

Disclosure Brochure
(Form ADV, Part 2A)

Starwood Capital Group Management, L.L.C.

1601 Washington Avenue, Suite 800

Miami Beach, FL 33139

(305) 695-5500

www.starwoodcapital.com

August 1, 2018

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

Additional information about Starwood Capital Group Management, L.L.C. also is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

This page discusses only the material changes to this brochure since the last annual update on March 30, 2018.

- In 2018, Starwood Capital Group Management, L.L.C. completed final closings of Starwood Global Opportunity Fund XI, its 11th opportunistic real estate fund.

Table of Contents

1. Advisory Business	1
2. Fees and Compensation	2
3. Performance-Based Fees and Side-By-Side Management	4
4. Types of Clients	5
5. Methods of Analysis, Investment Strategies, and Risk of Loss.....	5
6. Disciplinary Information.....	8
7. Other Financial Industry Activities and Affiliations	8
8. Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading	9
9. Brokerage Practices	11
10. Review of Accounts	11
11. Client Referrals and Other Compensation	12
12. Custody	12
13. Investment Discretion	13
14. Voting Client Securities	13
15. Financial Information.....	14

1. Advisory Business

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

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

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

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

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

On a more limited basis, SCGM provides advisory services to certain private funds that invest in non-real estate opportunities, such as investments in energy infrastructure, including oil and gas investments. Starwood Energy Group Global, L.L.C. (“SEG”), a Starwood affiliate, manages

energy funds that invest primarily in energy-related assets, such as assets attributable to transmission, distribution, gas storage and power generation in energy-constrained markets and includes debt and equity investments in primarily energy-related enterprises and mezzanine loans. SCGM provides investment advisory services to such energy funds via investment advisory agreements.

As of December 31, 2017, SCGM managed \$44,396,702,918 of regulatory assets under management, as calculated for and reported in Item 5F of Part 1A of Form ADV, on a discretionary basis. For purposes of calculating Regulatory Assets Under Management in Item 5F, Starwood Capital Group Management, L.L.C. does not include CMBS trusts that are consolidated by LNR, a subsidiary of Starwood Property Trust, but all other related assets are included.

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

2. Fees and Compensation

SCGM receives a base management fee for its services.

SCGM management fees may vary according to the amount or value of the real estate, real estate-related or other assets owned by the investment fund. In addition, a Starwood affiliate may receive a carried interest allocation entitling it to a prescribed portion of the fund’s or REITs’ profits. The agreements governing the investment fund or REIT, such as a limited partnership agreement or registration statement in the case of Starwood Property Trust, disclose the nature of the carried interest and management fees to the investors prior to their commitment or investment. Management fees are assessed quarterly in advance, and only in the case of Starwood NNE Co-Invest, L.L.C. and Starwood ERE Co-Invest, L.L.C. are fees paid more than six months in advance. SCGM or its affiliates and the investment funds may enter into side letters or similar agreements with certain investors that have the effect of establishing rights under, or altering or supplementing, a fund’s governing documents, including provisions relating to the carried interest or management fees.

Investment funds also can be subject to asset management fees which apply to each particular asset acquisition by an investment fund.

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

customary real estate industry compensation from entities in which the relevant investment fund invests; such compensation is ultimately borne by investors in such investment funds.

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

management fee (as described above), (vii) any taxes, fees and other governmental charges levied against the investment fund (except to the extent that the investment fund is reimbursed therefor by a partner pursuant to the governing documents of the investment fund), (viii) costs and expenses that are classified as extraordinary expenses under GAAP, (ix) all fees, costs and expenses incurred in connection with the organization, management, operation, and dissolution, liquidation and final winding up of any controlled affiliates, additional investment vehicles or alternative investment vehicles (or negotiations related thereto) of the investment fund, (x) unreimbursed costs and expenses incurred in connection with any transfer contemplated by and in accordance with the governing documents of the investment fund and (xii) any activities with respect to protecting the confidential or non-public nature of any information or data, including email hosting, disaster recovery, software and other related computer and internet expenses as well as information described in the governing documents of the investment fund. Investment funds will also bear expenses of vehicles and assets in which the funds invest, including profit sharing, promote, carried interest, profits interest or other incentive payments due to joint venture partner or other third parties. Such expenses are ultimately borne by investment fund investors and reduce returns to the extent incurred. As discussed below, investment funds are expected to bear expenses (including incentive payments due to joint venture partner or other third parties), directly or indirectly, in connection with services provided by SCGM affiliates as authorized in accordance with the applicable investment fund's governing documents.

Expenses related to consummated transactions generally are shared pro rata by all investment funds participating in the transaction, including co-invest vehicles or funds. To the extent co-investment vehicles or funds are or would be expected to be formed in connection with a proposed transaction that is not consummated, broken-deal expenses relating to the transaction are borne by the committed investment funds participating in the transaction and not the formed or to be formed co-investment vehicle since such vehicles are typically not finalized until a closing of a transaction.

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

As noted in Item 2 above, the Starwood affiliates may receive carried interest entitling them to a portion of the profits of the particular investment fund or REIT. These profit incentives are considered performance fees for purposes of the Advisers Act, including Rule 205-3. Rule 205-3 subjects these rules to investor eligibility conditions as a "qualified client" based on measures of financial sophistication. Carried interest payments have been structured to comply with the Advisers Act, including Rule 205-3 under the Advisers Act.

In any particular strategy, there may be differences in the structure of the carried interest. Differences in the performance fee structure could create potential conflicts in that a Starwood affiliate could have greater incentive to favor investment fund structures having the most profitable performance fee structure versus other investment fund structures that have a lower or no performance fee structure. These potential conflicts, however, are practicably mitigated by various limitations common to private equity structures. For example, allocations of investment opportunities are subject to organizational limitations on the creation of successor investment funds. That is, before Starwood may permissibly raise a new investment fund, a predecessor fund in the same strategy generally must be substantially committed. Additionally, Starwood-sponsored investment funds may be limited to the types of investment opportunities based on the particular sector investing designated for that investment fund.

4. Types of Clients

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

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

Investment Analysis and Strategy

SCGM makes investment recommendations to its clients predominantly in the real estate sector. With respect to the energy-related funds, SCGM, through SEG, makes investment recommendations in the energy sector. As adviser through SPT Management, with respect to Starwood Property Trust, SCGM renders advice as to certain "target assets." Target assets for Starwood Property Trust would include commercial mortgage loans and other commercial debt instruments, commercial mortgage-backed securities, net-leased properties and other real estate-related assets, as well as residential mortgage-backed securities and mortgage loans.

In the case of investment funds, investment recommendations include mortgage debt instruments, publicly traded REIT equity and the public or private equity or debt of public real estate companies. The energy funds investment recommendations include investments in energy-related assets, such as assets attributable to transmission, distribution, gas storage and power generation in energy-constrained markets.

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

In the energy sector, SCGM and certain Starwood professionals rely on the expertise and professional relationships developed in the energy industry. SEG and SCGM implement a strategy that seeks diversification to the extent practical and a mitigation of concentration risk in respect of the management and advice to the energy funds. A strategy of entering into bi-lateral contracts and investment in liquid market instruments, all of which fit within the strategy of investing in assets with identifiable and executable commodity risk management tools, are intended to manage commodity risks relevant to the energy sector.

Risks

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

- The firm's investment strategies and expertise rely on key professionals. The departure of any of these key professionals from Starwood could adversely impact the performance of an investment fund or REIT.
- Failure of investors to fund commitments when due can adversely affect an investment fund's ability to complete its investment program and, if substantial defaults on commitments, to continue operations.
- Real estate and energy infrastructure investing can include the use of leverage which, among other things, can increase the risk of loss during unfavorable economic conditions.
- Assets held by investment funds, and the interests in the investment funds themselves, can be illiquid, thus making them hard to value and liquidate, particularly in a falling market. Additionally, interests in investment funds are subject to restrictions on transfer pursuant to the Securities Act.
- Risk of loss associated with mortgage loans and mortgage-backed securities. These instruments are subject to default, foreclosure timeline extension, fraud, commercial and residential price depreciation, unfavorable modification of loan principal amount and interest rate, and amortization of principal. Any of the foregoing events can result in investment losses.
- Prepayment risk. To the extent assets may be backed by mortgage instruments, prepayment can adversely affect the value of the underlying real estate portfolio.
- Some mortgage-related instruments may include distressed opportunities, which can increase the potential for risk of loss.
- There are risks related to a real estate investment vehicle's organization whether it be limitations prescribed by the 1940 Act in the case of a private fund or even a public REIT, or tax limitations in the case of a REIT structure.
- Investment strategies and analysis may not accurately project targeted returns because the considerations and assumptions underlying any projected returns are subject to uncertainty.

- Real estate, because it is generally considered a long-term investment, may be subject to risks not associated with investments in more liquid assets. For instance, real estate may experience fluctuations and cycles in value during any holding period. Some factors attributable to the marketability and value of real property include, but are not limited to the following: (i) changes in general or local economic conditions; (ii) changes in supply or demand for the particular property type; (iii) fluctuations in occupancy and rents for real property; (iv) changes in interest rates; (v) government regulation related to land-use and zoning, environmental protection and occupational safety; (vi) unavailability of mortgage funds, making property disposition difficult; (vii) the financial condition of consumers of real property; (viii) insurance coverage; and (ix) natural disasters and threat of terrorism.
- Environmental risk. Real estate and energy infrastructure investment is subject to certain environmental risks associated with environmental claims, environmental regulations and occupational safety issues and concerns.
- Energy risk. Energy infrastructure assets are subject to significant energy commodity risks, including price, volumetric and spread risk. These particular risks, although sought to be managed as noted above, can create reduced or volatile returns to investors.
- Energy regulations. Energy generation, transmission and distribution are heavily regulated. Energy regulations are subject to change, which can impact the financial condition of energy infrastructure assets.
- Concentration risk. Real estate and energy infrastructure investing may lack a diversified pool of assets compared to other types of investment funds that trade in publicly traded securities.
- Currency exchange risk. Typically, distributions from and contributions to an investment fund are denominated in U.S. dollars. Investments, however, may be denominated in currencies other than the U.S. dollar. Therefore, the value of these non-U.S. dollar denominated investments will depend in part on the strength of the U.S. dollar, and the value of dividends, interest and gains and losses can be adversely affected by fluctuating currency exchange rates.
- Counterparty credit quality. Investment funds can have assets tied to long-term contracts the performance of which will be dependent on the credit quality of the counterparties. Defaults by such counterparties could adversely affect the value of these assets.
- Cybersecurity. Starwood and its service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect investors, despite the efforts of Starwood and its service providers to adopt technologies, processes and

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

The investment funds do not engage in frequent trading of portfolio assets in the manner of a trading fund, such as a hedge fund or mutual fund.

6. Disciplinary Information

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

7. Other Financial Industry Activities and Affiliations

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

Certain management persons of SCGM are associated persons of SC. Specifically, Mr. Jerome Silvey (CRD No.: 4379503) is the Vice Chairman of SCGM and is qualified under a Series 82 license for SC. Mr. Silvey maintains a registration with SC in respect of its fund-raising efforts for Starwood's investment funds. Mr. Jeffrey DiModica, a Managing Director of SCGM, also is an associated person of SC (CRD No.: 2389718) and may be used for fund-raising purposes where SC has been engaged as a placement agent. Mr. DiModica is qualified under Series 24, 7 and 63 licenses. Also, Mr. Matthew Guttin (CRD No.: 5801291) serves as the Chief Compliance Officer of SC and maintains Series 24, 7 and 63 licenses in this respect. Mr. Guttin is also the Chief Compliance Officer of SCGM. Mr. Guttin's role with SC, and SCGM for that matter, is solely to

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

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

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

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

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

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

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

SCGM investment vehicles can permit certain affiliated transactions between an investment vehicle and SCGM and/or its affiliates, which can present conflicts of interest between the investment vehicle and such persons. Affiliated transactions may be authorized under an investment fund's governing documents or by an investment fund's authorized investor committee or in any other permissible manner, which is intended to mitigate such conflicts, together with any applicable pricing standard such as market rates, arms-length transactions or other standards. Affiliated transactions could include services and transactions, such as (1) use of affiliated legal service providers, such as Rinaldi, Finkelstein & Franklin, L.L.C., discussed above, for investment vehicles, investments, and SCGM and its affiliates, (2) use of tax, accounting and advisory services of entities with relationships with SCGM and its affiliates, (3) management, franchise, branding, licensing, marketing and other services agreements between investments of investment vehicles and SCGM and/or its affiliates, and (4) services as to which the applicable investment fund could have retained an independent third party on similar terms, which services may include, without limitation, acting as trustee, servicer, originator, property management, hotel management, retail management, developer, paying agent, leasing agent, title agent, procurement agent or other services (including asset purchases pursuant to options granted as special servicer). SCGM investment vehicles may permit multiple investment vehicles to invest in different levels of the capital structure of an investment in circumstances contemplated in an investment vehicle's governing documents, and affiliates of SCGM may be a party to or enter into lending relationships with SCGM investment vehicles. Such investments may result in potential conflicts between investment vehicles, but are subject to various parameters outlined in the governing documents in an attempt to mitigate such conflicts.

SCGM may (but is not in any event required to), in its discretion and subject to availability, cause one or more hotels, restaurants, businesses or other portfolio companies in which an investment vehicle holds a direct or indirect interest to provide products or services at a discounted price or rate (or on some other preferred basis) to one or more direct or indirect investors in investment funds, vehicles, accounts and/or joint ventures managed, sponsored or otherwise controlled by SCGM and/or one or more of its affiliates. Such discounts may be utilized by such investor or any of its affiliates, and/or any of their respective employees, agents, associates, friends and/or family, as may be determined by SCGM or its applicable affiliate in its discretion. In order to benefit from any such discount, an investor may apply to SCGM or its applicable affiliate, and SCGM shall review such request for compliance and other matters. For the avoidance of doubt, discounts may not be made available in instances where, to the knowledge of SCGM or its applicable affiliate, or as otherwise determined by SCGM or its applicable affiliate in its discretion, policies, laws, regulations, and/or respective affiliates would prohibit or restrict the use of such discounts. Investors benefiting from such discounts may include affiliates, employees, agents, associates, friends and/or family of SCGM, and may include investors in investment funds and/or joint ventures that have not invested in the applicable hotel, restaurant, business or other portfolio company offering such discounts. SCGM or its applicable affiliate may, in its discretion, make any such discounts subject to limitations, including, without limitation, blackout dates and maximum usage per year. The terms of discounts may change from time to time based on availability and other business circumstances, and the terms offered to SCGM and its affiliates and their respective employees, agents, associates, friends and/or family may be more favorable than those offered to others.

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

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

SCGM may permit one or more investors in an investment fund, as determined by SCGM in its sole discretion, to co-invest in certain investments made by an investment fund after the appropriate allocation has been first made to the investment fund taking into account factors such as the investment fund's governing documents, operating guidelines, diversification requirements, tax, regulatory and risk considerations and other relevant factors. In determining co-investors, SCGM may grant a preferential co-investment right to certain investors in accordance with the investment fund's governing documents and on terms set forth in such investors' side letters, which may include rights based on designated commitments to the investment fund. SCGM may also permit third party partners, such as joint venture parties or others, to co-invest in the same investments as an investment fund. See "Fees and Compensation" above for a description of broken-deal expenses.

9. Brokerage Practices

SCGM has the authority, without obtaining specific client consent, to buy or sell securities, to determine the amount of securities to be bought or sold, and to determine which broker or dealer is to be used to execute any securities transaction. When evaluating the quality of trade execution, SCGM considers price, speed, anonymity, and the ability of the broker-dealer to find financial intermediaries with significant trading capabilities. SCGM plays an advisory role in connection with the selection of investment banks, broker-dealers, banks, and markets for fund portfolio transactions.

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

10. Review of Accounts

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

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

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

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

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

SCGM, together with SPT Management, follows a similar review and monitoring process for Starwood Property Trust, as well as a robust reporting process in order for Starwood Property Trust to satisfy their reporting obligations as a public companies.

11. Client Referrals and Other Compensation

SCGM does not compensate any third party for client referrals directly to it for advisory services and does not receive any economic benefit from a third party for providing investment advice or other services to its clients. Thus, it has no cash solicitation arrangements subject to the SEC's cash solicitation rule, Rule 206-3 under the Advisers Act.

Starwood does enlist the services of private placement agents in respect of the offering of interests in an investment fund. These placement agents include unaffiliated placement agents. Additionally, SC also acts from time to time as placement agent of the interests in a Starwood-sponsored investment fund. The fees paid to SC in this respect have been described in Item 7 above. Private placement arrangements with affiliated or unaffiliated broker-dealers are not considered a cash solicitation arrangement subject to Rule 206-3 in reliance on a staff no-action letter of the SEC.

12. Custody

SCGM itself does not have custody of client funds or securities, but the Starwood affiliates do have custody. Because of the affiliation of SCGM with the affiliated general partners, member

managers and other managers, all of which have custody, the SEC's custody rule – Rule 206(4)-2 under the Advisers Act – applies to the custody over client funds and securities.

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

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

13. Investment Discretion

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

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

14. Voting Client Securities

The Starwood affiliates generally have the authority to manage the Starwood-sponsored investment funds, REITs and related entities. In this regard, they are responsible for all aspects of the management and operation of the client. To date, none of the Starwood affiliates has delegated proxy voting obligations to SCGM.

The firm's Compliance Manual contains a section on proxy voting procedures. Very generally, a broad fiduciary principle is extended to the proxy voting process, requiring the Starwood affiliates to act prudently and consistent with their fiduciary duties. These procedures, among other things, require the Starwood affiliates to monitor any vote to identify potential conflicts of interest.

15. Financial Information

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