, market and business uncertainty and closures, supply chain and travel interruptions, the need for employees and vendors to work at external locations, and extensive medical absences. HGI has policies and procedures to address known situations, but because a large epidemic or pandemic will create significant market and business uncertainties and disruptions, not all events that could affect HGI’s business and/or the markets can be determined and addressed in advance.

Terrorist Activity. The properties of the Clients will generally be located in, or near, major metropolitan areas. Such properties, or any other properties, or the areas in which they are located could be subject to future acts of terrorism. In addition to the potential direct impact of any such future act, future terrorist attacks and the anticipation of any such attacks could have an adverse impact on the U.S. financial and insurance markets and economy, thus harming leasing demand for and the value of the properties. It is not possible to predict the severity of the effect that such future events would have on the U.S. financial and insurance markets and economy or the properties. These events may have a negative effect on the business and performance results of one or more of acquired or subsequently acquired properties, including by raising insurance premiums and deductibles, and limiting available insurance coverage for the properties.

Global Economic Trends and Regulations. The range and potential implications of possible political, regulatory, economic, pandemic, and market outcomes are difficult to predict. The effect of any such political, regulatory, economic, pandemic or market outcomes on the Clients could be adverse.

Evolving trade deals between the U.S. and various countries remain uncertain and the volatility of such trade deal negotiations could have an adverse effect on the U.S. economy and the global markets. Recent domestic and global political issues also have increased uncertainty regarding future political, legislative, or administrative changes that may impact the Clients, their subsidiary investment vehicles, affiliates of HGI, Investors and the Clients’ portfolios. The range and potential implications of possible political, regulatory, economic and market outcomes are difficult to predict.

Risk of Prolonged Economic Recession. The risks associated with a Client’s performance will be more severe during a prolonged recession, especially if real estate values decline. Declining real

estate values will likely reduce the level of new bond originations since borrowers often use appreciation in the value of their existing properties to support the purchase of additional properties. Borrowers may also be less able to pay principal and interest on the bonds if the value of real estate weakens. In addition, adverse changes in the real estate market increase the probability of default, as the incentive of the borrower to retain and protect equity in the property declines. Further, declining real estate values significantly increase the likelihood that the Clients will incur losses on the bond portfolio in the event of default because the value of the collateral may be insufficient to cover the bond portfolio costs. Any sustained period of increased payment delinquencies, foreclosures, or losses could materially adversely affect both a Client's net interest income from a bond portfolio as well as the Client's ability to acquire, sell and securitize bonds, which would significantly harm its returns and the Client's ability to make distributions to the Investors.

Investments in Troubled Assets. The Clients may make investments in non-performing or other troubled assets utilizing leveraged capital structures. By their nature, these investments can involve a high degree of financial risk, and there can be no assurance that a Client's rate of return objectives will be realized or that there will be any return of capital. Investments in troubled assets are sometimes subject to certain additional potential liabilities which may exceed the value of the Client's original investment. For example, under certain circumstances, lenders that have inappropriately exercised control of the management and policies of a debtor may have their claims subordinated or disallowed, or may be found liable for damages suffered by parties because of such actions. Numerous other risks also arise in workout and bankruptcy contexts, including the possibility that payments to a Client and distributions by the Client to the Investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

The General Partners may also find it necessary or desirable to foreclose on collateral securing one or more real estate loans purchased or originated by their respective Clients and/or their subsidiary investment vehicles. The foreclosure process varies by jurisdiction and can be lengthy and expensive. Borrowers often assert claims, counterclaims, and defenses to delay or prevent foreclosure actions, which can prolong and complicate an already difficult and time-consuming process. In some states or other jurisdictions, foreclosure actions can take up to several years or more to conclude. During the foreclosure proceedings, a borrower may have the ability to 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 or may not be recoverable by a Client and/or a subsidiary investment vehicle. Foreclosure litigation may create a negative public image of the collateral property and may result in disrupting ongoing leasing and management of the property. In addition, anti-deficiency and related laws in certain states limit recourse and remedies available to borrowers in connection with or as a result of foreclosure proceedings or other enforcement actions taken with respect to such borrowers. Such laws can result in the loss of liens on collateral or personal recourse against a borrower altogether.

Development Investments Are Subject to Certain Risks. The Clients may engage in real estate development and will be subject to the risks normally associated with such activities. Such risks include risks relating to the availability and timely receipt of zoning and other regulatory approvals, the cost and timely completion of construction (including risks beyond the control of the Clients, such as weather, labour conditions, or material shortages) and the availability of both construction

and permanent financing on favourable terms. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could have an adverse effect on a Client. Properties under development may receive little or no cash flow from the date of acquisition through the date of completion of development and may continue to experience operating deficits after the date of completion. In addition, market conditions may change during the course of development that makes such development less attractive than at the time it was commenced.

Industrial Investments Are Subject to Certain Risks. Although owners of industrial properties are not generally required to expend substantial amounts for general capital improvements, tenant improvements or reletting costs, various other factors may affect the returns from this type of property in addition to the risks generally applicable to real estate, including, among other things, the design and adaptability of the property and the degree to which it is generally functional for industrial purposes, the proximity to highways and other means for the transportation of goods, the number and diversity of tenants among businesses or industries, and the cost of converting a previously adapted space to general use. An industrial property may be more likely to have one or only a few tenants, which increases the risk that a decline in their operations, or their particular business or industry segments, may adversely affect the returns from the property. A property designed for a particular use or function also may be difficult to relet to another tenant or may become functionally obsolete compared to other properties. Particular uses of industrial properties may increase their risk of environmental problems. In addition, because of the unique construction requirements of many industrial properties, many vacant industrial property spaces may not be easily converted to other uses. Thus, if the operations of any industrial property become unprofitable, the liquidation value of that industrial property may be substantially less than would be the case if the industrial property were readily adaptable to other uses.

Multifamily Investments Are Subject to Certain Risks. The value and operation of multifamily properties may be affected by a number of factors, including, among others, the location of the property; the services and amenities provided by the property, and its age, condition, appearance, construction quality and other physical attributes; management's ability to provide adequate maintenance and insurance; access to transportation; the level of mortgage interest rates, which may make the purchase of housing a more attractive alternative than leasing; the degree to which the tenant mix is dependent upon a particular segment or segments of the population (e.g., military personnel); the property's reliance upon governmental or rent subsidy programs; and state and local regulations, which may affect the ability to increase rents.

Various laws and regulation regulate the relationship of a landlord and its tenants. These laws and regulations, to a greater or lesser extent, provide certain protections or rights for tenants, or limit the landlord's ability to take action against a tenant in certain circumstances, including consumer protection statutes that prohibit certain landlord practices. Numerous municipalities throughout the U.S. impose rent control or rent stabilization on apartment buildings. The rent stabilization regulations, which are applicable to certain of the Clients' investments, set maximum rates for annual rent increases, entitle tenants to receive required services from the landlord, and entitle tenants to have their leases renewed. These ordinances may limit rent increases to fixed percentages, to percentages of increases in the consumer price index, to increases set or approved by a governmental agency, or to increases determined through mediation or binding arbitration, and may also limit the borrower's ability to recover increases in operating expenses and the costs of capital

improvements, thus potentially impacting the Clients' investments. There can be no assurances that changes to rent stabilization laws will not have a negative impact on the Clients' investments.

Office Investments Are Subject to Certain Risks. A number of factors may affect the value of office properties, including, among other things, diversification of the tenant base (i.e., reliance on one or only a few tenants versus a greater number of tenants, or tenants in similar types of businesses versus a greater diversity of businesses); and the location, appearance, amenities, and other physical attributes of the properties; and competition from other office properties. Office properties generally require their owners to expend significant amounts for general capital improvements, tenant improvements, and costs of reletting space. In addition, office properties that are not equipped to accommodate the needs of modern businesses may become functionally obsolete and thus non-competitive or may require substantial capital investment to upgrade facilities in order to be competitive. Office properties may also be adversely affected if there is an economic decline in the businesses operated by their tenants. The risks of such an adverse effect are increased if the property revenue is dependent on a single tenant or if there is a significant concentration of tenants in a particular business or industry.

Retail Investments Are Subject to Certain Risks. The revenues and values of retail properties are subject to a number of factors, such as the overall health of the economy, shifts in consumer demand and spending habits, competition from other forms of retail selling (e.g., discount centers, outlet malls, and internet sales), trends in the retail industry and the safety, convenience and attractiveness of the properties. A number of retail leases, in addition to, or in lieu of, base rent, may include a provision for percentage rent that is dependent upon the amount of a tenant's sales. Rental income attributable to leases with percentage rent provisions may decrease in a general economic downturn that adversely affects tenant sales. Additionally, traditional retail centers often have anchor tenants (i.e., typically a tenant occupying a significant amount of the space). If an anchor tenant suffers a substantial downturn in its business, becomes insolvent, or does not renew its lease, the center could experience a material reduction in the income and value of the center. Certain tenants at a retail center may have provisions in their leases permitting them to terminate their leases in the event an anchor tenant no longer occupies its space there. Other tenants at the retail center may refuse to renew their leases when the time comes. These events, individually or collectively, may result in large vacancies at the center for extended periods of time, and thus would have a substantial adverse effect on the revenues from the center and, consequently, its value. There may also be significant costs incurred to relet the vacant space of a former anchor tenant and any other tenants that terminate or refuse to renew their leases due to the anchor tenant's vacancy.

Hotel Investments Are Subject to Certain Risks. The Clients may invest in hotel properties, and they will be subject to the risks normally associated with hotel property investments. A number of factors may affect the value of hotel properties, including, among other things, changes in the national, regional and local economic climate, reduced demand and increased operating costs, and other conditions resulting from terrorist attacks, changes in business and pleasure travel patterns, local market conditions, such as an oversupply of hotel rooms or a reduction in lodging demand, the attractiveness of the hotel to consumers, and competition from comparable hotels and other types of available accommodations, changes in room rates, and increases in operating costs due to inflation and other factors or unionization.

Certain expenses associated with owning and operating hotels are fixed and do not necessarily decrease when circumstances such as marketing factors and competition cause a reduction in income from hotel investments. Cost reductions may be difficult to achieve if operating levels continue to decline. Regardless of these efforts to reduce costs, a hotel's expenses may be affected by inflationary increases, and in the case of certain costs, such as wages, benefits, and insurance, may exceed the rate of inflation, and a hotel may be unable to offset these increased expenses with higher room rates. Any efforts to reduce operating costs or failure to make scheduled capital expenditures could adversely affect the growth of the hotel's business and the value of the hotel.

Investments in Real Estate Debt. The Clients may invest in a variety of real estate-related debt investments, including indirectly through a Client's investment in other affiliated Clients. In addition to the risks of borrower default (including loss of principal and non-payment of interest) and the risks associated with real property investments, the Clients will be subject to a variety of risks in connection with such debt investments, including the risks of illiquidity, lack of control, mismanagement or decline in value of collateral, contested foreclosures, bankruptcy of the debtor, claims for lender liability, risk retention rules, violations of usury laws and the imposition of common law or statutory restrictions on a Client's exercise of contractual remedies for defaults of such investments. These real-estate debt investments may include instruments that are not rated or are rated non-investment grade by one or more rating agencies. Investments that are not rated or are rated non-investment grade have a higher risk of default than investment grade rated assets and therefore may result in losses.

The Clients' investments that are subordinated or otherwise junior in an issuer's capital structure and that involve privately negotiated structures will expose the Clients to greater risk of loss. Such investments and the Clients' remedies with respect thereto, including the ability to foreclose on any collateral securing such investments, will be subject to the rights of any senior creditors and, to the extent applicable, contractual intercreditor and/or participation agreement provisions. Such investments also involve greater credit risk of default than senior classes, and the Clients would potentially receive payments or interest distributions after, and must bear the effects of losses or defaults on the senior debt before, the holders of other more senior tranches of debt instruments with respect to such issuer.

Mezzanine Loan and Preferred Equity Investments. Mezzanine loans are by their nature structurally subordinated to more senior property-level financings. If a borrower defaults on a mezzanine loan or on debt senior to a Client's loan, or if the borrower is in bankruptcy, the mezzanine loan will be satisfied only after the property-level debt and other senior debt is paid in full. In addition, mezzanine loans may have higher loan-to-value ratios than conventional mortgage loans, resulting in less equity in the property and increasing the risk of loss of principal. As a result, a partial loss in the value of the underlying collateral can result in a total loss of the value of the mezzanine loan. Moreover, even if a Client is able to foreclose on the underlying collateral following a default on a mezzanine loan, a Client would be substituted for the defaulting borrower and, to the extent income generated on the underlying property is insufficient to meet outstanding debt obligations on the property, may need to commit substantial additional capital and/or deliver a replacement guarantee by a creditworthy entity to stabilize the property and prevent additional defaults to lenders with existing liens on the property.

Investments in preferred equity involve a greater risk of loss than conventional debt financing due to a variety of factors, including their non-collateralized nature and subordinated ranking to other loans and liabilities of the entity in which such preferred equity is held. Accordingly, if the issuer defaults on a Client investment, the Client would only be able to proceed against such entity in accordance with the terms of the preferred equity, and not against any property owned by such entity. Furthermore, in the event of bankruptcy or foreclosure, the Client would only be able to recoup its investment after all lenders to, and other creditors of, such entity are paid in full. The Clients and/or certain subsidiary investment vehicles thereof will provide guarantees or other credit support in respect of the Clients' preferred equity investments; such guarantees or other credit support (as well as comparable guarantees or other credit support in respect of the Clients' other investment types) may be in lieu of guarantees or other credit support that would otherwise be provided by HGI, the General Partners, or their respective affiliates, and would therefore benefit such entities.

Securitizations Are Subject to Certain Risks. One of the Clients' leverage methods involves the use of securitization programs. The Clients seek to aggregate loan and bond pools secured by properties through securitization or other long-term financing vehicles. In each securitization transaction, the Clients convey the bonds or loans and issue certificates of beneficial ownership in exchange for such conveyance. The certificates are secured by assets transferred to a financial institution, a real estate mortgage investment conduit ("REMIC") or trust. In exchange for the transfer of assets to bond investors, the Clients receive the cash proceeds of the sale of its ownership interests, which proceeds are intended to be used to terminate a warehouse facility, and a residual interest. The residual interest retained by the Clients includes a subordinate interest in a portion of the principal of the bonds and the interest thereon after payments are made to the senior investors (the "Residual Interest" or "Residual Interests"). In most of these programs, the Clients hold Residual Interests in the bonds, and interest passes through to the Clients, as the Residual Interest holder, only after the payment to the senior interest holders of their share of the bond interest. If interest rates rise in the future, there is a risk that the Clients' securitized bonds and, therefore, its Residual Interests may decline in value. Although this risk can potentially be mitigated by the planned use of hedging strategies, there can be no assurance that these strategies will protect the Clients from suffering losses. During the financial crises, many entities which had used such hedging strategies discovered that the values of the bonds and the related hedges did not move in relation to each other as had been expected and substantial losses were incurred.

The risks associated with Residual Interests include the risk that the payments made on the securitized bonds may not be sufficient to make payments on both the senior and the Residual Interests, and that the value of the underlying bond may be less than the face amount of both the senior and the Residual Interest holders, with a consequence that the Clients, as holders of the Residual Interest, may receive less than the full and timely repayment in respect of their Residual Interest. Moreover, the holders of the senior interests will control the ability to enforce remedies with respect to any underlying bond; without the consent of the senior holders, the Clients will have limited ability to take actions that might protect their Residual Interests. If the cash flow with respect to a particular underlying bond is not sufficient to make full payments on Residual Interests held by the Clients, the Clients' ability to make expected distributions to Investors could be adversely affected.

Such investments are highly complex. Their complexity gives rise to the risk that parties involved in their creation and issuance, and other parties with an interest in them, may not have the same understanding of how these investments behave, or the rights that the various interested parties have with respect to them. Furthermore, the documents governing these investments may contain some ambiguities that are subject to differing interpretations. Even in the absence of such ambiguities, if a dispute were to arise concerning these instruments, there is a risk that a court or other tribunal might not fully understand all aspects of these investments and might rule in a manner contrary to both the terms and the intent of the documents. Therefore, the Clients cannot be fully assured that they will be able to enjoy all of the rights that they expect to have when investing in such highly structured investments. In addition, due to their complex structure, such highly-structured investments may be difficult to value, will have substantially reduced liquidity and may be subject to transfer restrictions.

The Clients may also seek to re-securitize certain securitization investments, including by issuing securities in a re-REMIC backed by such securitization investments. Such investments would be subject to similar risks to those described above.

B-Notes Are Subject to Certain Risks. A “B-note” is a mortgage loan that is typically secured by a first mortgage on a single large commercial property or group of related properties and subordinated to an “A-note” secured by the same first mortgage on the same collateral. As a result, if a borrower defaults, there may not be sufficient funds remaining for B-note holders after payment to the A-note holders. B-notes reflect similar credit risks to comparably rated commercial mortgage-backed securities (“CMBS”). As each transaction is privately negotiated, however, B-notes can vary in their structural characteristics and risks. For example, the rights of holders of B-notes to control the process following a borrower default may be limited in certain investments. The Clients cannot predict the terms of each B-note investment. B-notes are also typically less liquid than CMBS, and, as a result, a Client may be unable to dispose of performing, underperforming or non-performing B-notes. The higher risks associated with a Client’s subordinate position in the Client’s B-note investments could subject the Client to increased risk of losses.

Structured Vehicles. The Clients may invest in structured vehicles, including in securities issued by pooled credit vehicles, securitization entities, and in highly-structured subordinate debt or debt/equity-like securities, which are highly complex. Their complexity gives rise to the risk that parties involved in their creation and issuance, and other parties with an interest in them, may not have the same understanding of how these investments behave, or the rights that the various interested parties have with respect to them. Furthermore, the documents governing these investments may contain some ambiguities that are subject to differing interpretations. Even in the absence of such ambiguities, if a dispute were to arise concerning these instruments, there is a risk that a court or other tribunal might not fully understand all aspects of these investments and might rule in a manner contrary to both the terms and the intent of the documents. Therefore, the Clients cannot be fully assured that they will be able to enjoy all the rights that it expects to have when investing in such highly structured investments. In addition, due to their complex structure, such highly structured investments may be difficult to value, will have substantially reduced liquidity, and may be subject to transfer restrictions.

Mortgage Investment Risks. The Clients may acquire real estate loans that are non-recourse to the borrower. Mortgage investments have special inherent risks relative to collateral value. In certain

circumstances, a Client's loans may not be secured by a mortgage, but instead by partnership interests or other collateral. In any case, in the event of default, the Client's source of repayment will be limited to the value of the collateral and may be subordinate to other lien holders. The collateral value of the property may be less than the outstanding amount of the Client's investment; in cases in which the Client's collateral consists of partnership or similar interests, the Client's rights and level of security may be less than if it held a mortgage loan. Returns on an investment of this type depend on the borrower's ability to make required payments, and, in the event of default, the ability of the loan's servicer to foreclose and liquidate the mortgage loan or property.

Mortgage Regulation. The Clients are subject to the laws, rules, and regulations of various federal, state, and local government agencies regarding the origination, processing, underwriting, sale, and servicing of mortgage loans. Among other things, applicable laws, rules, and regulations may limit the interest rates, finance charges, and other fees that the Clients and/or HGI may realize in connection with a loan, may require the Clients and/or HGI to make extensive disclosures, and may impose on the Clients and/or HGI qualification and licensing obligations, and reporting and net worth requirements. The Clients and/or HGI may be subject to inspection by government agencies. The failure by the Clients and/or HGI to comply with applicable requirements could lead to, among other things, the loss of the ability to originate further loans, the rescission or voiding of existing mortgage loans (or parts thereof), civil damages, class action lawsuits, and federal, state and/or local enforcement actions. In addition, federal, state, and local governments have proposed and may enact additional laws, rules, and regulations governing the origination of mortgage loans. These additional laws, rules, and regulations may impose obligations and restrictions on the Clients and/or HGI that may have an adverse effect on the Clients' ability to achieve its investment objective.

Mortgage-Backed Securities. The Clients may invest in mortgage-backed securities ("MBS"). The yield and payment characteristics of MBS differ from traditional debt securities. Interest payments and principal prepayments are made frequently, usually monthly, over the life of the underlying mortgage loans securing the MBS (although most of the principal on commercial mortgage loans typically is payable only at maturity and generally must be refinanced), and principal generally may be prepaid at any time, because the underlying mortgage loans may be prepaid at any time subject to any prepayment penalties. MBS may be highly illiquid, and the value of MBS may fluctuate widely. The value of some MBS may be particularly sensitive to changes in prevailing interest rates as described below. The other risks associated with MBS include: (i) credit risk associated with the performance of the underlying mortgage properties and of the borrowers owning these properties; (ii) adverse changes in economic conditions and circumstances; (iii) prepayment risk, which can lead to significant fluctuations in the value of the MBS; (iv) loss of all or part of the premium, if any, paid for the MBS due to prepayments or interest rate fluctuations; (v) declines in the market value of the MBS due to capital markets fluctuations, prepayments on the underlying mortgage collateral or increased credit risk associated with the underlying mortgage collateral; and (vi) the risk that debtors, who may be entitled to the protection of a number of consumer credit laws with respect to MBS, may have the right to avoid payment.

Because MBS are generally ownership or participation interests in pools of mortgage loans secured by a pool of commercial or residential properties, MBS are entitled to payments only when and if funds are generated by the underlying mortgage loan pool. Moreover, the holders of MBS do not have the legal status of secured creditors and cannot accelerate a claim for payment on their securities or force a sale of the underlying mortgage loan pool in the event that insufficient funds

exist to pay such amounts. The holders of MBS also do not typically have the right to remove a servicer because of a failure of the underlying mortgage pool to perform as expected. In addition, legal risks can arise with respect to MBS because of the procedures followed in connection with the origination and servicing of commercial and residential mortgage loans, which are subject to various laws, regulate interest rates and other charges, require certain disclosures, mandate licensing of originators, prohibit discriminatory lending practices, and regulate the use of consumer credit information and debt collection practices. Such laws may limit a servicer's ability to collect all or part of the principal of or interest on a mortgage loan.

The MBS in which the Clients may invest may be subordinated to one or more other senior classes of securities issued with respect to the same pool of underlying mortgage loans for purposes of, among other things, offsetting losses and other shortfalls with respect to such mortgage loans. A Client may invest in loans and B-pieces of securitizations. In the case of certain subordinated MBS, no distributions of principal will generally be made on such subordinated class until the aggregate principal balances of all corresponding senior classes of securities have been reduced to zero. As a result, subordinate MBS classes are more sensitive to risk of loss, write-downs of principal following collateral defaults, the non-fulfillment of repurchase obligations, over-advancing on a pool of loans, and the costs of transferring servicing than more senior classes of such securities.

Investment in Junior Securities. The securities in which a Client may invest may be among the most junior in an investment's capital structure, and thus subject to the greatest risk of loss. These investments will often be unsecured and may be subordinated to substantial amounts of senior debt, all or a significant portion of which may be secured. In addition, these securities may not be protected by any or all of the financial covenants, such as limitations upon additional indebtedness, typically protecting such senior debt. Holders of these investments and other junior capital securities generally are not entitled to receive any payments in bankruptcy or liquidation until senior and other creditors are paid in full. In addition, the remedies available to holders of these securities are normally limited by restrictions benefiting senior creditors. In the event any investment cannot generate adequate cash flow to meet senior debt service, the Client may suffer a partial or total loss of capital invested in such subordinate debt or debt/equity like securities. There can be no assurances that investments will not experience financial difficulties, resulting in significant losses.

Investment in Derivatives. The Clients may use or have exposure to certain derivatives. These transactions generally provide for the transfer from one counterparty to another of certain risks and return characteristics inherent in the ownership of a financial asset. Such risks include the risk of default and insolvency of the issuer of such asset, and the risk that the credit of the issuer or any underlying collateral will decline or that credit spreads for like assets will change (thus affecting the market value of the financial asset).

There are certain legal, tax and market uncertainties that present risks in entering into derivatives. There is currently little or no case law or litigation characterizing certain credit derivatives, interpreting their provisions, or characterizing their tax treatment. In addition, additional regulations and laws may apply to certain derivatives that have not heretofore been applied. The reference assets are subject to the risks related to the credit of the underlying issuers, including the possibility of a default or bankruptcy of the issuer or a claim that the pledging of collateral to secure a loan constituted a fraudulent conveyance or preferential transfer that can be subordinated to the rights of other creditors of the issuers or nullified under applicable law.

Uncertain Risks Relating to Freddie Mac. Under the current Federal Housing Finance Regulatory Reform Act of 2008 (“Reform Act”), Freddie Mac could be placed into receivership for several reasons including but not limited to insolvency, inability of the U.S. Department of the Treasury to fund net worth deficits, or other reasons set forth under the Reform Act at the discretion of the Director of the Federal Housing Finance Agency (“FHFA”). If FHFA were to become Freddie Mac’s receiver, it could exercise certain powers that could adversely affect the holders of Freddie Mac securities. As receiver, FHFA could repudiate any contract entered into by Freddie Mac prior to its appointment as receiver if FHFA determines, in its sole discretion, that performance of the contract is burdensome, and that repudiation of the contract promotes the orderly administration of Freddie Mac’s affairs. It could also transfer Freddie Mac’s obligations to another party, and holders of Freddie Mac securities would be exposed to the credit risk of that party. The Reform Act requires that any exercise by FHFA of its right to repudiate any contract occurs within a reasonable period following its appointment as receiver. FHFA has defined such a reasonable period to be eighteen (18) months.

Future legislation may also materially affect the role of Freddie Mac, its business model, its structure, and future results of operations. It is difficult to predict what regulatory and legislative policies or actions the current administration or future administrations will pursue with respect to Freddie Mac.

Collateral Impairment Risk. In the event of a default by a borrower associated with a property directly or indirectly securing or otherwise related to loans held directly or indirectly by a Client, the Client might not receive payments to which it is entitled and thereby could experience a decline in the value of its investments. In the case of first lien loans and mortgages that are secured by collateral, while HGI generally expects the value of the collateral to be greater than the value of such secured first lien loans or mortgages, the value of the collateral may actually be equal to or less than the value of such first lien loans or mortgages, or may decline below the outstanding amount of such first lien or mortgage loans subsequent to the Client’s investment. The ability of a Client to have access to the collateral may be limited by bankruptcy and other insolvency laws. Under certain circumstances, the collateral may be released with the consent of the lenders or pursuant to the terms of the underlying loan agreement with the borrower. There is no assurance that the liquidation of the collateral securing a loan would satisfy the borrower’s obligation in the event of nonpayment of scheduled interest or principal, or that the collateral could be readily liquidated. As a result, the Client might not receive full payment on a loan to which it is entitled and thereby may experience a decline in the value of, or a loss on, the loan.

General Credit Risk. The issuers of debt instruments may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer’s ability to make timely payment of interest and principal. In addition, major economic downturns and financial market swings have adversely affected, and could in the future adversely affect, the ability of some of the issuers of such instruments to repay principal and pay interest thereon and may increase the incidence of default for such instruments.

The price of an instrument is affected by the credit quality of its issuer. Changes in the financial condition of an issuer, changes in general economic and financial market conditions, and changes in specific economic conditions that affect a particular type of issuer, can adversely impact the credit quality of an issuer. Lower quality instruments are often considered to be speculative in nature,

involve greater risk of default, and tend to be more sensitive to these changes than higher quality instruments. Instruments that are unrated or below investment grade may be unlikely to have the capacity to pay interest and repay principal when due, in the event of adverse business, financial, or economic conditions.

Prepayment Risk. Certain loans may have prepayment provisions that permit early repayment of the loans subject to any applicable prepayment penalties. Prepayments on loans are affected by a number of factors. If prevailing rates for similar loans fall below the interest rates on such loans, prepayment rates would generally be expected to increase. Conversely, if prevailing rates for similar loans increase above the interest rates on a Client's applicable loans, prepayment rates would generally be expected to decrease. Certain of a Client's loans may have lockout periods during which prepayment is prohibited or require prepayment penalties or premiums. However, loans in which the Clients invest may permit prepayment after such lockout periods or the periods for such prepayment penalties or premiums have expired. Prepayments on a loan are also affected by the value of the related collateral, the borrower's equity in the collateral, the financial circumstances of the borrower, fluctuations in the business operated by the borrower on the collateral, competition, general economic conditions, and other factors. If loans repay at a rate faster than anticipated, yields to investors may be reduced.

Interest Rate Risk. Changes in the prevailing interest rates offered by lenders to borrowers to purchase, improve, or otherwise finance commercial real estate could have an adverse impact on the Clients' operations and returns. A Client's returns will be largely dependent on interest income. Market interest rates are beyond the Client's or HGI's control and can fluctuate in response to general economic conditions and the policies of various governmental and regulatory agencies. Because Client assets may include both floating and fixed rate loans, changes in prevailing interest rates may have an adverse impact on the Client's returns. In times of rising interest rates, default risk among borrowers with floating rates may increase as their payments increase. A rising interest rate environment may also encourage borrowers with floating rate loans to refinance into fixed-rate loans. In times of decreasing interest rates, borrowers may be inclined to refinance fixed-rate loans. There is no assurance that a Client will be able to, or desire to, provide such refinancings. The rate at which loans are prepaid will vary based on various factors, including overall economic conditions, availability and terms of new financing alternatives, and prevailing interest rates. A Client that experiences a higher-than-expected rate of prepayments on its loans may have an adverse impact on its returns.

Benchmark Rate Risk. Prior to June 30, 2023, certain bonds and loans held by the Clients may have had floating interest rates based on the London Inter Bank Offered Rate ("LIBOR"). LIBOR is an estimate of the interest rates to borrow U.S. dollars, sterling, euros, and certain other currencies in the London unsecured interbank market and was widely used as a reference for setting the interest rate on loans, bonds, and derivatives globally. Consistent with prior announcements by the United Kingdom's Financial Conduct Authority, the representative settings for all Swiss franc, euro, British pound sterling, Japanese yen, and U.S. dollar LIBORs are no longer available as of June 30, 2023, while synthetic 3-month British pound sterling LIBOR and 1-, 3- and 6-month U.S. dollar LIBOR settings are expected to cease at the end of March 2024 and September 2024, respectively.

On March 15, 2022, the United States enacted the Adjustable Interest Rate (LIBOR) Act of 2021 (“LIBOR Act”). The federal LIBOR Act preempts similar state legislation (including that enacted in New York) and provides one national approach for replacing U.S. dollar LIBOR as a reference interest rate in certain contracts, including those with no fallback provisions or with fallback provisions that identify neither a specific replacement rate nor a “determining person” as defined in the legislation, once U.S. dollar LIBOR is no longer published or is no longer representative. The U.S. Federal Reserve has adopted the final rule that implements the LIBOR Act, which established certain Secured Overnight Financing Rate (“SOFR”)-based benchmark replacements for contracts governed by U.S. law that reference overnight and one-, three-, six- and 12-month tenors of U.S. dollar LIBOR that do not have suitable fallback provisions after June 30, 2023.

As a result of the transition away from LIBOR as a benchmark reference for interest rates, certain bonds and loans held by the Clients may have floating interest rates based on SOFR or, if otherwise provided in the underlying contracts, other alternative benchmark rates.

SOFR Risk. SOFR is a relatively new index rate calculated based on short-term repurchase agreements backed by U.S. Treasury Instruments. While LIBOR is an unsecured rate, SOFR is a secured rate. SOFR, unlike LIBOR, reflects actual market transactions. Accordingly, SOFR is not the economic equivalent of LIBOR. Consequently, there can be no assurance that SOFR will perform in the same way as LIBOR would have at any time, including, without limitation, as a result of changes in interest and yield rates in the market, monetary policy, bank credit risk, market volatility or global or regional economic, financial, political, regulatory, judicial, or other events.

Additionally, because SOFR is published by the Federal Reserve Bank of New York based on data received from other sources, we have no control over its determination, calculation, or publication. There can be no assurance that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of the Clients. If the manner in which SOFR is calculated is changed, that change may result in a reduction of the amount of interest payable on SOFR-linked floating rate instruments and the trading prices of such instruments. Additionally, daily changes in SOFR have, on occasion, been more volatile than daily changes in other benchmark or market rates. Although occasional, increased daily volatility in SOFR would not necessarily lead to more volatile interest payments, the return on and value of SOFR-linked floating rate instruments may fluctuate more than floating rate instruments that are linked to less volatile rates. All of the foregoing risks may affect the performance of the applicable bonds and loans in which the Clients invest, which in turn may adversely affect the performance of the Clients.

Alternative Benchmark Rate Risk. As stated above, some of the bonds and loans held by the Clients may have floating interest rates based on alternative benchmark rates other than SOFR. Such alternative benchmark rates, like SOFR, may not have been widely used by market participants until relatively recently, and they may not perform exactly the same as LIBOR because they are calculated and administered differently. Generally, the use of alternative benchmark rates (including SOFR) may (i) cause the value of the interest rate on such bonds and loans to be uncertain or to be lower or more volatile than it would otherwise be, (ii) result in uncertainty as to the functioning, liquidity or value of such bonds and loans, and/or (iii) involve actions of regulators or rate administrators that may adversely affect certain markets or contracts underlying such bonds and

loans. All of the foregoing could adversely affect the return on and value of the related floating rate instruments in which the Clients invest.

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) and shortly thereafter commenced a full-scale invasion of Russia's pre-positioned forces into Ukraine. This has led various countries (including the U.S.) to issue sanctions against Russia and against certain foreign individuals and national leaders who have supported Russia's invasion of Ukraine. Further sanctions may be forthcoming. Russia's invasion of Ukraine, related cyberattacks, the displacement of persons both within Ukraine and to neighboring countries, and the increasing international sanctions could have a negative impact on various economies and business activity globally (including in the countries in which the Clients invest), and therefore could adversely affect the performance of the Clients' investments. Furthermore, given the ongoing and evolving nature of the conflict and its ongoing escalation, 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 Clients and the performance of their investments or operations, and the ability of the Clients to achieve their investment objectives.

Non-Performing Loans. It is possible that a Client General Partner may find it necessary or desirable to foreclose on collateral securing one or more real estate loans. The foreclosure process can be lengthy and expensive. Borrowers often resist foreclosure actions by asserting numerous claims, counterclaims, and defenses against the holder of a real estate loan, including lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action. In some states, foreclosure actions can take up to several years or more to conclude. At any time during the foreclosure proceedings, the borrower may file for bankruptcy, staying the foreclosure action and further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the collateral property and may result in disrupting ongoing leasing and management of the property.

Systemic Risk. Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs. A default by one institution may cause a series of defaults by the other institutions. This is sometimes referred to as a "systemic risk" and may adversely affect financial intermediaries, such as clearing houses, banks, and securities firms with which the Clients interact. A systemic failure could have material adverse consequences on the Clients and on the markets for the securities in which the Clients seek to invest.

Custody and Banking Risks. The Clients will maintain funds with one or more banks or other depository institutions ("banking institutions"), which may include U.S. and non-U.S. banking institutions, and may enter into credit facilities or have other financial relationships with banking institutions. The distress, impairment, or failure of one or more banking institutions with whom the Clients, their portfolio investments, the General Partners and/or HGI transact may inhibit the ability of the Clients or their portfolio investments to access depository accounts or lines of credit at all or in a timely manner. In such cases, the Clients may be forced to delay or forgo investments or to call capital when it is not desirable to do so, resulting in lower performance for the Clients. In the event of such a failure of a banking institution where the Client or one or more of its portfolio

investments holds depository accounts, access to such accounts could be restricted and U.S. Federal Deposit Insurance Corporation (“FDIC”) protection may not be available for balances in excess of amounts insured by the FDIC (and similar considerations may apply to banking institutions in other jurisdictions not subject to FDIC protection). In such instances, the Clients and their affected portfolio investments may not recover such excess, uninsured amounts and instead, would only have an unsecured claim against the banking institution and participate pro rata with other unsecured creditors in the residual value of the banking institution’s assets. The loss of amounts maintained with a banking institution or the inability to access such amounts for a period of time, even if ultimately recovered, could be materially adverse to the Clients or their portfolio investments. One or more Investors or a Client’s General Partner could also be similarly affected and unable to fund capital calls, further delaying or deferring new investments. In addition, a Client’s General Partner may not be able to identify all potential solvency or stress concerns with respect to a banking institution or to transfer assets from one bank to another in a timely manner in the event a banking institution comes under stress or fails.

Potential Limited Enforceability of Remedies. Generally, debt instruments, mortgages, or other security agreements in which a Client may invest will include debt-acceleration clauses, which permit the lender to accelerate the debt upon a default of the borrower. Courts across the U.S. will enforce clauses providing for acceleration in the event of a material payment default after the giving of appropriate notices. The equity courts of any U.S. jurisdiction, however, may refuse to permit the foreclosure of a debt instrument, a mortgage, or deed of trust, or other security interest when an acceleration of the indebtedness would be inequitable or unjust or the circumstances would render the acceleration unconscionable.

Commingled Securities. The Clients may make certain investments through investment vehicles in which other Clients or affiliates have economic interests linked to the investments made through the investment vehicles (the “Commingled Subsidiaries”). A Client may not control such Commingled Subsidiaries and may not elect any or all of the managers, directors, or officers of the Commingled Subsidiaries. It is possible that the officers and directors of the Commingled Subsidiaries will not act in the best interests of a Client. Because the assets of a Client invested in the Commingled Subsidiaries may not be segregated from the assets invested in a Commingled Subsidiary by other Clients and/or subsidiary investment affiliates, such assets may be exposed to the risk of claims and liabilities related to investments made through the Commingled Subsidiaries by other Clients and/or subsidiary investment affiliates. Should such a claim or liability arise, it is possible that the claimant or creditor will have recourse to the investments made by the Commingled Subsidiaries on behalf of the Client, even if the claim or liability is not related to the Client’s investments. Additionally, certain Clients and/or subsidiary investment affiliates participating in investments through a Commingled Subsidiary may hold veto, consent and/or other rights with respect to such investments. In such instances, the Clients may be subject to such investors’ decisions with respect to the investments.

Potential Lender Liability. In recent years, a number of judicial decisions in the U.S. have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed, “lender liability”). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower, or has assumed a degree of control over the borrower, resulting in

the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of the Clients' investments, a Client could become subject to allegations of lender liability.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lender (a) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (b) engages in other inequitable conduct to the detriment of such other creditors, (c) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (d) uses its influence as an equity holder to dominate or control a borrower to the detriment of the other creditors of such borrower, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination." Because of the nature of certain of the Clients' investments and investments in a borrower by subsidiary investment affiliates of the Clients, a Client could be subject to claims from creditors of a borrower that the Client's loans to such borrower should be equitably subordinated. A significant number of the Clients' investments involve investments in which the Clients would not be the lead creditor. It is, accordingly, possible that lender liability or equitable subordination claims affecting a Client's investments could arise without the direct involvement of the Client.

Investments Outside the United States. The legal systems of some countries lack transparency or could limit the protections available to foreign investors, and the Clients' investments may be subject to nationalization and confiscation without fair compensation. Real estate related investing outside the U.S. involves additional risks including the following: (i) currency exchange rate fluctuations and costs associated with conversion of investment principal and income from one currency into another; (ii) differences in conventions relating to documentation, settlement, corporate actions, shareholder rights and other matters; (iii) differences between U.S. and foreign securities and real estate markets, including potentially higher price volatility and relative illiquidity of some markets; (iv) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and differences in government supervision and regulation; (v) the risks associated with political, economic or social instability, including the risk of sovereign defaults, regulatory change, and the possibility of expropriation or confiscatory taxation and other adverse economic and political developments; (vi) the possible imposition of non-U.S. taxes on income and gains and gross sales or other proceeds recognized with respect to such investments, and any non-U.S. tax filings and reporting requirements; (vii) less developed corporate laws regarding stakeholder rights, creditors' rights (including the rights of secured parties), fiduciary duties and investor protections; (viii) differences in the legal and regulatory environment or enhanced legal and regulatory compliance, including potential currency control regulations, and potential restrictions on investment and repatriation of capital; (ix) political hostility to investments by foreign or private equity investors; and (x) less publicly available information.

Changes to the European Union. The United Kingdom left the European Union on January 31, 2020 (commonly referred to as "Brexit"). During an 11-month transition period, the United Kingdom and the European Union agreed to a Trade and Cooperation Agreement which sets out the agreement for certain parts of the future relationship between the European Union and the United Kingdom from January 1, 2021. The Trade and Cooperation Agreement does not provide the United Kingdom with the same level of rights or access to all goods and services in the European Union as the United

Kingdom previously maintained as a member of the European Union and during the transition period. In particular the Trade and Cooperation Agreement does not include an agreement on financial services, which is yet to be agreed. Accordingly, uncertainty remains in certain areas as to the future relationship between the United Kingdom and the European Union.

From January 1, 2021, European Union laws ceased to apply in the United Kingdom. However, many European Union laws have been transposed into English law and these transposed laws will continue to apply until such time that they are repealed, replaced, or amended. Depending on the terms of any future agreement between the European Union and the United Kingdom on financial services, substantial amendments to English law may occur, and it is impossible to predict the consequences on the Clients and their investments. Such changes could be materially detrimental to Investors.

Although one cannot predict the full effect of Brexit, it could have a significant adverse impact on the United Kingdom, European and global macroeconomic conditions and could lead to prolonged political, legal, regulatory, tax and economic uncertainty. This uncertainty is likely to continue to impact the global economic climate and may impact opportunities, pricing, availability and cost of bank financing, regulation, values or exit opportunities of companies or assets based, doing business, or having service or other significant relationships in, the United Kingdom or the European Union, including companies or assets held or considered for prospective investment by the Clients.

The future application of European Union-based legislation to the private fund industry in the United Kingdom and the European Union will ultimately depend on how the United Kingdom renegotiates the regulation of the provision of financial services within and to persons in the European Union. There can be no assurance that any renegotiated terms or regulations will not have an adverse impact on the Clients and their portfolio investments, including the ability of the Clients to achieve their investment objectives. Brexit may result in significant market dislocation, heightened counterparty risk, an adverse effect on the management of market risk and, in particular, asset and liability management due in part to redenomination of financial assets and liabilities, an adverse effect on the ability of HGI to manage, operate and invest the Clients and increased legal, regulatory or compliance burden for HGI and/or the Clients, each of which may have a negative impact on the operations, financial condition, returns or prospects of the Clients.

Areas where the uncertainty created by the United Kingdom's withdrawal from the European Union is relevant include, but are not limited to, trade within Europe, foreign direct investment in Europe, the scope and functioning of European regulatory frameworks (including with respect to the regulation of alternative investment fund managers and the distribution and marketing of alternative investment funds), industrial policy pursued within European countries, immigration policy pursued within European Union countries, the regulation of the provision of financial services within and to persons in Europe and trade policy within European countries and internationally. The volatility and uncertainty caused by the withdrawal may adversely affect the value of the Clients' portfolio investments and the ability to achieve the investment objectives of the Clients.

Changes in State or Local Laws. Because increases in state or local sales, income, service, or transfer taxes are generally not passed through to tenants under leases, such increases may adversely

affect a Client's cash flow and its ability to make distributions to its Investors. Real property is also subject to governmental authorities at the federal, state, and local levels who are actively involved in the promulgation and enforcement of regulations relating to land use and zoning restrictions. Regulations may be promulgated that could have the effect of restricting or curtailing certain uses of existing structures or requiring that such structures be renovated or altered in some fashion. The establishment of such regulations could have the impact of increasing the expenses and lowering the profitability of any of the properties affected thereby. Increased costs resulting from increases in real estate, income, or transfer taxes, or other governmental requirements generally, may not be passed through directly to residents, tenants, or lessees, inhibiting the ability of the Clients to recover such costs.

Investments May be Subject to the Americans with Disabilities Act. Under the Americans with Disabilities Act of 1990 (the "ADA"), all public accommodations and commercial facilities are required to meet certain federal requirements related to access and use by disabled persons. Existing industrial properties generally are exempt from the provisions of the ADA but may be subject to provisions requiring that buildings be made accessible to people with disabilities. Compliance with the ADA requirements could require removal of access barriers. Non-compliance with the ADA could result in imposition of fines by the U.S. government or an award of damages to private litigants. Future changes to federal, state, and local laws also may require modifications to properties in which the Clients invest or restrict the ability to renovate such properties. While the amounts of such compliance costs, if any, are not currently ascertainable, they may have an adverse effect on the Clients. Generally, remediation work and lawsuits related to ADA issues are not covered by insurance policies obtained by a Client.

Cybersecurity Risk. HGI, the Clients' Service Providers, and other market participants depend on complex and often interconnected information technology and communications systems to conduct business functions. These systems are subject to a number of different threats and other risks that could adversely affect the Clients and the Clients' subsidiary investment vehicles, despite the efforts of HGI and the Clients' Service Providers to adopt technologies, processes and procedures intended to mitigate these risks and protect the security of their computer systems, software, networks, and other technology assets, as well as the security, confidentiality, integrity and availability of information belonging to the Clients, the Clients' subsidiary investment vehicles, and Investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, encrypt or otherwise prevent access to these systems of HGI, the Clients' Service Providers and counterparties, as well as the data stored by these systems, including Investor information. HGI and the Clients' Service Providers may be subject to ransomware or other attacks that could cause a substantial business disruption or loss of availability of data that could prevent the Clients and HGI from executing its investment strategy or accessing an account, which could lead to financial losses. Third parties may also attempt to fraudulently induce employees, customers, third-party Service Providers, or other users of HGI's systems to disclose sensitive information to gain access to HGI's data or that of the Investors or to transfer funds to unauthorized third parties. A successful penetration or circumvention of the security of HGI's systems could result in the loss or theft of an Investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system and costs associated with system repairs. Such incidents could cause the Clients, the Clients' subsidiary investment vehicles, HGI, its affiliates, or their Service Providers to incur regulatory

penalties, reputational damage, additional compliance costs, increased insurance premiums and/or financial loss. In addition, they may incur substantial costs related to investigation and remediation of the cybersecurity incident, increasing and upgrading cybersecurity protections, including administrative, technical, organizational, and physical controls, acts of identity theft, unauthorized use or loss of proprietary information, adverse investor reaction, increased insurance premiums and/or difficulties obtaining insurance coverage or litigation, regulatory actions, or other legal risks.

Similar types of operational and technology risks are also present for Client investments, which could have material adverse consequences for such investments, and may cause such investments to lose value.

Risks of Artificial Intelligence (“AI”). HGI’s ability to use, manage and aggregate data may be limited by the effectiveness of its policies, systems and practices that govern how data is acquired, validated, used, stored, protected, processed, and shared. Failure to manage data effectively and to aggregate data in an accurate and timely manner may limit HGI’s ability to manage current and emerging risks, as well as to manage changing business needs and to adapt to the use of new tools, including AI. While HGI may restrict certain uses of third-party and open source AI tools, such as ChatGPT, HGI’s employees and consultants and a Client’s portfolio investments may use these tools, which poses additional risks relating to the protection of HGI’s and such portfolio investments’ proprietary data, including the potential exposure of HGI’s or such portfolio investments’ confidential information to unauthorized recipients and the misuse of HGI’s or third-party intellectual property, which could adversely affect HGI, a Client or its portfolio investments. Use of AI tools may result in allegations or claims against HGI, a Client or its portfolio investments related to violation of third-party intellectual property rights, unauthorized access to or use of proprietary information and failure to comply with open-source software requirements. Additionally, AI tools may produce inaccurate, misleading, or incomplete responses that could lead to errors in HGI’s and its employees’ and consultants’ decision-making, portfolio management or other business activities, which could have a negative impact on HGI or on the performance of a Client and its portfolio investments. Such AI tools could also be used against HGI, a Client or its portfolio investments in criminal or negligent ways. As the use and availability of AI tools has grown, the U.S. Congress and a number of U.S. federal and state agencies have been examining the AI tools and their use in a variety of industries, including financial services. These agencies have issued proposed or adopted a variety of rules and other guidance regarding the use of AI. AI similarly faces an uncertain regulatory landscape in many foreign jurisdictions. Ongoing and future regulatory actions with respect to AI generally or AI’s use in any industry in particular may alter, perhaps to a materially adverse extent, the ability of HGI, a Client or its portfolio investments to utilize AI in the manner it has to-date and may have an adverse impact on the ability of HGI, a Client or its portfolio investments to continue to operate as intended.

Recent Regulatory Developments for Private Funds and Their Advisers. In recent years, the SEC has proposed and adopted, and continues to adopt, various changes to the rules relating to private funds and their advisers. On August 23, 2023, the SEC adopted previously proposed new rules and amendments to existing rules (collectively, the “Private Funds Rules”) under the Advisers Act specifically related to advisers of private funds.

The Private Funds Rules will impose new and substantial requirements on advisers and the funds they advise, including with respect to quarterly reporting, restricted activities, preferential treatment

of investors, audit requirements, adviser-led secondaries, and annual compliance reviews. The Private Funds Rules, in addition to any other new rules adopted by the SEC, are expected to significantly impact the business of HGI and its affiliates, a Client and/or its investments. As a result of the new rules, HGI may be restricted or refrain from providing information regarding a Client in response to Investor requests. HGI will be required to circulate to all Investors the material terms of any preferential treatment agreed in connection with investments in a Client (i.e., all side letter terms), without regard to any most favored nation provision. This may ultimately impact HGI's decisions with respect to agreeing to certain preferential rights. The Private Funds Rules include certain audit requirements, which may require HGI to select a different auditor or obtain an additional audit, even if HGI does not believe it is in the best interest of a Client or its Investors to do so. Further, many provisions of the Private Funds Rules require HGI to make a variety of subjective determinations as to whether and how such rules apply to a Client and HGI's related obligations. HGI will face conflicts of interest in making such determinations, including for example with respect to whether certain fees and expenses may be charged to a Client, whether certain provisions may have a material negative impact on certain Investors and whether certain allocations are fair and equitable. HGI's and a Client's compliance burdens and associated costs including, without limitation, insurance expenses, are also expected to increase. HGI also will be subject to increased risk of exposure to additional regulatory scrutiny, litigation, censure and penalties for noncompliance or perceived noncompliance as a result of the Private Funds Rules, and any noncompliance or perceived noncompliance with such rules may negatively impact a Client's reputation as well as its investment activities, thereby materially reducing returns to Investors.

Several trade groups representing private fund managers have filed a legal challenge to the Private Funds Rules and other legal challenges to the Private Funds Rules may be forthcoming. Regardless of the outcome of these lawsuits, the implementation of these new rules is expected to create additional burdens for advisers to private funds.

Possibility of Fraud and Other Misconduct of Employees and Service Providers. Misconduct by employees of HGI, Service Providers to HGI or the Clients and/or their respective affiliates could cause significant losses to the Clients. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by such Clients, the improper use or disclosure of confidential or material non-public information, which could result in litigation, regulatory enforcement, or serious financial harm, including limiting the business prospects or future marketing activities of such Clients and noncompliance with applicable laws or regulations and the concealing of any of the foregoing. Such activities may result in reputational damage, litigation, business disruption and/or financial losses to such Clients. HGI has controls and procedures through which it seeks to minimize the risk of such misconduct occurring. However, no assurances can be given that HGI will be able to identify or prevent such misconduct.

Item 9: Disciplinary Information

Neither HGI nor any of its officers, directors, or employees or other management persons has been involved in any legal or disciplinary events that would require disclosure in response to this Item.

Item 10: Other Financial Industry Activities and Affiliations

HGI is a large global organization that sponsors real estate investment opportunities, and as such has numerous related persons that serve as a sponsor, General Partner, managing member (or equivalent) to related Clients. Harbor Group International, LLC has eight relying on advisers: HGGP Capital IX, HGGP Capital X, HGGP Capital XI, HGGP Capital XII, HGGP Capital XIII, HGGP Capital XIV, HGGP Capital XV, HGGP Capital XVI, and HGGP Capital XVII. Each of the relying advisers is under common control with Harbor Group International, LLC. HGI is affiliated with HGI Capital Management, LLC, also registered with the SEC as an investment adviser, that provides investment advisory services to privately offered pooled investment vehicles and institutional separate accounts that primarily make investments in the common equity, preferred equity and other securities of companies that are principally engaged in the real estate industry and related sectors. HGI provides investment advisory services to the Clients as more fully discussed in *Item 4 (Advisory Business)*. Affiliates of HGI serve as General Partners to the Clients. In addition to investment advisory services, HGI also has affiliated entities that provide property management, construction, development, and leasing services to certain of the properties held by the Clients. Please see *Item 5 (Fees and Compensation)* for a description of the property-related services and fee arrangements for such services.

Having multiple affiliates that are in the real estate services business may give rise to a conflict of interest because HGI has discretion to select or is responsible for recommending to a Client, Service Providers that are affiliates. For a description of material conflicts created by the relationship among HGI and its affiliates, as well as a description of how certain such conflicts are addressed, please see *Item 11 (Code of Ethics, Participation or Interest in Client Transactions and Personal Trading)*.

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

Code of Ethics

Pursuant to Rule 204A-1 of the Advisers Act, HGI has adopted a written Code of Ethics (the “Code”). The Code is designed to address and, to the extent possible, avoid potential conflicts of interest, except as otherwise disclosed. The Code is generally applicable to all officers, directors, members, partners, or employees of HGI involved in its investment advisory business (the “Access Persons”). Among other things, the Code establishes guidelines for professional conduct and personal trading procedures, including certain pre-clearance and reporting obligations. Access Persons are required to promptly report any violation of the Code of which they become aware and are required to annually certify compliance with the Code.

A full copy of the Code will be made available to Investors or prospective Investors in the Clients upon request to: Christopher R. Gruszczynski, Chief Compliance Officer at CCO@harborg.com.

Participation or Interest in Client Transactions

HGI, its Access Persons or affiliated entities of HGI (collectively “Related Persons”), will generally have an investment in the Clients managed by HGI. A Client or its General Partner, as applicable, may reduce all or a portion of the asset management fee and Carried Interest related to investments held by such persons. As a result, Related Persons have an interest in an investment that may also be recommended to the Clients. Infrequently, certain principals who are Related Persons of HGI may redeem an Investor’s interest in a Client by personally assuming the Investor’s beneficial ownership interest. Such principal transactions are made at the request, and with the approval, of the Investor. From time to time, certain principals who are Related Persons of HGI may sometimes also invest alongside one or more of the Clients privately, outside of a Client. For further details regarding these arrangements, as well as conflicts of interests presented by them, please see “Conflicts of Interest” below.

Personal Trading

Access Person and their family members and others who reside in their households may purchase investments for their own accounts and accounts in which they have a beneficial interest or over which they have investment discretion or influence, subject to the terms of the Code. Under the Code, Access Persons are required to file certain periodic reports with HGI as required by Rule 204A-1 under the Advisers Act. The Code is designed to prevent and detect potential conflicts of interest.

Access Persons who violate the Code may be subject to remedial actions, including, but not limited to, suspension of personal trading privileges, profit disgorgement, fines, censure, demotion, suspension, or dismissal.

Conflicts of Interest

HGI and/or its Related Persons engage in a broad range of activities, including investment activities for their own account and for the account of other Clients, and providing property-related, investment advisory, management, and other services to Clients and properties. In the ordinary course of conducting its activities, the interests of a Client will, from time to time, conflict with the interests of HGI, other Clients or their respective affiliates. Certain conflicts of interest, as well as a description of how HGI addresses such conflicts of interest, can be found below.

Resolution of Conflicts

In the case of all conflicts of interest, HGI's determination as to which factors are relevant, and the resolution of such conflicts, will be made using HGI's best judgment, but in its sole discretion. In resolving conflicts, HGI will consider various factors, including the interests of the applicable Clients with respect to the immediate issue and/or with respect to their longer-term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors generally mitigate, but may not eliminate, conflicts of interest:

- (1) A Client will not make an investment unless HGI believes that such investment is an appropriate investment considered from the viewpoint of such Client;
- (2) HGI has adopted and implemented certain policies and procedures designed to reduce or manage certain conflicts of interest;
- (3) Many important conflicts of interest will generally be resolved by set procedures, restrictions, or other provisions contained in the Governing Documents of the Clients; and
- (4) Prior to subscribing for interests in a Client, each Investor receives information relating to material actual, potential, and perceived conflicts of interest arising from the proposed activities of such Client.

In addition, certain provisions of the Governing Documents are designed to protect the interests of Investors in situations where conflicts may exist, although these provisions do not eliminate such conflicts. In certain instances, some of such conflicts of interest may be resolved in a manner adverse to a Client and its ability to achieve its investment objectives. While HGI endeavors to resolve all conflicts in a fair and impartial manner, there can be no assurance that its own interests will not influence its conduct and decisions. There can be no assurance that HGI will identify or resolve all conflicts in a manner that is favorable to the Clients or Investors. Investors may not be entitled to receive notice or disclosure of the actual occurrence of conflicts or have any right to consent to them as they arise.

Conflicts

The material conflicts of interest encountered by a Client include those discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by a Client. Other conflicts may be disclosed throughout this brochure, which should be read in its entirety for other conflicts.

Allocation of Investment Opportunities Among Clients

In connection with its investment activities, HGI may encounter situations in which it must determine how to allocate investment opportunities (including follow-on investments) among various Clients and other persons, which may include, but are not limited to, the Clients, any successor clients with the same or substantially similar investment objectives as a current Client, any co-investment vehicle formed to invest side-by-side with one or more Clients, Investors and/or third parties that wish to make direct investments with one or more Clients in particular properties. HGI makes allocation determinations consistent with the Governing Documents and in accordance with its written policies and procedures relating to the allocation of investment opportunities. Although HGI intends to allocate investment opportunities in a fair and equitable manner, decisions as to the allocation of investment opportunities present numerous conflicts of interest, which may not be resolved in a manner that is favorable to the interest of one or more Clients. HGI may consider a broad range of factors in allocating investment opportunities, and there can be no assurance that opportunities will be allocated on a pro rata basis or that a Client will participate in all opportunities that fall within its investment objectives.

Clients are generally subject to investment allocation requirements (collectively, “Investment Allocation Requirements”). Investment Allocation Requirements are generally set forth in the Governing Documents. To the extent the Investment Allocation Requirements of a Client do not include specific allocation procedures and/or allow HGI discretion in making allocation decisions among the Clients, HGI will follow the process set forth below.

HGI first considers which Clients and/or other parties are eligible to participate in an investment opportunity. HGI assesses whether an investment opportunity is appropriate for a particular Client(s) based on the Client’s investment objectives, strategies, structure, and size, which are typically reflected in the Governing Documents. Prior to making any allocation to a Client of an investment opportunity, HGI may also consider what additional factors may restrict or limit the offering of an investment opportunity to the Client(s).

In instances when HGI may be in a position to allocate investment opportunities to more than one Client at a time, it will use reasonable efforts to ensure that each Client is treated in a fair and equitable manner. In making any such allocation decisions, HGI may consider, among other things, each Client’s investment objectives and investment focus, diversification (both geographically and by type and size of investment), the actual, relative or potential exposure of a Client to the type of investment opportunity in terms of its existing portfolio, each Client’s liquidity and reserves (including whether a Client is able to commit to invest all capital required to consummate a particular investment opportunity), the de-risking associated with a follow-on investment because of a Client’s earlier investment, structural and operational differences between the Clients, lender covenants and other limitations, any “ramp-up” period for a newly-established Client, targeted rate of return, composition of each Client’s portfolio and each Client’s investment concentration parameters and the scope of a Client’s investment mandate including whether mandates are identified as primary or secondary, and whether the mandate is limited or otherwise restricted to specific types of investments/assets, availability of committed capital and the length of time such capital has been available for investment, availability of other suitable investments, risk considerations, supply or demand for an investment opportunity at a given price level, cash flow considerations, the likelihood of current income, the centrality of an investment to each Client’s

strategy, minimum and maximum investment size requirements, expected timing necessary to execute a transaction, whether an investment opportunity requires additional consents or authorizations from the Client, Investors or third-parties, whether an investment opportunity would enable a Client to qualify for certain programmatic benefits or discounts that are not readily available to other Clients, including, but not limited to, the ability to enter into credit arrangements with certain financial or government institutions, and applicable legal, tax and regulatory considerations. HGI will not allocate investment opportunities based, in whole or in part, on (i) the relative fee structure or amount of fees paid by any Client or (ii) the profitability of any Client. The application of the Investment Allocation Requirements and factors set forth above may result in allocation on a non-pro rata basis, and there can be no assurance that a Client will participate in all investment opportunities that fall within its investment objectives. HGI makes allocation determinations based solely on HGI's expectations at the time such investments are made; however, investments and their characteristics may change and there can be no assurance that an investment may prove to have been more suitable for another Client in hindsight.

From time-to-time certain investment opportunities involve interests in portfolio investments of one or more Clients that are part of a restructuring or similar transaction. In such instances, Investors in the Clients involved in such a transaction are typically given priority rights to roll over their existing interests or otherwise reinvest in such investment opportunities (for instance, through a newly formed "continuation fund"). As a result, other Clients may not be allocated all or any portion of such an investment opportunity, even if such opportunity falls within a Client's investment objectives or strategy.

Additional conflicts could arise to the extent HGI and/or its Related Persons hold an outsized economic position in any of the participating Clients. In such cases, HGI could be incentivized to manage such arrangements in a manner that would enhance the returns of the Clients in which HGI and/or its Related Persons hold a substantial portion of the equity, even to the detriment of other Clients.

Allocation of Co-Investment Opportunities

HGI will determine if the amount of an investment opportunity exceeds the amount HGI determines would be appropriate for the Clients, and any such excess may be offered to one or more co-investors in accordance with the following paragraphs. There may be circumstances where HGI determines, for strategic or other reasons, the amount that could have otherwise been invested by the Clients is instead allocated to one or more co-investors.

Subject to any specific agreements with an Investor, in general, (i) no Investor has a right to participate in any co-investment opportunity, and investing in a Client does not give an Investor any rights, entitlements, or priority to co-investment opportunities, (ii) decisions regarding whether and to whom to offer co-investment opportunities, as well as the applicable terms on which a co-investment is made, are made in the sole discretion of HGI or other participants in the applicable transactions, such as co-sponsors, (iii) co-investment opportunities typically will be offered to some but not all Investors, in the sole discretion of HGI or its affiliates, Investors may be offered a smaller amount of co-investment opportunities than originally requested, and an Investor may be offered fewer co-investment opportunities than other Investors, with the same, larger or smaller capital

commitments, (iv) certain persons other than Investors (e.g., consultants, joint venture partners, HGI personnel, persons associated with an investment and other third parties, including Related Persons and persons who HGI believes will provide a benefit to a Client and/or one or more investments, or who provide a strategic sourcing or similar benefit to HGI and/or its affiliates) will, from time to time be offered co-investment opportunities, in the sole discretion of HGI and (v) co-investors will generally purchase their interests in an investment at the same time as a Client or will, on occasion purchase their interests from a Client after a Client has consummated its investment (also known as a post-closing sell down or transfer). Each co-investment opportunity (should any exist) is likely to be different, and allocation of each such opportunity will be dependent upon the facts and circumstances specific to that unique situation. HGI from time to time agrees to give particular Investors or other third parties priority access to co-investment opportunities. The existence of such priority or other contractual co-investment access rights could affect HGI's decision to offer certain opportunities for co-investment and could limit the ability of the Investors to be offered certain co-investment opportunities.

In exercising its discretion to allocate co-investment opportunities, HGI may consider some or all of a wide range of factors, which include, but are not limited to, its own interests and/or one or more of the following:

- HGI's evaluation of the size and financial resources of the potential co-investment party and HGI's perception of the ability of that potential co-investment party to efficiently and expeditiously participate in the investment opportunity with a Client without harming or otherwise prejudicing a Client, in particular when the investment opportunity is time-sensitive in nature, as is typically the case;
- Any confidentiality concerns HGI has in connection with providing the potential co-investment party specific information relating to the investment opportunity;
- The character and nature of the co-investment opportunity (including the investment amount, structure, geographic location, tax characteristics, and relevant industry);
- Level of demand for participation in such co-investment opportunity;
- The ability of a potential co-investment party to hold investments for longer periods of time (or indefinitely);
- HGI's perception of whether the investment opportunity may subject the potential co-investment party to legal, regulatory, competitive, confidentiality, reporting, public relations, media, or other burdens that make it less likely that the potential co-investment party would act upon the investment opportunity if offered;
- HGI's evaluation of whether a particular potential co-investment party has provided value in sourcing investments, establishing relationships, participating in diligence, and/or negotiations for such potential transaction, or is expected to provide value to the business or operations of an investment post-closing;
- Whether the co-investment opportunity is being provided in connection with a potential investment in, or acquisition of, interests through a secondary transfer of the Clients (i.e., a stapled co-investment opportunity); and

- Whether HGI believes, in its sole discretion, that allocating investment opportunities to a potential co-investment party will help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits (including strategic, sourcing, or similar benefits) to current or future Clients, and whether the potential co-investment party has demonstrated a long-term and/or continuing commitment to the potential success of the current or future Clients.

The factors above are not listed in order of importance or priority, and HGI is not required to, and does not, consider all of the factors described above in any particular investment. HGI's exercise of its discretion in allocating investment opportunities often will not result in proportional allocations, and allocations often will be more or less advantageous to some such persons relative to other persons. For example, HGI may be incentivized to offer a co-investment opportunity to certain persons over others based on its economic arrangement with such persons. HGI expects that these factors will lead HGI to favor some potential co-investors over others with respect to the frequency with which HGI offers them co-investment opportunities. HGI also expects to allocate certain co-investors a greater proportion of an investment opportunity than others as a result of these factors.

In the event HGI determines to offer an investment opportunity to potential co-investors, there can be no assurance that HGI will be successful in offering a co-investment opportunity to a potential co-investor, in whole or in part, that the closing of such co-investment will be consummated in a timely manner, that the co-investment will take place on the terms and conditions that will be preferable for a Client, or that expenses incurred by a Client with respect to the syndication of the co-investment will not be substantial, and whether a Client will bear the risk that any or all excess portion of an investment is not sold or is sold on unattractive terms. Further, it is possible that a potential co-investment party may experience financial, legal or regulatory difficulties and may, from time to time, have economic, tax, regulatory, contractual, or other business interests or goals that are inconsistent with those of a Client and as a result, may take a different view from HGI as to appropriate strategy for an investment, or may be in a position to take a contrary action to a Client's investment objective. In the event that HGI is not successful in offering a co-investment opportunity to potential co-investors, in whole or in part, a Client may consequently hold a greater concentration and have more exposure in the related investment opportunity than was initially intended and would bear a larger, or the entire, portion of any fees, costs and expenses related to such investment, which could make the Client more susceptible to fluctuations in value resulting from adverse economic and/or business conditions with respect thereto. An investment that is not syndicated to co-investors as originally anticipated could significantly reduce a Client's overall investment returns. Therefore, it is possible that a Client will bear a disproportionate allocation of the risks associated with the transaction without being compensated for assuming such risks.

Secondary Transactions

To the extent HGI is asked to approve a secondary transfer of interests in a Client pursuant to such Client's Governing Documents, or is asked to identify potential purchasers in a secondary transfer, HGI will do so in its sole discretion, generally taking into account the following factors:

- HGI's evaluation of the financial resources of the potential purchaser, including its ability to meet capital contribution obligations;

- HGI's perception of its past experiences and relationships with the potential purchaser, including its belief that the potential purchaser would help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits to current or future Clients and/or HGI and the expected amount of negotiations required in connection with a potential purchaser's investment;
- Whether the potential purchaser would subject HGI, the applicable Client, or their affiliates to legal, regulatory, reporting, public relations, media, or other burdens;
- A purchaser's potential investment into another Client (including any commitment to a future fund);
- Requirements in such Client's Governing Documents; and
- Such other factors as it deems appropriate under the circumstances in exercising such discretion.

Conflicts Related to Purchases and Sales

Conflicts may arise when Clients make investments in conjunction with an investment being made by other Clients, or in a transaction where another Client has already made an investment. In addition, it is possible that a Client will hold a security with respect to a real estate property that is held by another Client. Investments by more than one Client in a property also raise the risk of using assets of a Client to support positions taken by other Clients. Investment opportunities may, from time to time be appropriate for certain Clients at the same, different, or overlapping levels of a portfolio investment's capital structure. Conflicts arise in determining the terms of portfolio investments, particularly where these Clients may invest in different types of securities in a single investment. Questions arise as to whether payment obligations and covenants should be enforced, modified, or waived, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether to enforce claims, whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring, raise conflicts of interest, particularly among Clients that have invested in different securities within the same portfolio investment. In the event that one Client has a controlling or significantly influential position in an investment, it will have the ability to control the policies and operations, including the appointment of management, future issuances of securities, payment of dividends, incurrence of debt and entering into extraordinary transactions. In addition, a controlling Client is likely to have the ability to determine, or influence, the outcome of operational matters and to cause, or prevent, a change in control of such an investment. Such management and operational decisions may, at times, be in direct conflict with other Clients that have invested in the same investment that do not have the same level of control or influence over the investment.

The involvement of such Clients at both the equity and debt levels could inhibit strategic information exchanges among fellow creditors. In certain circumstances, Clients will be prohibited from exercising voting or other rights and may be subject to claims by other creditors with respect to the subordination of their interest. If additional capital is necessary because of financial or other difficulties, or to finance growth or other opportunities, the Clients may or may not provide such additional capital, and if provided each Client will supply such additional capital in such amounts, if any, as determined by HGI. In the event one Client is unable to fund its share of additional capital (e.g., in the event such Client does not have sufficient available capital), the other Client or Clients

may be obligated to fund more than its or their share of such amount. In such event, one or more Clients will gain greater exposure to such investment than may have been intended, and the other Client or Clients will be diluted in such investment. The returns of each Client may be negatively impacted as a result of the foregoing. Investments by more than one Client in a portfolio investment will also raise the risk of using assets of one or more Clients to support positions taken by another or other Clients, or that one or more Clients may remain passive in a situation in which it or they are entitled to vote. In addition, there may be differences in timing of entry into, or exit from, an investment for reasons such as differences in strategy, existing portfolio or liquidity needs. Furthermore, where more than one Client invests in the same investment, there can be no assurance that other Clients will dispose of investments at the same time and on the same terms. Investments disposed of at different times will likely be disposed of at different valuations and, as a result, each Client may realize different returns as compared to the same investment held by another Client. These variations in timing may be detrimental to a Client.

In addition, from time to time one or more Clients may make an investment alongside another or other Client investments in a Freddie Mac securitization, typically, though not always, on a *pari passu* basis. In certain circumstances, one Client may invest in the voting piece of such an investment while the other Client invests in the non-voting piece of such investment. In such instances, the voting Client will have the ability to vote or take other actions on behalf of itself and the non-voting Clients. While the economics and interests between the voting and non-voting portions of any such investment in a Freddie Mac securitization are expected to align, there may be circumstances in which the interests between the Clients diverges (for instance, in determining whether to foreclose on the investment) and one Client will have the ability to make decisions on behalf of both Clients.

The applicable Client's Governing Documents and HGI's policies and procedures are expected to vary based on the particular facts and circumstances surrounding each investment by two or more Clients in different classes of an issuer's capital structure (as well as across multiple issuers or borrowers within the same overall capital structure) and, as such, there may be a degree of variation and potential inconsistencies, in the manner in which potential or actual conflicts are addressed.

Related Persons of HGI have made or may make capital investments in or alongside certain Clients, and therefore often have additional conflicting interests in connection with these investments. In addition, Clients from time to time invest in securities of investments in which Related Persons of HGI have previously invested for their own accounts. There can be no assurance that the return of a Client participating in a transaction would be equal to and not less than another Client participating in the same transaction, or that it would have been as favorable as it would have been had such conflict not existed.

Clients, from time to time, co-invest with third parties through partnerships, joint ventures or other similar entities or arrangements. These investments may involve risks that would not otherwise be present in investments where a third party is not involved. Such risks include, among other things, the possibility that the third-party may have differing economic or business goals than those of the Clients, or that the third-party may be in a position to take actions that are inconsistent with the investment objectives of the Clients. There can be no assurance that the return of a Client participating in a transaction with a third-party would be equal to and not less than another Client

participating in the same transaction without a third party, or that it would have been as favorable as it would have been had such conflict not existed.

With respect to any of the matters described herein, HGI may be incentivized to choose a course of action that benefits one Client to the detriment of another Client, and a Client may be materially disadvantaged as a result.

For certain investments, HGI has Clients invest in real estate properties and securities either alone or as joint ventures or tenants in common alongside other Clients or Real Estate Accounts. These investments may involve conflicts that would not otherwise be present in investments where such other parties are not involved. Such risks include, among other things, the possibility that the parties may have differing economic or business goals, or that one such party may be in a position to take actions that are inconsistent with the investment objectives of the other parties. There may also be instances where a Client will be liable for the actions of such other parties. In addition, Access Persons may be permitted to invest directly in the Clients. Such interests will vary Client by Client and may create an incentive to manage real estate properties and the securities in a manner that is advantageous to one Client over another.

Clients may make investments directly or indirectly, in which other Clients hold, directly or indirectly, mortgage loans or other debt investments; in such cases, the Clients would be invested at different levels of the capital structure and may therefore be in conflict, including with respect to the negotiation of such investments as well as in any restructuring or similar scenario. Clients may make investments at different levels of the capital structure of the same or related issuers. In such circumstances, actions taken by HGI in respect of one position may adversely affect another, or the Clients may otherwise be disadvantaged as compared to making such investments on a standalone basis.

Cross-Transactions

In certain cases, HGI will, from time to time cause a Client to purchase investments from another Client, or it will cause a Client to sell investments to another Client. For instance, to the extent a Client contributes certain loans to a CLO, the Client may sell the excess portion of such loans that are not so contributed to another Client (which Client may in turn contribute such loans to a separate CLO), or conversely the Clients may acquire certain loans (or the excess portion of certain loans not so contributed to a CLO) from other Clients in such circumstances. Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, a Client may not receive the best price otherwise possible, or HGI might have an incentive to improve the performance of one Client by selling underperforming assets to another Client in order, for example, to earn fees. Additionally, in connection with such transactions, HGI, its affiliates and/or their professionals (i) will, from time to time, have significant investments, or intentions to invest, in the Client that is selling and/or purchasing such an investment or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment). HGI and its affiliates receive management or other fees in connection with services they provide to the relevant Clients involved in such a transaction, and generally are entitled to share in the investment profits of the relevant Clients. Certain of the investments or other assets that the Clients own or seek to sell or acquire via cross trade may be illiquid and difficult to value; while

HGI may (but is not required to) engage an independent valuation firm that would either value such investments or review HGI's valuations, there can be no assurance that such valuations will be accurate. In addition, HGI may be incentivized to have the Clients engage in cross trades to enable the Clients to liquidate in a timely manner.

Depending on the transaction structure, these transactions may disproportionately benefit the purchasing, selling, or merging Client (and HGI as a result of its interests in a particular Client), and one Client may incur expenses or forego gains that would have been obtained had it not entered into such transaction. For example, HGI may be incentivized to support a less successful portfolio investment of an older Client by causing a newer Client with a longer remaining term and investment period to purchase a part or all of such portfolio investment in order to provide HGI additional time to potentially manage it to a successful exit and increase the likelihood of HGI or an affiliate receiving Carried Interest. Conversely, HGI may be incentivized to sell an attractive investment in an older Client to a newer Client to increase the amount of fees received by HGI or an affiliate with respect to such an investment. Determining the valuation or other terms of such transactions may also create a conflict of interest due to HGI's consideration of the particular terms (including the fee terms) of the Clients and HGI's interest in such Clients. Such acquisition or merger may result in the acquiring entity purchasing a Client's portfolio investment at a valuation that is: (a) not the highest price than could have been obtained in the market had there been a robust sales process with multiple third-party bidders or (b) higher than the value of the company resulting in an overvaluation.

Continuation Transactions

From time to time HGI may determine that it is in the best interest of a Client holding an investment (the "selling Client") to transact with another Client (the "purchasing Client") in order to provide the selling Client's Investors with an option to either: (1) receive cash proceeds from the selling Client's sale or transfer of such portfolio investment and/or (2) "roll" (i.e., retain) their interest in such portfolio investment. These types of transactions are often referred to as "continuation transactions." In connection with such continuation transactions, HGI may require the Investors in the purchasing Client to make an additional investment in a Client or commit to invest a future Client. In addition to those conflicts of interest described above under "*Cross Transactions*", conflicts of interest arise in these continuation transactions because (i) HGI and its affiliates charge Investors in the purchasing Client an Advisory Fee and Carried Interest (which economics are likely to be different than the selling Client) and the transactions have the potential to result in the receipt of additional Advisory Fees and Carried Interest by HGI and its affiliates; (iii) HGI and its Related Persons are expected to have the ability to make material investments in the purchasing Client, which may cause them to take actions that benefits the purchasing Client; (iv) HGI is actively involved in negotiating the terms of the sale on behalf of the selling Client, on the one hand, and the purchasing Client, on the other hand (including allocation of expenses incurred in the transaction); and/or (v) of the requirement for an Investor in the purchasing Client to make an investment in a Client or a commitment to invest in a future Client, which (a) incentivizes HGI to favor such Investors because of the potential for HGI and its affiliates to earn an additional Advisory Fee with respect to any such investment or commitment to invest, and (b) could affect the price such Investors offer to purchase the asset from the selling Client. Additionally, conflicts of interest arise in continuation transactions as a result of the allocation of fees and expenses, because fees and

expenses will be incurred in connection with the transaction, and HGI might determine to allocate bankers' fees and certain other fees and expenses solely to selling Investors and not to the "rolling Investors" or "new Investors" in the purchasing Client or vice versa.

To the extent not addressed in a Client's Governing Documents, HGI will address conflicts of interest that arise in connection with continuation transactions as set forth above under "*Cross Transactions*."

Principal Transactions

Section 206 under the Advisers Act regulates principal transactions between an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a "principal transaction"), the adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client's consent to the transaction. In connection with HGI's management of the Clients, HGI and its affiliates may engage in principal transactions. HGI has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including that disclosures required by Section 206 of the Advisers Act be made to the applicable Client(s) in accordance with the Governing Documents regarding any proposed principal transactions and that any required prior consent to the transaction be received.

Management of the Clients

The Clients invest in real estate properties and securities through property owners either alone or as joint ventures or tenants in common alongside other Clients and third parties, including the Real Estate Accounts. These investments may involve conflicts that would not otherwise be present in investments where another Client or third party is not involved. Such risks include, among other things, the possibility that the parties participating in these investments may have differing economic or business goals than those of any Client or may be in a position to take actions that are inconsistent with the investment objectives of such other parties. There may also be instances where a Client may be liable for the actions of such other Clients or third parties. In addition, Access Persons may be permitted to invest directly in the Clients. Such interests will vary Client by Client and may create an incentive to manage real estate properties and the securities in a manner that is advantageous to one Client over another.

HGI and its affiliates currently manage and expect in the future to raise additional private Clients or investment entities, including but not limited to successor funds and those described above, with the same or substantially similar investment objectives as the Clients. Any such additional entities would compete with certain Clients for the time and expertise, services, or functions of HGI for suitable investments. These include Clients that invest in real estate property and in securities. Allocation of available investment opportunities between Clients could give rise to conflicts of interest. See "*Allocation of Investment Opportunities Among Clients*" above. In addition, HGI may give advice or take actions with respect to the investments of one or more Clients that may not be given or taken with respect to other Clients with similar investment programs, objectives, or strategies, including as a result of differences in terms, duration, investor liquidity or other

characteristics as between such Clients. As a result, Clients with similar strategies will not hold the same securities or achieve the same performance. In addition, a Client generally may not be able to invest through the same investment vehicles, or have access to similar credit or utilize similar investment strategies as another Client. These differences will result in variations with respect to price, leverage, and associated costs of a particular investment opportunity.

In addition, HGI may, consider an investment opportunity for one Client and then subsequently determine to have another Client, or client advised by HGI's affiliates, make the investment. In making any such reallocation determination, HGI will consider a variety of factors, including those set forth above under "*Allocation of Investment Opportunities Among Clients.*" Conflicts of interest arise in connection with such a reallocation, including those set forth above under "*Allocation of Investment Opportunities Among Clients.*" In addition, a conflict of interest exists because the investing Client will benefit from the initial evaluation, investigation and due diligence undertaken by HGI on behalf of the original Client for which the investment was initially considered. In certain cases, such reallocation determination may occur after a significant period of time has passed and the Client to which the investment was originally allocated has incurred substantial out-of-pocket expenses in connection with evaluating, investigating and diligencing such investment. In the event that the investing Client does reimburse the original Client for out-of-pocket expenses incurred in connection with evaluating, investigating and diligencing such investment, the investing Client typically will not pay interest on any such amounts reimbursed to the original Client. Alternatively, if the investing Client does pay interest on such amounts to the initial Client, there can be no assurance any such interest will be paid over at the same time as such reimbursement or that the amount of such interest will be sufficient to compensate the original Client for the time since it deployed capital to pay such expenses. HGI experiences conflicts of interest in connection with causing one Client to incur expenses that may ultimately benefit another Client or client advised by an affiliate, and similarly experiences conflicts of interest in determining the need for, calculating the amount of, and effecting any such reimbursement, as such arrangements may involve the discharge of a liability that one Client (or client of HGI's affiliate) owes to another Client, and in all such cases these determinations, calculations, and terms are not arm's length arrangements and there can be no assurance that the allocation of such expenses is in the best interest of the Clients. There can be no assurance that the amounts reimbursed to the original Client will be commensurate with the benefit received by the investing Client.

In addition, HGI and its affiliates receive and generate various kinds of investment data and other information, including related to or created in connection with financial, industry, market, business operations, trends, budgets, customers, suppliers, competitors, ESG and other metrics, financial information, commercial and transactional information, user data, cost data and related data or information. This information may, in certain instances, include confidential and/or sensitive information received or generated in connection with efforts on behalf of one Client's investment (or prospective investment) or on behalf of an affiliate's client's investment (or prospective investment). As a result, HGI is better able to anticipate macroeconomic and other trends and financial opportunities, enhance and improve operations of investments and otherwise develop investment strategies or identify specific investment or business opportunities. HGI also intends to utilize such data for purposes of identifying new investments opportunities for the Clients. Information from an investment owned by a Client may enable HGI to better understand a particular industry and develop and execute investment strategies in reliance on that understanding for HGI

and other Clients that do not own an interest in such investment, without compensation or benefit to such Client or its investments. Further, data is aggregated across the Clients and their respective investments and, in connection therewith, HGI is expected to serve as the repository for such data, including ownership, use and distribution rights therein. HGI may also share data from an investment of one Client with an investment of another Client, which may increase a competitive disadvantage for, and indirectly harm, such investment. Investments may incur incremental expenses in collecting and organizing information requested or required to be furnished to HGI (which expenses are indirectly borne by the Clients). HGI and its affiliates have in the past entered into, and are likely in the future to enter into, information sharing and confidentiality arrangements with investments and other sources of information that may limit the internal distribution and use of such data. HGI and its affiliates have used and are likely to continue to use in certain instances this information in a manner that may provide a material benefit to HGI, its affiliates, or to certain other Clients or affiliate's clients without compensating or otherwise benefitting the Client or Clients (or affiliate's client or clients) from which such information was obtained. In addition, HGI may have an incentive to pursue investments based on the data and information expected to be received or generated. Furthermore, except for (a) contractual obligations to third parties to maintain confidentiality of certain information or otherwise limit the scope and purpose of its use of distribution, (b) policies, practices and procedures designed to ensure confidentiality of trade secrets and (c) compliance with applicable data privacy laws, laws prohibiting insider trading, anti-competition laws and laws protecting national security interests, HGI is generally free to use data and information from a Client's activities in its sole discretion for the benefit of HGI, its affiliates and other Clients. The sharing and use of such data and information present potential conflicts of interest, and any benefits received by HGI or its personnel may not be otherwise shared with a Client or its Investors. HGI and its affiliates have in the past utilized, and are likely in the future to utilize, such information to benefit HGI, its affiliates, certain Clients and/or affiliate's clients.

HGI and its affiliates may also enter into formal or informal arrangements with investments to facilitate the sharing of data and/or data analytics. Subject to applicable legal, regulatory, and contractual requirements, these information sharing arrangements are designed to allow HGI, the Clients and the personnel of the Clients' investments to better discern economic or other trends and developments. HGI believes that all Clients benefit from these arrangements in ways that would be impossible without the ability to aggregate data from across HGI's businesses and the Clients' investments. However, information sharing may involve conflicts of interest between the Clients and/or between the Clients and HGI. For example, data analytics based on inputs from one investment may inform business decisions by the personnel of other investments, or investment decisions by HGI and its affiliates, without the source of the data being directly compensated for the use of such data. HGI and its affiliates may utilize such data outside of Client activities in a manner that may provide a material benefit to HGI, without directly compensating or otherwise benefitting the Clients. As a result, HGI may have an incentive to pursue investments (on its own behalf or on behalf of the Clients) based on the data that may be accessible as a result of owning such investments, and/or to utilize such data in a manner that benefits HGI and/or investments held by other Clients.

As described in the applicable Client's Governing Documents, certain Clients will invest in the Multifamily Credit Fund. Certain Clients will bear the Multifamily Credit Fund's Carried Interest and management fees, the Servicing Fees and Property Management Fees described above, and the

expenses of the Multifamily Credit Fund, which amounts will not offset or otherwise reduce fees or other amounts payable to HGI or its affiliates in respect of the Multifamily Credit Fund. HGI is incentivized to have other Clients invest in the Multifamily Credit Fund in light of such arrangements, as well as for non-economic reasons (for example, to increase the size of, the financing options available to, or otherwise support the offering of, the Multifamily Credit Fund). Furthermore, to the extent HGI has better information with respect to the Multifamily Credit Fund than other Multifamily Credit Fund Investors have, it is not permitted to act upon it for the Clients in a manner that disadvantages other Multifamily Credit Fund Investors. Similar conflicts will arise with respect to any other subsidiary investment vehicle or entity in which the Clients invests.

The Clients may (directly or indirectly) invest in derivative instruments. Such structures are complex and their legal, regulatory or other treatment is often unclear, and their use may therefore subject the Clients to liability, reputational harm and/or structuring, compliance and other obligations and expenses, including with respect to representations made to transaction counterparties. In addition, such structures may be designed in part to address or mitigate certain legal, regulatory, or other considerations for such other investors, and, in particular, may result in such investors having a priority position with respect to the Clients in any bankruptcy or restructuring scenario. HGI will have discretion as to the negotiation and implementation of such structures and may be incentivized to favor one or more such other investors over the Clients.

In connection with the Clients' investments, one or more lending or other licenses may be required. A Client may acquire interests in a licensing entity from other Clients, and/or may transfer such interests to other Clients, which transfers may not involve the payment of any consideration. Additionally, such a process may result in HGI and/or its affiliates not being subject to such licensing requirements directly.

Conflicts Relating to the General Partners and HGI

HGI and its Related Persons may buy or sell securities or other instruments that HGI has recommended to Clients. Access Persons of HGI may also buy securities in transactions offered to but rejected by Clients. Investors will not benefit from these investments. A conflict of interest may arise because such Access Persons, for some investments, will benefit from the evaluation, investigation, and due diligence undertaken by HGI on behalf of one or more Clients. In such circumstances, expenses incurred by the relevant Client(s) and/or HGI in connection with the investment opportunity will generally be allocated between the investing personnel and the relevant Client(s). The transactions described above are subject to the policies and procedures set forth in HGI's policies and procedures, and Investors will not benefit from any such investments. The investment policies, fee arrangements and other circumstances of these investments may vary from those of the Clients. If Access Persons of HGI have made large capital investments in or alongside the Clients they will have conflicting interests with respect to these investments. While the significant interests of the officers and employees of HGI generally aligns the interest of such persons with the Clients, such persons may have differing interests from the Client with respect to such investments (for example, with respect to the availability and timing of liquidity).

Because certain expenses are paid for by a Client and/or its investments or, if incurred by HGI, are reimbursed by a Client and/or its investments, HGI may not necessarily seek out the lowest cost

options when incurring (or causing a Client or its investments to incur) such expenses.

HGI may advance funds to the Clients to facilitate their participation in certain investments, and shall be entitled to charge the Clients interest therefore at the same rate charged to HGI and/or its affiliates under their credit facilities. Such arrangement will give rise to various conflicts of interest; in particular, the terms may be less favorable than a third-party financing (and will not otherwise be compared to market data for comparable transactions), and HGI may be less willing to enforce the Clients' rights or pursue remedies than it would be in respect of a third-party lender.

Affiliated Service Providers

As noted above in *Item 5 (Fees and Compensation)*, HGI generally retains Service Providers for certain property management, construction management, and other services applicable to a property or other investment, which may be Related Persons of HGI. A Service Provider receives a fee from the applicable property, investment, or Client (or is reimbursed from the applicable property, investment, or Client) for expenses that it incurs directly on behalf of the property. A conflict of interest arises when engaging a Related Person as a Service Provider, because HGI has an incentive to recommend a Related Person even if another Service Provider may be more qualified to provide the applicable services and/or will provide such services at a lesser cost. In addition, to the extent that any fees charged to a property, investment, Client, or subsidiary investment vehicle exceed the cost incurred by HGI, it may result in a profit to HGI. A Client's Governing Documents may set forth parameters and/or restrictions on the use of affiliated Service Providers.

Sharing of Economics

HGI may enter into agreements pursuant to which it gives one or more third parties an interest in the fees or other economic benefits it receives from a Client. Such agreements will give rise to conflicts of interest; in particular, (i) HGI may be less incentivized to perform the services to which such fees or economic benefits relate; (ii) HGI may be incentivized to engage in activities that will increase the amount of such fees or economic benefits; and (iii) HGI may be incentivized to favor the interests of any such third party in matters involving the Client.

Fee Structure

Because there is a fixed investment period after which capital from Investors in certain Clients will only be drawn down in limited circumstances and because asset management fees are, at certain times during the life of such Clients, based upon invested equity, this fee structure creates an incentive to defer the realization of investments and/or deploy capital when HGI would not otherwise have done so. However, the investment made by HGI or its affiliates in a Client, the clawback obligation of the General Partner (as described below), and the fact that the preferred return is calculated on an aggregate basis reduces the incentive to make speculative investments or otherwise time the sale of an investment in a manner motivated by the personal benefit of HGI's personnel.

Additionally, as discussed above in *Item 6 (Performance Based Fees and Side-by-Side Management)*, the General Partners of the Clients are entitled to Carried Interest under the terms of

a Client's Governing Documents. Such General Partners are affiliates of HGI. The existence of Carried Interest creates an incentive for the General Partners to cause such Clients to make more speculative investments than they would otherwise make in the absence of performance-based compensation.

Pursuant to the Governing Documents, a General Partner may be required to return excess amounts of Carried Interest as a "clawback". This clawback obligation may create an incentive for the General Partner to defer disposition of one or more investments or delay the liquidation of a Client if the disposition and/or liquidation would result in a realized loss to the Client or would otherwise result in a clawback situation for the General Partner.

In addition, a General Partner is incentivized to hold investments that have poor prospective for improvement to receive ongoing asset management fees in the interim and, potentially, a more likely or larger Carried Interest distribution if such asset's value appreciates in the future. This incentive is increased by the presence of the clawback obligation of the General Partner.

Client Level Borrowing

The Clients may make short-term borrowings or enter into other financing arrangements resulting from an Investor's default or to fund capital contributions at the closing of an investment. If a Client borrows prior to calling capital to fund the acquisition of an investment, the borrowing would be used for all Investors in such Client on a pro-rata basis. Clients may also utilize their subscription facilities to benefit co-investment parties and other investors in an investment, for instance to fund the full deposit of a property. As a result, the Clients will bear a disproportionate amount of the credit risk in incurring the debt on behalf of the other parties.

Certain parties participating in an investment (including the General Partner and any co-investment party) may not bear their pro rata share of expenses relating to the subscription facility used for making an investment (including, without limitation, interest expenses, origination, and other costs). As a result, the Clients may bear a disproportionate cost in connection with the extension of credit. In addition, the Clients may bear a disproportionate amount of the credit risk incurred on behalf of the other parties.

To the extent a Client uses borrowed funds in advance or in lieu of capital contributions, such Client's Investors generally make correspondingly later capital contributions, but such Client, property and/or investment will bear the expense of interest on such borrowed funds. As a result, a Client's use of borrowed funds could impact the calculation of net performance metrics (to the extent that they measure Investor cash flows) and could make net IRR calculations higher than they otherwise would be without Client-level borrowing as these calculations generally depend on the amount and timing of capital contributions. Furthermore, the use of Client-level borrowing for investment purposes is treated as investment capital for the purposes of calculating the relevant Client's Advisory Fee. Therefore, Investors pay Advisory Fees on borrowed amounts used to fund an investment even though such amounts would not accrue a preferred return as described above. Moreover, if a Client invests alongside other parties (including other Clients or affiliates) using borrowed funds, it may incur additional interest expense to the extent such other parties do not invest in a timely manner, and to the extent that these other parties do not bear such interest

expenses, the net performance metrics of these investments for such other parties may be higher than the net performance metrics for these investments for such Client.

In addition, the batching of capital calls may amplify the magnitude of potential defaults by Investors 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 as upon an event of default or otherwise), 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 such liquidity constraints and/or Investors facing similar capital calls in multiple Clients and being unable to satisfy all such demands simultaneously. Moreover, the existence of a subscription facility may impair an Investor's ability to transfer its interest in a Client because of restrictions imposed on such transfers by the lender.

Borrowing by a Client will generally be secured by capital commitments made by the Investors to the Client and/or by the Client's assets, and documentation relating to such borrowing may provide that during the continuance of a default under such borrowing, the interests of the Investors may be subordinated to such Client-level borrowing. Moreover, tax-exempt Investors should note that the use of borrowings by a Client may cause the realization of Unrelated Business Taxable Income.

The use of Client-level borrowings will differ based on available credit facility capacity and contractual terms applicable to each Client and each such credit facility. Therefore, as the subscription credit facilities utilized by the Clients may have different terms, while the Clients may be invested in the same investment, and while the valuation of such investment would be consistently determined in accordance with the relevant Governing Documents, the investment return can, in certain circumstances, differ among the Clients as a result.

Diverse Membership

Investors may have conflicting investment, tax, and other interests with respect to their investments in a Client. The conflicting interests among the Investors generally relate to or arise from, among other things, the nature of investments made by a Client, the structuring of the acquisition of investments and the nature and timing of the disposition of investments. Consequently, conflicts of interest arise in connection with decisions made by HGI or its affiliates, including with respect to the nature or structuring of investments, that may be more beneficial for one Investor than for another Investor, especially with respect to Investors' individual tax situations. In selecting and structuring investments appropriate for a Client, HGI and its affiliates will consider the investment and tax objectives of the applicable Client, not the investment, tax, or other objectives of any Investor individually.

Side Letter Agreements

HGI may enter into certain side letter arrangements with certain Investors in a Client providing such Investors with different or preferential rights or terms, including but not limited to different fee structures, information rights, co-investment rights, and liquidity or transfer rights. Except as otherwise agreed with an Investor, and to the extent permitted under applicable law, HGI is not required to disclose the terms of side letter arrangements with other Investors in the same Client. Also, Investors will have no recourse against a Client, the applicable Client's General Partner, HGI or their respective affiliates in the event that certain Investors receive additional or different rights

or terms pursuant to such side letters, some of which rights may impact the rights and/or increase the obligations of other Investors.

Business with Investors; Service Providers

HGI and/or its affiliates may engage certain Service Providers to provide services to HGI, the Clients and/or the investments, including services during the due diligence and acquisition process. Such Service Providers are, in certain circumstances, Investors in a Client and may include, for example, investment or commercial bankers, outside legal counsel, pension consultants and/or other Investors or their affiliates who provide services (including lending arrangements). The engagement of any such Service Provider may be concurrent with an Investor's admission to a Client, or during the term of such Investor's investment in a Client. This creates a conflict of interest as HGI may give such Investors preferred economics or other terms with respect to its investment in a Client or may have an incentive to offer such Investor co-investment opportunities that it would not otherwise offer to such Investor.

Additionally, employees of HGI or its affiliates, and/or their family members or relatives may have ownership, employment, or other economic or other interests in certain Service Providers. These relationships that HGI may have with a Service Provider can influence HGI in determining whether to select or recommend such Service Provider to perform services for a Client or an investment. HGI will have a conflict of interest with the Clients in recommending the retention or continuation of a Service Provider to the Clients or an investment if such recommendation, for example, is motivated by a belief that the Service Provider will continue to invest in one or more Clients, or will provide HGI information about markets and industries in which HGI operates or is interested, or will provide other services that are beneficial to HGI. Although HGI selects Service Providers that it believes will enhance investment performance (and, in turn, the performance of the relevant Client(s)), there is a possibility that HGI, because of financial, business interest, or other reasons, may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. The fees for services provided by such Service Providers may or may not be at the same rate charged by other third-party Service Providers, and HGI is not required to select Service Providers who may have lower rates (or to engage in any benchmarking of such fees).

Certain other Service Providers to HGI, the Clients and/or Client investments, or affiliates of such Service Providers, also provide goods or services to or have business, personal, financial, or other relationships with HGI, its affiliates, or their respective investments. Such Service Providers (or their employees) may also source investment opportunities, be co-investors or commercial counterparties or entities in which HGI and/or the Clients have an investment, and payments by a Client and/or such investments may indirectly benefit HGI and/or such Client.

HGI, its personnel or its affiliates and Service Providers, often charge varying amounts or may have different fee arrangements for different types of services provided. For instance, fees for various types of work often depend on the complexity of the matter, the required expertise, and the time demands on the Service Provider. As a result, to the extent the services required by HGI, its affiliates or their personnel differ from those required by the Clients and/or its investments, HGI, its affiliate and their personnel will pay different rates and fees than those paid by the Clients and/or their investments.

HGI and its affiliates have in the past and may, from time to time hire part-time or full-time employees (including interns) who are relatives of, or are otherwise associated with an Investor, or an investment or Service Provider. Although HGI uses reasonable care to mitigate potential conflicts of interest with respect to each particular situation, there is no guarantee HGI can control all such conflicts of interest, and there may be a continuing appearance of a conflict of interest.

Services required by a Client (including some services historically provided by HGI or its affiliates to the Client) may, for certain reasons, including efficiency and economic considerations, be outsourced in whole or in part to third parties or licensed software, in each case in the discretion of HGI or its affiliates. HGI and its affiliates have an incentive to outsource such services at the expense of the Clients to, among other things, leverage the use of HGI personnel. Such services may include, without limitation, investment sourcing, asset management, information technology, depository, data processing, client relations, administration, custodial, marketing and marketing-reviews, accounting, valuation, legal, human resources, client services, compliance, corporate secretarial and tax support, director services and other similar services. Outsourcing may not occur universally for all Clients and accordingly, certain costs may be incurred by a Client for a third-party Service Provider that is not incurred for comparable services by other Clients. The decision by HGI to initially perform a service for a Client in-house does not preclude a later decision to outsource such services (or any additional services) in whole or in part to a third-party Service Provider in the future and HGI has no obligation to inform such Clients or Investors of such a change. Such services may also supplement or be performed alongside services performed by HGI. In addition, certain internal Service Providers (such as internal accountants) may “shadow” or otherwise review the reports of other Service Providers provided by such third parties. The costs and expenses of any such third-party Service Providers will be borne by the relevant Clients.

If a Service Provider provides services to a Client on the property of HGI, such Client or property may indirectly be responsible for any overhead, rent or other fees, costs and expenses charged by HGI in connection with an on-site arrangement.

Additionally, former HGI employees may also become employees, officers, or directors of, or otherwise be engaged by, third-party Service Providers that provide services to HGI, the Clients and/or investments. While employed by HGI, the cost of the compensation, benefits and attributable overhead provided to these individuals are paid by HGI unless the applicable Governing Documents permit certain allocations of internal expenses to the Client. If a former HGI employee becomes an employee or consultant of a third party that also provides services to a Client, such former employee may be assigned by such third party to provide services to that account. In such instance, the cost of the third-party Service Provider attributable to the former HGI employee working on the Client will be borne entirely by the Client and no such amounts will reduce any fees described herein on the basis that such person used to be a former HGI employee.

Current and former founders and prospective founders, officers and executives and other affiliates of investments may also invest in a Client. While HGI believes this aligns investment management teams with the best interests of the Client, HGI may, in certain circumstances, be incentivized to take (or refrain from taking) certain actions with respect to an investment in order to maintain the goodwill with such investment management team Investor or other affiliate of the portfolio

investment that is an Investor in a Client such that they continue to invest in the Clients, among other reasons.

Other Potential Conflicts

The Governing Documents establish complex arrangements among the Clients, HGI, Investors, and other relevant parties. From time to time, questions may arise regarding certain parties' rights and obligations in certain situations, some of which may not have been contemplated upon the negotiation and execution of such Governing Documents. In some instances, the operative provisions of the Governing Documents, if any, may be broad, unclear, general, conflicting, ambiguous, and vague and may allow for multiple reasonable interpretations. In other instances, there may not be a directly applicable provision. While HGI will endeavor to construe the relevant provisions in good faith and in a manner consistent with its fiduciary duty and legal obligations, the interpretations used may not be the most favorable to a Client or Investors.

HGI and the Clients will generally engage common legal counsel and other advisers in a particular transaction, including a transaction in which there may be conflicts of interest. Members of the law firms engaged to represent the Clients may be Investors in a Client and may also represent one or more investments or Investors in a Client. In the event of a significant dispute or divergence of interest between Clients, HGI and/or its affiliates, the parties may engage separate counsel in the sole discretion of HGI and/or its affiliates, and in litigation and other circumstances separate representation may be required. Additionally, HGI, and Clients, and the investments of the Clients will, from time to time engage other common Service Providers. In certain circumstances, the Service Provider may charge varying rates or engage in different arrangements for services provided to HGI, the Clients, and/or Client investments. This may result in HGI receiving a more favorable rate on services provided to it by such a common Service Provider than those payable by the Clients and/or the investments, or HGI receiving a discount on services even though the Clients and/or the Client investments receive a lesser, or no, discount. This creates a conflict of interest between HGI, on the one hand, and the Clients and/or Client investments, on the other hand, in determining whether to engage such Service Providers, including the possibility that HGI will favor the engagement or continued engagement of such persons if it receives a benefit from such Service Providers, such as lower fees, that it would not receive absent the engagement of such Service Provider by the Clients and/or the Client investments. Neither the Clients nor Investors will receive the benefit of any such favorable rate or discount provided to HGI, its personnel or its affiliates, and the asset management fee paid by any Client will not be reduced in connection with such favorable rate or discount.

Investors may be introduced to HGI, or may be brought in a Client, by a third-party consultant from which HGI or a Related Person purchases products and to which HGI or an affiliate may make payments, including in connection with conferences sponsored or hosted by the third-party consultant.

HGI and its personnel have in the past and may, from time to time in the future, receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of a Client. For example, airline travel or hotel stays incurred as Client expenses may result in "miles" or "points," rebates, or credit in loyalty/status programs to HGI and/or its personnel. Such

benefits, rewards and/or amounts (whether *de minimis* or difficult to value) will exclusively benefit HGI and/or such personnel even though the cost of the underlying service is being borne by the Clients, their Investors, and/or Client investments. Any such benefits, rewards and/or amounts will not be subject to the offset arrangements described above or otherwise shared with such Client, its Investors and/or the Client investments. In addition, airline travel incurred as a Client expense for HGI personnel travelling for appropriate Client-related purposes (including, without limitation, travel related to an investment, a prospective investment or other Client-related matter) may benefit HGI personnel to the extent the trip also serves a personal purpose.

HGI has in the past and may, from time to time in the future, cause one or more of the Clients to purchase, and/or bear premiums, fees, costs and expenses (including any expenses or fees of insurance brokers) for insurance to insure the applicable Clients, the applicable general partner, HGI and/or their respective directors, officers, employees, agents, representatives and other indemnified parties, against liability in connection with the activities of the Clients. This may include a portion of any premiums, fees, costs, and expenses for one or more “umbrella” or other insurance policies maintained by HGI that cover one or more Clients and/or HGI (including their respective directors, officers, employees, agents, representatives, and other indemnified parties). HGI will make judgments about the allocation of premiums, fees, costs and expenses for such “umbrella” or other insurance policies among one or more Clients, and/or HGI on a fair and reasonable basis and may make corrective allocations should it determine subsequently that such corrections are necessary or advisable. There can be no assurance that a different allocation would not result in a Client bearing less (or more) premiums, fees, costs, and expenses for insurance policies.

Additionally, certain Clients (and their respective portfolio investments) will, in certain circumstances, jointly contribute to a pool of funds that can be expected to be used to pay losses that are subject to the deductibles on any group insurance policies, which contributions may similarly be allocated in accordance with the relative values of the respective assets that are insured by such policies (or other factors that HGI can be expected to reasonably determine). HGI believes that employing such policies enables HGI to achieve lower overall premiums and fees for the Clients. Additionally, any such insurance policies also typically have a maximum amount that will be paid to insured person(s) making any claim, and, as such, it is possible that a Client and/or portfolio investment will have insufficient coverage to the extent that a claim by another Client and/or portfolio investment and/or one or more of their affiliates is paid for their insurance claims up to such maximum amount. Furthermore, because insurance policies maintained by HGI may cover multiple parties, if a substantial claim were to be made against one or several covered entities, including HGI or its affiliates, there could be a resulting increase in insurance premiums for all parties covered under the applicable insurance policy. In respect of such insurance arrangements, HGI can also be expected to make corrective allocations from time to time, should it determine that such adjustments are necessary or advisable. There can be no assurance that different allocations than those implemented by HGI would not result in a Client bearing more or less premiums, deductibles, fees, costs, or other expenses related to such insurance policies.

Certain losses of a catastrophic nature that impact assets acquired by the Clients may be either uninsurable or insurable at such high rates that to maintain such coverage would cause an adverse impact on such related investments. Even where insurance is available, HGI sometimes determines

not to obtain such insurance if HGI concludes that the terms are not commercially reasonable, and sometimes when such insurance is obtained, it has meaningful coverage limits and high deductibles.

HGI may, from time to time, require, cause or invite the Clients and/or a Client investment to make contributions to charitable initiatives, or other non-profit organizations that HGI believes could, directly or indirectly, enhance the value of the Clients' investments, assist in completing an acquisition of an investment or other transaction (whether or not documented at the time of such acquisition or transaction) or otherwise serve a business purpose for, or be beneficial to, the Clients or their investment. Such contributions could be designed to benefit employees of an investment, the community in which an investment operates or a charitable cause essential to, or consistent with, the business purpose of an investment. In certain instances, such charitable initiatives could be sponsored by, affiliated with, or related to, current or former employees of HGI, investment management teams, advisors, Service Providers, vendors, joint venture partners, and/or other persons or organizations associated with HGI, the Clients or their investments. These relationships could influence HGI's decision whether to require, cause, or invite the Clients or the investments to make charitable contributions. Further, from time to time, such charitable contributions by the Clients or their investments could supplement or replace charitable contributions that HGI would have otherwise made. Also, in certain instances, HGI may, from time to time, select a Service Provider or other counterparty to the Clients or their investments based, in part, on the charitable initiatives of such person where HGI believes such charitable initiatives could, directly or indirectly, enhance the value of the Clients' investments or otherwise be beneficial to the investments.

To the extent an Investor is invested in another Client, this will give rise to various conflicts of interest. For instance, HGI may be less incentivized to take actions adverse to such Investors (e.g., pursuing default remedies) when doing so would be beneficial to a Client, in order to maintain such Investors' broader relationship with HGI. Similarly, if an Investor in another Client has a relationship to an actual or proposed investment (other than through its investment in the Client), HGI may be incentivized to cause a Client to make such investment and may be influenced by such Investor's broader relationship with HGI in negotiating terms or taking or refraining from taking actions with respect to such investment.

Item 12: Brokerage Practices

Selecting or Recommending Broker-Dealers

As the Clients invest principally in real estate assets, HGI is rarely required to select or recommend broker-dealers for Client securities transactions. In circumstances where securities brokers or dealers would be required, HGI will endeavor to select those brokers or dealers that will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on the broker's ability to provide professional services, competitive commission rates, research and other services that will help us in providing investment management services to the applicable Clients. HGI may, therefore, use a broker who provides useful research and securities transaction services even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance. Research services may be useful in

servicing Clients, and not all such research may be useful for the Client for which the particular transaction was affected.

Because of the nature of the Client investment strategies, HGI does not engage in any trade aggregation practices. HGI does not receive “soft dollars” in connection with its use of broker-dealers.

Item 13: Review of Accounts

The investment portfolios of the Clients are generally private, illiquid, and long-term in nature, and accordingly HGI’s review of them is not directed toward a short-term decision to dispose of assets. However, the Clients’ portfolios are reviewed on a continuous basis. HGI investment personnel hold investment meetings, as necessary, to discuss investment ideas, investment strategies, economic developments, current events, and other issues related to current portfolio holdings and potential investment opportunities.

HGI provides each Investor with (i) quarterly reports and annual reports that include financial information on relevant Client investments, and (ii) a Schedule K-1 and such partnership tax information as HGI reasonably believes shall be necessary for the preparation by each Investor of its U.S. federal, state, and local tax returns. HGI will from time to time, in its sole discretion, provide additional information relating to a Client to one or more Investors in such Client as it deems appropriate.

Item 14: Client Referrals and Other Compensation

HGI does not receive any economic benefits from non-clients in connection with the provision of investment advice to the Clients.

HGI does not engage in client solicitation arrangements. HGI may periodically engage finders to make introductions to HGI personnel. The fees and expenses of any finder will be paid by HGI. Such finders generally will receive a fee in an amount equal to a percentage of the capital commitments for interests made by such potential Investors to such Client that are subsequently accepted.

HGI periodically engages third-party placement agents to introduce prospective Investors to its Clients. Such persons generally receive a fee in an amount equal to a percentage of the capital commitments for interests made by such potential Investors to such Clients that are subsequently accepted and may include a percentage of the ongoing investment management fee such Investors pay to HGI. The fees and expenses of any third-party placement agents will be paid by HGI.

Item 15: Custody

Custodial banks maintaining Client assets send statements to an independent representative who compares the account statement received from the custodial bank to the account statements HGI delivers to Investors. To the extent a Client is audited, HGI delivers audited financial statements to

Investors. In addition, HGI has engaged an independent public accountant for certain Clients that are subject to registration and inspection by the PCAOB to conduct annual surprise asset verifications at a time decided by the independent accountant and provide reports to the SEC as to the results of those verifications.

Item 16: Investment Discretion

HGI generally has discretionary authority to determine, without obtaining specific consent from the Clients or Investors, the investments and the amounts to be bought or sold on behalf of the Clients. Investment advice is provided directly to the Clients, subject to the direction and control of the General Partner of each Client, and not individually to Investors. Services are provided to the Clients in accordance with the Governing Documents of the applicable Client. Investment restrictions for the Clients, if any, are generally established in the Governing Documents of the applicable Client.

Item 17: Voting Client Securities

The Clients invest in real estate properties and financial investments supported by real estate properties which do not issue proxies. The Clients generally do not hold securities which possess voting rights on behalf of the Clients. HGI maintains proxy voting policies as required should HGI be required to vote proxies on the Clients' behalf and address and resolve any material conflicts of interest that may arise in the course of such voting.

Copies of relevant proxy logs, identifying how proxies were voted in connection with a Client and copies of proxy voting policies are available to any Investor or prospective Investor upon written request.

Item 18: Financial Information

HGI has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage Client accounts.