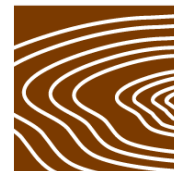


# NORTHWOOD

## I N V E S T O R S



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FORM ADV, PART 2A  
BROCHURE DATE: MARCH 31, 2018

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

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

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

## **Item 2: Material Changes**

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Since the last annual filing of its brochure in March 2017, Northwood reports the following material changes:

- In September of 2017, Michael Profenius was named Northwood's Chief Operating Officer.

### **Item 3: Table of Contents**

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Item 2: Material Changes .....	1
Item 3: Table of Contents.....	2
Item 4: Advisory Business .....	3
Item 5: Fees and Compensation .....	5
Item 6: Performance Based Fees and Side-by-Side Management.....	9
Item 7: Types of Clients.....	10
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss .....	10
Item 9: Disciplinary Information.....	16
Item 10: Other Financial Industry Activities and Affiliations .....	16
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	18
Item 12: Brokerage Practices .....	20
Item 13: Review of Accounts.....	20
Item 14: Client Referrals and Other Compensation .....	21
Item 15: Custody.....	22
Item 16: Investment Discretion.....	22
Item 17: Voting Client Securities.....	22
Item 18: Financial Information .....	23

## **Item 4: Advisory Business**

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

Northwood is an SEC-registered investment advisor that was founded in 2006 by its President and Chief Executive Officer, John Z. Kukral.

The principal owners of Northwood are John Z. Kukral and Khaled W. Kudsi (Senior Managing Director).

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

Northwood specializes in real-estate related investments. Northwood provides these services to its clients: privately-offered, pooled investment vehicles (collectively, the “Funds”) and separate account mandates (“Separate Accounts”).

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

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

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

- Northwood Hospitality LLC,
- Northwood Retail LLC,
- Northwood Office LLC, and
- Northwood Residential LLC.

Northwood recognizes conflicts of interest exist when using an affiliated service provider. The Funds’ limited partnership agreements dictate that the terms of any engagement with an affiliate can be no less favorable to the Fund than it would be using a comparable, unaffiliated third party. Northwood believes the benefits of using these affiliates outweigh the conflicts and has taken steps to mitigate concerns. Northwood believes the use of affiliates results in better alignment of interests, efficiencies in communication, focused number of properties under management, and economic reporting efficiencies. In addition to these benefits, Northwood believes the conflicts associated with using affiliated property management companies are mitigated by treating the net income of the Property Management Affiliates as an offset to the fund management fee paid by limited partners. Northwood believe this approach effectively

makes the use of affiliated service providers less costly than using unaffiliated service providers, for which there would be no fee offset. As Separate Accounts are non-discretionary and account owners have the ability to dictate service providers used, there is no management fee offset when using affiliated service providers.

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

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

It is not anticipated that Separate Accounts would be offered co-investment opportunities.

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

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

Owners of Separate Accounts can tailor the specific services provided by Northwood.

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

Northwood does not participate in wrap fee programs.

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

As of December 31, 2017, Northwood managed approximately \$6,544,054,296 on a discretionary basis. This amount represents the fair market value of the Funds' assets and the uncalled capital commitments of the Funds' investors.

Northwood manages approximately \$449,212,500 on a non-discretionary basis.

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

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

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

Northwood typically receives compensation from fees based on a percentage of assets under management, carried interest allocations, and certain other fees or expenses related to transactions. Prospective investors should review the Funds' offering and governing documents to fully understand the total amount of fees and expenses to be paid by the Funds and, indirectly, by their limited partners. Separate Accounts negotiate fees at the outset of the advisory relationship.

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

##### **The Funds**

Northwood's management fee is paid quarterly, in advance. Management fees for each of the Funds (excluding the standing co-investment vehicles) are based on an annualized percentage which typically ranges from 1% to 2% of one or more of the following: capital commitments or invested capital plus unfunded capital commitments. The management fee payable may be reduced in certain circumstances, as described below.

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

The management fee is also reduced by 100% of the Funds' share of any transaction fees, financing fees and other similar fees received by Northwood or its affiliates in connection with actual or potential investment of the Funds. Property Management Affiliates receive property management fees, leasing fees, construction fees, and other similar fees from the Funds' investments in return for providing property management and related services (see *Item 4: Advisory Business*). The Funds' share of property management fees and other fees earned by the Property Management Affiliates ("Offsetable Property Management Fees"), net of out-of-pocket expenses incurred to operate such Property Management Affiliates, in connection with the investments of such Funds, is applied as a 100% reduction of the management fees payable by the limited partners of such Funds. Such expenses include, among other things, shared overhead expenses with Northwood (e.g., rent and personnel), costs for services provided by affiliates of the General Partners, and, as more fully described below, compensation and salary of employees of Property Management Affiliates. For the avoidance of doubt, any property management fees received by Property Management Affiliates with respect to assets owned solely by third parties ("Third Party Fees") shall not be applied as a reduction of the management fees payable by limited partners of the Funds. In the event any Third Party Fees are received, for purposes of calculating the reduction of the management fees payable by limited partners of the Funds, Northwood reduces the out-of-pocket operating expenses of the Property Management Affiliates by a proportional amount based on the relationship

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

between the Third Party Fees and Offsetable Property Management Fees received in the applicable period.

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

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

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

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

### **Separate Accounts**

Separate Accounts pay a management fee based on the gross asset value of the portfolio. The fee is paid quarterly, in arrears.

## **2. Carried Interest Allocations**

### **The Funds**

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

In addition, Northwood is subject to clawback provisions and is obligated to return to the limited partners any carried interest received by Northwood if such compensation is greater than 25% of the profits (subject to the return of invested capital, pro-rata return of expenses and 6% annualized preferred return on these

amounts) over the course of certain time periods.

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

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

### **Separate Accounts**

Northwood will only manage Separate Accounts with account owners that are qualified purchasers. Accordingly, Northwood may negotiate to receive carried interest allocations relative to the performance of Separate Accounts. Northwood can earn carried interest for outperformance relative to performance return hurdle. The rates of carried interest rate and performance hurdles are agreed upon at the outset to of the advisory relationship.

## **B. Collection of Fees**

### **The Funds**

Management fees may be paid from amounts contributed to the Funds by investors or withheld from investment proceeds. The Funds may also borrow against credit lines to advance the management fee to Northwood. The funds will bear any interest expenses incurred as the result of this practice.

Carried interest is deducted and paid from distribution proceeds.

### **Separate Accounts**

Though each account owner can negotiate the payment of fees, Separate Accounts generally make check or wire payments on a quarterly basis. Northwood will generally invoice Separate Accounts for the payment of fees.

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

### **The Funds**

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

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

Each Fund, except as noted above, pays all expenses related to its own operations, including, but not limited to, organizational expenses, fees, costs and expenses directly related to purchasing, disposing of, financing, refinancing, hedging, holding, monitoring, developing, negotiating, and structuring Fund investments and transactions that are not consummated and costs of related information management and trading systems (whether maintained by the General Partner, Northwood or their affiliates or otherwise), and other costs and fees in connection with duplicating, postage, delivery, communications, appraisal, engineering and environmental services, property and asset management fees in connection therewith and lodging, travel, meals and other travel related costs in connection therewith (to the extent not subject to any reimbursement



of such costs and expenses by entities in which such Fund invests or other third parties); all fees, costs and expenses of advisers, travel expenses, accountants, appraisers, tax advisers, consultants, lenders, investment banks and other financing sources, and legal counsel, brokers, deal finders, agents, valuation experts, data providers (including related systems and services from such data providers and data management software), and other advisers and professionals (including audit and certification fees and the costs of preparing, printing and distributing reports to the Fund's partners); sales, leasing and brokerage commissions, development fees, loan servicing fees, custodial expenses and other investment costs incurred in connection with Fund investments; principal, interest on and fees and expenses arising out of all borrowings made by such Fund, including the arranging thereof; the costs of any fidelity bond or similar insurance and the costs of any litigation, D&O liability or other insurance and indemnification or extraordinary expense or liability relating to the affairs of such Fund; expenses of liquidating the Fund; any taxes, fees or other charges levied against the Fund; all expenses incurred in connection with any audit, investigation, settlement or review of the Fund, expenses associated with the Fund's administrative, reporting, monitoring, research or research-related costs, financial statements and tax returns; expenses associated with portfolio and risk management, including currency hedging; all fees, costs and expenses of the annual meeting and meetings of the Funds' Advisory Committee under the limited partnership agreement and any meetings or conferences with one or more Partners; all fees, costs and expenses, if any, associated with any third-party examinations or audits (including fees, costs and expenses associated with any REIT subsidiary or other similar services) of the Fund, the General Partner or Northwood that are attributable to the operation of the Fund or requested by the Fund's limited partners; all fees, costs and expenses, if any, incurred in connection with the Fund's legal, tax, regulatory and statutory compliance with U.S. federal, state, local, non-U.S. or other law or regulation (including, without limitation, regulatory filings of Northwood and its affiliates relating to the Fund and its activities, including reporting on and compliance with Form PF, FATCA and any comparable legislation or regulations published by any other relevant jurisdiction, including in each case, reports, disclosures, filings and notifications prepared in connection with compliance by the Fund or any parallel vehicle with the European Union Alternative Investment Directive ("AIFMD") by the Fund or any parallel vehicle, but excluding any fees, costs and expenses incurred in connection with the organization and maintenance of any entity established to be the "alternative investment fund manager" of the Fund or any parallel vehicle within the meaning of the AIFMD); expenses incurred in connection with complying with provisions in side letter agreements, including "most favored nations" provisions; tax preparation expenses (which includes the preparation and filing of any forms, schedules, filings, information or other documents necessary to avoid the imposition of withholding or other taxes pursuant to "FATCA" and Report of Foreign Bank and Financial Accounts); and all expenses and fees charged or specifically attributed or allocated by Northwood or its affiliates to provide in-house legal, tax, accounting, reporting and portfolio monitoring services to the Fund and/or portfolio companies, and expenses, charges and/or related costs incurred by the Fund, Northwood or its affiliates in connection with such provision of in-house legal, tax, accounting, reporting and portfolio monitoring services to the Fund and/or portfolio companies including, without limitation, compensation and other overhead allocable to such services; *provided*, that the General Partner determines in good faith that any such expenses, charges or related costs are not greater than what would be paid to an unaffiliated third party for substantially similar services.

The Funds are responsible for reimbursing the cost of meal and travel expenses related to Fund business. Such travel expenses include Northwood and its affiliated persons' airfare, which may be coach, business or first class, depending on the length of the flight. Travel expenses for Northwood and its affiliated persons may include expenses for private transportation, including chartered airfare, which is charged to the Funds based on the cost of equivalent first or business class commercial air travel unless the use of commercial airlines is not reasonable. In addition, to the extent Northwood and its affiliated persons incur travel expenses in connection with any meetings with existing and/or prospective investors in a Fund, a portion of such travel expenses may be allocated to such Fund as organizational expenses. Northwood has policies and procedures dictating permissible practices as it relates to meal and travel expenses.

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

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

### **Separate Accounts**

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

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

#### **The Funds**

As noted above, management fees are paid quarterly in advance.

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

### **Separate Accounts**

In the event a Fund’s investment advisory agreement with Northwood is terminated during a period covered by management fees paid in advance, Northwood would pro rate such management fee based on the number of days elapsed and refund the amount of the management fee allocable to the period subsequent to the termination date.

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

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

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

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

Practically speaking, however, this risk is mitigated for the Funds due to the substantial investment in the

Funds' by Northwood and its affiliates. Separate Accounts are non-discretionary and, therefore, would not be approved by the owners of the account if a proposed transaction were outside the client's risk parameters. Further, the most substantive economic benefit to Northwood is largely dependent upon the success of investments, which drives Northwood's Carried Interest. Accordingly, pursuing riskier investments to increase the management fee base is most likely counterproductive to Northwood's economic interests.

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

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

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

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### **A. Investment Strategies**

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

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

Northwood employs a fundamental, value driven investment strategy that seeks to maximize long-term value through acquisition or funding of ownership interests in individual real estate assets, multi-property portfolios, joint ventures, operating companies, and public securities related to real estate or real estate related companies and will pursue a disciplined investment approach to identify attractive opportunities which offer upside potential and downside risk protection. Northwood continually monitors and refines its investment strategy based on the evolution of real estate and capital markets. As a result, certain aspects of the Northwood's investment program, such as target asset classes, geographies and seller groups, may change over time as Northwood seeks to capitalize on the best risk-adjusted opportunities available in the market.

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

Northwood's Investment Committee, which is led by Mr. Kukral, is responsible for reviewing all investment decisions, including acquisitions, dispositions, and potential structures for deals. Though the Investment Committee's process requires the insight and input from all the committee's members, as the head of the Investment Committee, Mr. Kukral makes all final investment decisions.

Northwood investment strategy usually includes retaining Property Management Affiliates to be

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

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

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

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

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

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

### **2. Market Conditions**

Northwood's strategy is based, in part, upon the premise that real estate businesses and assets will be available for purchase that are considered favorable. The Fund's strategy relies, in part, upon local market conditions throughout the term of the investment. No assurance can be given that real estate businesses and assets can be acquired or disposed of at favorable prices or that the market for such assets will remain stable, recover, or continue to improve since this will depend upon events and factors outside of Northwood's control. Additionally, there can be no assurance that market conditions may not deteriorate during the life of the Fund, which could have a materially adverse effect on the assets of the Fund. Actual or perceived trends in real estate markets do not guarantee, predict or forecast future events, which may differ significantly from those implied by such trends.

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

The activity of identifying, completing and realizing attractive real estate investments that fall within a Fund's investment objective is highly competitive, and involves a high degree of uncertainty. The availability of investment opportunities generally will be subject to market conditions. In particular, in light of changes in such conditions, including changes in long-term interest rates, certain types of investments may not be available to a Fund on terms that are as attractive as the terms on which opportunities were previously available to the Fund or were available to previous investment programs with which Mr. Kukral,

and the other Northwood professionals were involved. Each Fund will be competing for investments with many other real estate investment vehicles, as well as individuals, publicly traded real estate investment trusts as defined in the Code (“REITs”), financial institutions (such as investment and mortgage banks, pension funds and real estate operating companies), hedge funds, sovereign wealth funds, and other institutional investors. Further, over the past several years, many real estate investment funds and publicly-traded REITs have been formed and others have been consolidated (and many such existing funds have grown in size) for the purpose of investing in real estate assets. Additional real estate funds, vehicles and REITs with similar investment objectives may be formed in the future by other unrelated parties and further consolidation may occur (resulting in larger funds and vehicles). Some of these competitors may have more relevant experience, greater financial and other resources and more personnel than the General Partner, Northwood and the Fund.

#### **4. United Kingdom**

The United Kingdom (“UK”) formally notified the European Council of its intention to leave the European Union (“EU”) on March 29, 2017. Under the process for leaving the EU contemplated in article 50 of the Treaty on the European Union (“TEU”), the UK will remain a member state until a withdrawal agreement is entered into, or failing that, two years following the notification of the intention to leave, unless the European Council in agreement with the UK decides to extend this period. Under guidelines published by the European Council pursuant to article 50, the negotiations will be conducted broadly in two phases. The first phase is intended to ensure an orderly withdrawal from the EU. The second phase of negotiations will be directed toward a framework for a future relationship between the UK and the EU—although the future relationship can only be finalised once the UK becomes a third country. Assuming it will take two years to negotiate a withdrawal agreement and outline a framework for a future relationship, the UK will remain a member state subject to EU law with privileges to provide services under the single market directives until at least March 29, 2019. However, given the size and importance of the UK’s economy, uncertainty or unpredictability about its legal, political and economic relationship with the EU may be a source of instability, create significant currency fluctuations, and/or otherwise adversely affect international markets, arrangements for trading or other existing cross-border co-operation arrangements (whether economic, tax, fiscal, legal, regulatory or otherwise) for the foreseeable future including during negotiations and beyond the date of the UK’s withdrawal from the EU. For these reasons, the decision of the UK to leave the EU could have adverse consequences on any Fund, the performance of its investments and any ability to fulfil its investment objectives.

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

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

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

#### **6. Use of Leverage**

Northwood expects to utilize significant leverage in connection with the Funds’ investments. Although Northwood will seek to use leverage in a manner it believes prudent, such leverage will increase the exposure of investments to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the investment. Borrowings have the potential to diminish returns (or

increase losses on capital) to the extent overall returns are less than the cost of funds. As a general matter, the presence of leverage can accelerate losses.

The extent to which clients use leverage may, among others, have the following consequences: (i) greater fluctuations in the net asset value of assets; (ii) use of cash flow (including capital contributions) for debt service, distributions, or other purposes; (iii) to the extent that revenues are required to meet principal payments, clients may be allocated income (and therefore tax liability) in excess of cash distributed; and (iv) in certain circumstances, clients may be required to dispose of investments at a loss or otherwise on unattractive terms in order to service its debt obligations or meet its debt covenants. There can be no assurance that clients will have sufficient cash flow to meet debt service obligations. As a result, exposure to foreclosure and other losses may be increased due to the illiquidity of its investments.

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

## **7. Recycling & Reinvestment**

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

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

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

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

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

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



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

Investors in the Funds place their entire commitments in the discretion of, and are dependent upon the skill and experience of, Northwood under the leadership of Mr. Kukral. The success of the Funds will depend in part upon the skill and expertise of Northwood's investment professionals and the management of portfolio companies. The interests of these professionals in Northwood and the carried interest should tend to discourage them from withdrawing from participation in the Funds' investment activities. However, there can be no assurance that such professionals will continue to be associated with Northwood throughout the life of the Funds and a loss of the services of key personnel could impair Northwood's ability to provide services to the Funds.

## **11. Cybersecurity Risk**

Cybersecurity incidents and cyber-attacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. Northwood's, each Fund's and its service providers' information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. There can be no guarantee that a Fund will be able to prevent or mitigate such incidents. If systems and measures to manage risks relating to these types of events are compromised, become inoperable for extended periods of time or cease to function properly, Northwood, a Fund and/or a service provider may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Northwood's, a Fund's and/or a service provider's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). A cybersecurity incident could have numerous material adverse effects, including on the operations, liquidity and financial condition of a Fund. Cyber threats and/or incidents could cause financial costs from the theft of Fund assets (including proprietary information and intellectual property) as well as numerous unforeseen costs including, but not limited to: litigation costs, preventative and protective costs, remediation costs and costs associated with reputational damage, any one of which, could be materially adverse to a Fund.

## **12. Potential Conflicts of Interest**

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

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

The use of a subscription facility (or other long-term leverage) may present conflicts of interest as a result of certain factors, including that typically interest will accrue on any such outstanding borrowings at a rate lower than the rate of the preferred return, that the preferred return does not begin to accrue upon the incurrence of such borrowings, and that, except for borrowings that remain outstanding for an extended period of time (generally 90 days), the preferred return only begins to accrue on the date of capital contribution by limited partners to a Fund (i.e., the due date for the drawdown notice). As a result, the use of a subscription facility (or other long-term leverage) with respect to investments and ongoing capital needs of the Funds may reduce or eliminate the preferred return received by the limited partners and

accelerate or increase distributions of carried interest to the applicable general partners, providing such general partners with an economic incentive to fund investments and ongoing capital needs of the Funds through subscription facilities (or other long-term borrowings) in lieu of capital contributions and to make distributions prior to repayment of such outstanding borrowings. Subject to the limitations in the Funds' limited partnership agreements, the use of a subscription facility (or other long-term leverage) by a Fund is within the applicable general partner's discretion.

#### **14. Valuation Matters**

There is no established market for private investment partnership interests, and there may not be any comparable companies for which public market valuations exist. Because there is significant uncertainty as to the valuation of illiquid investments, the values of such investments may not necessarily reflect the values that could actually be realized by the Funds, and the difference could be material. Under certain conditions the Funds may be forced to sell investments at lower prices than they had expected to realize or defer – potentially for a considerable period – sales that they had planned to make. In addition, under limited circumstances, Northwood may not have access to all material information relevant to a valuation analysis with respect to an investment. As a result, the valuation of the Funds' investments, and as a result the valuation of the interests themselves, may be based on imperfect information and is subject to inherent uncertainties.

The fair value of all investments or of property received in exchange for any investments will be determined by Northwood in accordance with the governing fund documents. The valuation of such investments will be determined by Northwood in accordance with its formally adopted procedures and the governing fund documents.

#### **15. Effect of Carried Interest**

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

#### **16. Other Fees**

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



## **17. Allocation of Expenses**

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

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

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

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

See Item 8.B, above.

## **Item 9: Disciplinary Information**

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

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

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### **A. Broker-dealer Registration**

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

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

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

### **C. Material Relationships**

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

**1. Broker-dealer, municipal securities dealer or government securities dealer or broker.**

None.

**2. Investment companies or pooled investment vehicles**

None.

**3. Other investment advisor or financial planner**

**Northwood Securities LLC**

Northwood is affiliated with Northwood Securities LLC ("NWS") an investment adviser registered with the SEC.

NWS manages investment portfolios focused on publicly traded equity securities of companies whose business is to own, operate, develop and manage real estate. The primary emphasis is on real estate investment trusts or corporations that are principally engaged in the ownership, construction, management, financing or sale of residential, commercial or industrial real estate. NWS typically invests in the securities of companies operating in the United States, Europe, and Asia.

NWS provides continuous discretionary investment advisory services to separate accounts, mutual funds, and pooled investment vehicles.

As Northwood's typical investments are generally disparate from those of NWS, there are limited circumstances where a current or prospective Northwood investment may restrict NWS' ability to pursue the same or related investment opportunity. Typically, such restrictions are the result of trading prohibitions put in place as the result of a non-disclosure agreement to which Northwood and its affiliates are parties. Generally, however, this conflict is more restrictive for clients of NWS than it is for clients of Northwood.

**Northwood Liquid Management LP**

Northwood is affiliated with Northwood Liquid Management LP ("NLM") an investment adviser registered with the SEC.

NLM manages a private fund that invests in the public securities of real estate related companies. NLM invests across the capital structure of REITs, real estate operating companies, and other securities where the vast majority of the value derives from the underlying real estate.

As Northwood's typical investments are generally disparate from those of NLM, there are limited circumstances where a current or prospective Northwood investment may restrict NLM's ability to pursue the same or related investment opportunity. Typically, such restrictions are the result of trading prohibitions put in place as the result of a non-disclosure agreement to which Northwood and its affiliates are parties. Generally, however, this

conflict is more restrictive for clients of NLM than it is for clients of Northwood.

**4. Futures commission merchant, commodity pool operator, or commodity trading advisor**

None.

**5. Banking or thrift institution**

None.

**6. Accounting or accounting firm**

None.

**7. Lawyer or law firm**

None.

**8. Insurance company or agency**

None.

**9. Pension consultant**

None.

**10. Real estate broker or dealer**

None.

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

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

**D. Other Investment Advisors**

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

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

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**A. Code of Ethics**

Northwood has adopted a written Code of Ethics (the “Code”) designed to identify and mitigate potential

conflicts of interest, as required under Rule 204A-1 of the Investment Advisers Act of 1940.

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

Our Code requires, among other things, that employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, investors, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession and the interests of clients above their own personal interests;
- Adhere to the fundamental standard that employees should not take inappropriate advantage of their position;
- To the extent practicable, avoid or disclose any conflicts of interest that are material to investors and clients;
- Conduct all personal securities transactions in a manner consistent with the Code;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect favorably on employees and the profession; and
- Abide by the requirements contained in the Investment Advisers Act of 1940, as amended, and rules thereunder, as well as applicable provisions of the securities laws.

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

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

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

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

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

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

See Item 11.C. above.

## **Item 12: Brokerage Practices**

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

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

Client accounts do not typically engage in securities trading. To the extent Northwood selects a broker or dealer with respect to securities transactions, each executing broker or dealer will be selected on the basis of best execution of transactions.

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

Northwood does not utilize research or other soft dollar arrangements.

#### **2. Brokerage for Client Referrals**

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

#### **3. Directed Brokerage**

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

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

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

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

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

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

### **B. Review Triggers**

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

regular and continuous basis.

## **C. Reports to Clients**

### **The Funds**

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

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

Northwood also distributes special information to investors upon request. The content and format of these special requests varies based on the request. Certain investors have the right to obtain, or may request, information relating to a Fund and, to the extent such information is readily available or may be obtained without unreasonable effort or expense, Northwood generally will provide such investors with the information requested. Accordingly, such investors may possess information regarding the business and affairs of a Fund that may not be known to other investors. As a result, certain investors may be able to take actions on the basis of such information which, in the absence of such information, other investors do not take.

### **Separate Accounts**

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

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

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

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

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

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

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

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

Northwood has no active placement agent arrangements in place to identify investors qualified to invest in Northwood's Funds. In the past, however, placement agents have been used and there may be remaining

placement fees (“Placement Fees”) to be paid relative to those inactive arrangements. Any placement fees will be borne by the Funds. Placement Fees will, however, reduce the Management Fee otherwise payable by the Funds on a dollar-for-dollar basis.

Placement Fees will be equal to a proportion of certain Capital Commitments. Specifics of the Placement Fee are fully explained in the Funds’ offering documents and can be further described upon request.

## **Item 15: Custody**

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

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

To comply with the reporting requirements of Rule 206(4)-2 and to provide meaningful protection to investors, each Fund is subject to an annual audit by an independent, PCAOB-registered public accountant. Northwood distributes GAAP-compliant audited financial statements to its investors within 90 days of the end of its fiscal year. To date, Northwood has never had a qualified opinion to its audits or had a restatement of its financial statements.

Depending on the terms with owners of Separate Accounts, Northwood may or may not have custody. Issues of custody will be determined and memorialized in the documents establishing the advisory relationship.

## **Item 16: Investment Discretion**

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

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

## **Item 17: Voting Client Securities**

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

## **Item 18: Financial Information**

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